Mount Gibson Iron

2018 **Annual Report**

Mount Gibson Iron

Mount Gibson Iron Limited is an established Australian producer and exporter of iron ore. The Company was incorporated in 1996 and was listed on the Australian Securities Exchange in 2002.

Headquartered in Perth, Mount Gibson owns the Extension Hill/Iron Hill operations in the Mount Gibson Range south east of Geraldton in Western Australia, and the high grade Koolan Island mine off the Kimberley coast in the remote north-west of the State.

The Company seeks to provide sustainable, long-term returns to shareholders by optimising its existing operations and growing long-term profitability through the discovery, development, participation in and acquisition of mineral resources.

Our MGX Values provide us with a behavioural guide on how to sustainably deliver shareholder value. It includes always putting the health and safety of our people first, working together with the communities in which we operate, and undertaking our activities in an environmentally responsible and sustainable manner.

MGX Values

COURAGE	INTEGRITY	SAFETY	AGILITY	RESPECT
Taking and giving feedback	Do what you say you will do	Genuine care for self and others	Make timely decisions	Be approachable and open to other points of view
Be prepared to admit being wrong	Do the right thing, even when no one is looking	Constant concern (hazard identification)	Be dynamic and embrace change	Treat others as you would expect to be treated
Challenge the norm constructively	“walk the talk”	Actively intervene to improve	Grab the opportunity	Encourage and develop people
Make the hard calls				

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2017/18 Performance Summary

- Strong safety performance, recording no Lost Time Injuries and a Total Recordable Injury Frequency Rate (TRIFR) of 5.6 (incidents per million manhours).
- Total sales revenue of $192 million Free on Board on ore sales of 3.6 million tonnes.
- Gross profit before tax from continuing operations of $48.7 million.
- Net profit after tax of $99.1 million.
- Year-end cash, term deposits and liquid investments of $457.5 million.
- All-in group cash costs* of $45/wmt FOB.
- Fully franked final dividend of 3.0 cents per share.
- Net assets increased to $496.8 million at 30 June 2018, from $419 million the prior year.
- Underlying operating cashflow of $34.9 million from Mid West operations, with Mid West sales on track to conclude in early 2019.
- High Grade Koolan Island Ore Reserves increased to 21Mt @ 65.5% Fe.
- Koolan Island Restart Project on track to commence ore sales in March 2019 Quarter, becoming Australia's highest grade DSO hematite mine.

**All-in group cash costs are reported FOB and include all operating, capital, royalties and corporate costs excluding development capital related to the Koolan Island Restart Project.*

Chairman's Report

It is with pleasure that I present to you Mount Gibson Iron's 2018 Annual Report.

It was satisfying to report further improvement in profitability by our core operating business during the year, especially given the heavy discounts applied to lower and medium grade ores. Our net profit after tax totalled $99.1 million in 2017/18, representing a significant improvement on the total $26.3 million net profit reported for the prior year. The full year total comprised a net profit from continuing operations of $34.8 million and $64.3 million from the business interruption insurance proceeds received early in the financial year.

Our financial result reflected the Company's continued focus on cost reduction and financial discipline. Consequently, our cash and liquid investments rose by $10 million to $457.5 million at the end of June, even after investing $81.7 million to progress work on our high grade Koolan Island Restart Project.

The Company also achieved several milestones which have added value to our business.

Our focus on cost and efficiency enabled us to generate cashflow, totalling $34.9 million, from our Mid West business despite the very significant price discounts being applied to lower and medium grade ores. Mining at Iron Hill is on track to end later this year, with last ore sales expected in early 2019, drawing the curtain on our Mid West business after 15 successful years.

Our high-grade Koolan Island Restart Project also progressed on track with our schedule to achieve first ore sales in the March Quarter of 2019. This progress enabled us to complete the critical impermeable seepage barrier just after the end of the financial year, after which we commenced dewatering Main Pit.

In addition, in April 2018 the Company announced high grade Ore Reserves at Koolan Island had been increased by almost two thirds to 21 Million tonnes grading 65.5% Fe. This has added material value to the project by significantly extending its life at a time of growing demand and increasing price premiums for high grade ores. This is important, given Koolan Island will be the highest grade hematite mine in Australia.

The Company is now positioned to deliver on the Board's objective of creating long term value through investment in exploration, development, and efficient operational extraction of mineral resources. Looking to the year ahead, the Board has determined the following key business objectives for the 2018/19 financial year.

- **Mid-West operations** – continue to mine the final stages of the Iron Hill deposit while optimising production rates and controlling costs, to maximise margins and prepare the site for its ultimate closure in early 2019.
- **Koolan Island** – successfully rebuild the Main Pit seawall, dewater the pit and commence commercial production, with initial ore sales anticipated in the March 2019 quarter.
- **Cost reductions** - continue to drive for sustainable cost improvements across the existing business.
- **Treasury returns** - maintain the increased yield on the Group's cash and investment reserves while seeking opportunities for further improvement.
- **Growth projects** - continuation of the search for acquisition opportunities in the resources sector.

By focusing on these priorities, we are confident that Mount Gibson can continue to navigate fluid market conditions and capitalise on our financial strength to deliver strong long term returns for our shareholders.

Our financial strength also enables us to look to the future with optimism and confidence, particularly as our business transitions from the Mid West to our high grade Koolan Island mine in the Kimberley.

In light of these factors, and the strong underlying performance by our existing business in 2017/18, the Board was pleased to declare a fully franked final dividend of 3.0 cents per share for the year. On payment, Mount Gibson will have distributed approximately $229 million in fully franked dividends since late 2011, whilst retaining substantial capital for reinvestment in our existing business and new resources opportunities.

In summary, I would like to thank my fellow Directors and the employees of Mount Gibson for their contributions and dedication over the year. I look forward to reporting another successful year in 2019.

I would also like to acknowledge the contribution of CEO Jim Beyer, who recently departed Mount Gibson to take on a new challenge, and congratulate Peter Kerr on his appointment as Mr Beyer's successor.

Lee Seng Hui
Chairman

Chief Executive Officer's Report

Mount Gibson's performance in 2017/18, from a safety, operating and financial perspective, was very satisfying in a year of further operational transition and diverging market conditions for premium and lesser quality iron ore products.

The safety of our people remains our absolute priority, so it is of credit to our workforce that Mount Gibson was once more able to report no Lost Time Injuries (LTI) for the 2017/18 year, after having recorded its first LTI in almost three years during the prior financial year.

It is however disappointing that the Total Recordable Injury Rate (TRIFR) increased slightly to 5.6 incidents per million manhours in the period, up from 5.3 the previous year, ending five consecutive years of improvement. This in part reflected increased manpower and complexity associated with seawall construction activity at Koolan Island, but nonetheless provides a timely reminder that safety can never be taken for granted, and that we must continually seek to improve our safety performance.

Our financial and operating performance was also very satisfying in the conditions. The Company generated an improved gross profit from continuing operations of $48.7 million. Sales tonnage increased 12.5% to 3.6 million tonnes, while sales revenue increased 14% to $196.5 million Free on Board (FOB).

Mount Gibson also continued to demonstrate its ability to manage costs, achieving a further reduction in all-in group cash costs to $45/wmt, compared with $52/wmt in the prior year, which underpinned our healthy operating cashflow.

The Iron Hill mine delivered a strong performance in line with plan, and mining is on track for completion in late 2018. Ore sales are scheduled to conclude in early 2019, after which our Mid West operations will transition to closure.

Additionally, we have earned the right to generate ongoing income from the region by fulfilling our contracted life of mine rail volumes from Extension Hill during the year. This right will commence on completion of our current rail contract, and represents a partial refund of historical rail access charges paid by Mount Gibson, capped at $35 million, conditional upon the rate of certain third party rail volumes on the Perenjori-Geraldton railway.

As has been noted, a key focus in the year was on progressing our high-grade Koolan Island Restart Project, which will underpin our business well into the next decade. It is therefore very pleasing to have completed seawall construction and commenced dewatering, whilst also significantly increasing the Ore Reserves and value of the Project. Cash expenditure in the year totalled $81.7 million and $89 million from commencement, in line with forecast, representing about half the projected peak cash draw prior to cashflow of $175 million.

Importantly, we remain on track to achieve first sales by the end of the March Quarter of 2019, enabling us to capitalise on the structural change in pricing and demand in favour of higher grade, premium quality products. At even our very conservative price and premium assumptions, Koolan Island represents a highly compelling value proposition due to its extremely high quality ore and attractive cost profile.

The Koolan Island project also complements our continuing efforts to utilise our healthy balance sheet and substantial cash to grow and diversify our business through quality resources development opportunities outside of iron ore. We therefore enter the new financial year in excellent shape and with confidence of continuing to deliver value for shareholders.

I would like to take this opportunity to thank the Chairman and the Board for their ongoing support, guidance and counsel. Their input is greatly valued and is certainly of assistance as we seek to achieve the best possible outcome for our shareholders.

As the newly appointed CEO, on behalf of the Mount Gibson team, I would also like to offer my sincere thanks and best wishes to my predecessor Jim Beyer, who led Mount Gibson with distinction for almost seven years before taking up a new opportunity in October 2018. His contribution has been fundamental to our success over that period and I am honoured to be appointed to lead Mount Gibson in the next exciting stage of its evolution.

Finally, I thank all of Mount Gibson's hard working employees and contractors for their efforts and commitment. I am proud of what the team has achieved and look forward to the year ahead.

Peter Kerr
Chief Executive Officer*

*Mr Kerr commenced as CEO on 1 October 2018.

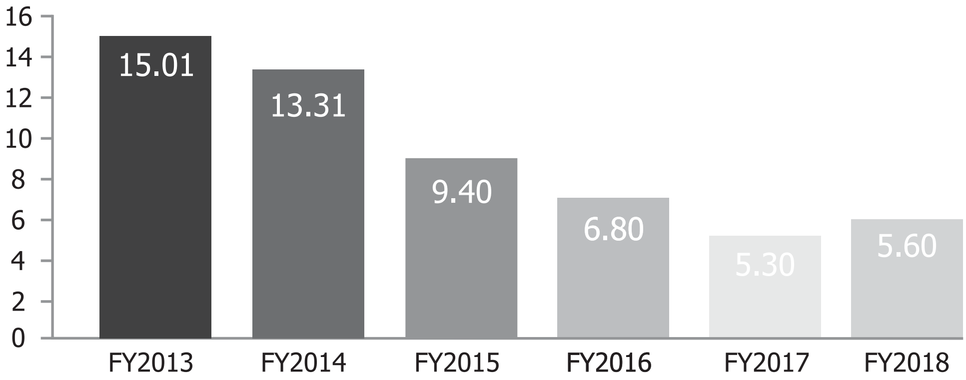
Health and Safety

Mount Gibson's ongoing commitment to maintaining a safe work environment and taking responsibility for the safety of ourselves and our colleagues remains a primary focus, with the Company committed to achieving continuous improvement in every facet of its safety performance.

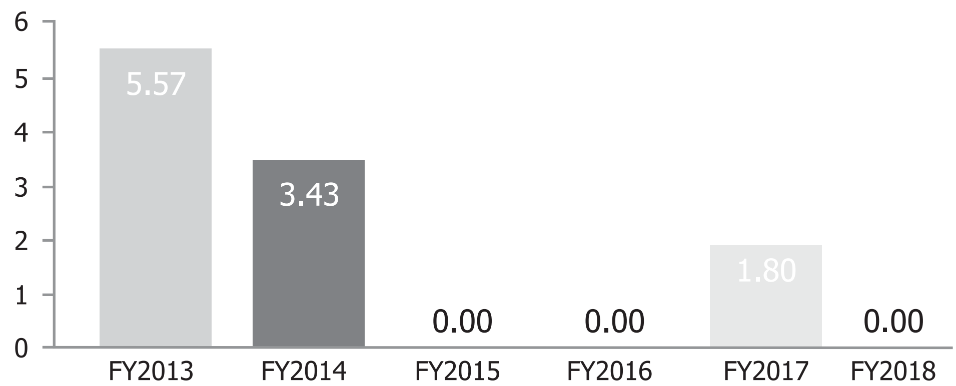
The Company was pleased to once again achieve 12 months without a Lost Time Injury (LTI), having in the previous year recorded its first LTI in almost three years. The Total Recordable Injury Frequency Rate (TRIFR) increased slightly to 5.6 incidents per million manhours, from 5.3 in the prior year, but has declined significantly over the least six years.

For details of the Company's safety performance, including statistics for each site, please refer to Mount Gibson Iron's 2018 Sustainability Report, published on the Mount Gibson website.

TRIFR



LTIFR



**LTIFR and TRIFR each represent incidents per million manhours*

Operational Review

During 2017/18, Mount Gibson achieved total ore sales of 3.6 million wet metric tonnes (Mwmt), representing a 12.5% increase from the previous year, reflecting increased production from the Iron Hill mine in the Mid West. A more detailed summary is contained in the Directors Report.

KOOLAN ISLAND

Koolan Island is located approximately 140km north of Derby, in the Kimberley region of Western Australia.

Following approval for the restart of the Koolan Island operation in May 2017, construction activity commenced during the first half of the 2017/18 financial year. The seawall starter embankment was completed in the September 2017 quarter, after which work focused on installation of drains and monitoring instrumentation, and the construction of the impermeable cement seepage barrier. Construction of the impermeable barrier was completed subsequent to the end of the year in mid July 2018. Footwall refurbishment activities commenced in July, followed by the start of pit dewatering.

The Project remains on track to achieve targeted first ore sales in the March 2019 quarter. Ore sales from Koolan Island are expected to total between 0.7 and 1.0 Mwmt in 2018/19.

During the year the Company announced that Ore Reserves at Koolan Island had been increased by 64% to 21.0 Mt grading 65.5% Fe. This upgrade increased the expected mine life to over 5 years, compared with the original life of 3.5 years, and followed geotechnical evaluation to confirm a viable method to safely access approximately 8 Mt of high grade iron ore at the eastern end of Main Pit. The selected option involves building a ramp to access and remove a 10-15 metres wide bench of relatively unstable rock stretching approximately 400 metres along the footwall at the eastern end of the Main Pit.

The upgraded life-of-mine plan includes the purchase of one additional excavator and the hire of four additional haul trucks. Peak cash draw continues to be estimated at up to approximately $175 million. As at 30 June 2018, approximately $89 million had been invested in the Koolan Island Restart Project since the commencement of work in May 2017.

MID WEST OPERATIONS - EXTENSION HILL/IRON HILL

The Mid West Operations comprise the Extension Hill mine and adjacent Iron Hill Deposit are located in the Mount Gibson Ranges, 85km east of Perenjori and 260km east south east of Geraldton in the Mid-West region of Western Australia. Ore is mined, crushed and screened on-site, transported by sealed road 85km to Perenjori, where it is loaded onto rail wagons and railed 240km to the Geraldton Port.

Mining commenced at Extension Hill in the 2011/12 financial year and was completed in late 2016. Mining operations transitioned to the nearby Iron Hill deposit in early 2017, and first sales were achieved in June 2017.

The operations recorded another sound operational performance in the year. Shipments from Geraldton Port totalled 3.6 Mwmt, comprising 1.6 Mwmt of DSO lump, 1.6 Mwmt of Direct Ship Ore (DSO) fines and 0.4 Mwmt of low grade lump material from stockpiles at Extension Hill.

The Mid West operations generated earnings before interest and tax of $36.5 million reflecting the successful ramp-up of mining in the Iron Hill open pit in the first half of the year, and the ongoing focus on cost control and efficiency improvements.

Mining in the Iron Hill open pit is scheduled to be completed in late 2018, following which the site will process, transport and export the remaining ore stockpiles, with final shipments expected in the March 2019 quarter. The site and Mid-West logistics workforce will be reduced over this time and the site ultimately placed into closure mode. Total ore sales from the Mid West are forecast to be between 2.0 and 2.3 million tonnes in 2018/19. Early site rehabilitation activities will also be undertaken where use of the existing workforce and site equipment is justified. Total closure and rehabilitation costs are provisioned at approximately $15 million, of which approximately $8 million is expected to be spent during 2018/19.

Following achievement of a contractual rail volume threshold at Extension Hill during the year, the Company earned the right to receive a partial refund of historical rail access charges from Arc Infrastructure, based upon future third party mining volumes on the Perenjori-Geraldton railway line. This entitlement commences on completion of the Company's existing rail agreements, expected to occur in 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.

Environment and Community

The key elements of health and safety, environment and community affairs form the basis for Mount Gibson's drive towards sustainable outcomes.

Sustainability refers to the conditions under which humans and nature can coexist in a productive manner and permit the environmental, social and economic requirements of present and future generations.

The social perspective has also had significant focus over the 2017/18 year. This includes always putting the health, safety and wellbeing of our people first.

ENVIRONMENT

Mount Gibson has placed significant emphasis on environmental management at its operations over the past year. From an environmental perspective, Mount Gibson has focused strongly on continuous improvement and innovation, always performing in an environmentally responsible manner and ensuring a high standard of environmental management at all of its locations.

Environmental reporting is a significant element of environmental management with many regulatory organisations requiring quarterly or annual reports. These include the federal Department of the Environment, the state Environmental Protection Authority, the Department of Environmental Regulation and the Department of Mines, Industry Regulation and Safety.

A key reporting obligation is the National Energy and Greenhouse Reporting Scheme which provides data on greenhouse gas emissions and energy production. The latest report reflects the ramp-up to full production at Iron Hill and increased activity associated with the Koolan Island Restart Project, including seawall construction works.

The Group holds various environmental licences and authorities, issued under both State and Federal law, to regulate its mining and exploration activities in Australia. There were no material breaches of the Group's licences, permits and approvals during the period.

For details of the Company's environmental performance, including information relating to each site, please refer to Mount Gibson Iron's 2018 Sustainability Report, published on the Mount Gibson website.

COMMUNITY AFFAIRS

Mount Gibson values its relationship with key stakeholders and works to ensure a clear mutual understanding of its impacts from current and future operations. To do this, the company has an ongoing program of stakeholder consultation working together with the general communities in which we operate with an additional emphasis on the recognition of the traditional owners at our locations and areas of special heritage and cultural significance.

Mount Gibson's stakeholders include our customers, shareholders, employees, suppliers, landowners, traditional owners, regulators, local governments, interest groups and the broader community. The level of consultation is dependent on the interest noted by stakeholders and the proximity of a site to closure.

Investing in the creativity, education and health of our local communities is an important component of Mount Gibson's community engagement program. In line with our commitments the Company invested heavily in these areas and in the last 12 months provided approximately $440,000 in direct contributions to community organisations and projects, compared with approximately $460,000 in the prior year.

For details of Mount Gibson Iron's community investment activities and engagement with communities and stakeholders, including total expenditure and information relating to each site, please refer to Mount Gibson Iron's 2018 Sustainability Report, published on the Mount Gibson website.

Resources and Reserves

Total Mineral Resources and Ore Reserves by Project as at 30 June 2018

Koolan Island	Tonnes millions	Fe %	SiO_2 %	Al_2O_3 %	P %
Mineral Resources, above 50% Fe					
Measured	3.71	60.2	13.29	0.30	0.007
Indicated	38.23	65.1	5.48	0.65	0.013
Inferred	9.97	60.6	12.21	0.59	0.013
Total at 30 June 2018	**51.91**	**63.9**	**7.33**	**0.62**	**0.013**
Total at 30 June 2017	*60.51*	*63.0*	*8.38*	*0.82*	*0.015*
Ore Reserves, above 50% Fe					
Proved	0.1	63.4	7.25	1.11	0.013
Probable	20.9	65.5	4.53	0.88	0.012
Total at 30 June 2018	**21.0**	**65.5**	**4.58**	**0.89**	**0.012**
Total at 30 June 2017	12.82	66.02	3.71	0.93	0.009
Extension Hill					
Mineral Resources, above 50% Fe					
Measured	1.27	55.3	9.16	2.76	0.077
Indicated	0.31	57.3	10.42	1.62	0.076
Inferred	0.20	56.6	10.49	1.66	0.055
Total at 30 June 2018	**1.79**	**55.8**	**9.53**	**2.44**	**0.074**
Total at 30 June 2017	*1.79*	*55.8*	*9.53*	*2.44*	*0.074*
Iron Hill					
Mineral Resources, above 50% Fe					
Measured	0.00	54.3	10.29	2.94	0.057
Indicated	3.63	56.3	12.85	1.53	0.073
Inferred	1.54	56.1	9.08	2.42	0.081
Total at 30 June 2018	**5.17**	**56.2**	**11.73**	**1.79**	**0.076**
Total at 30 June 2017	*8.07*	*58.3*	*8.71*	*1.62*	*0.068*
Tallering Peak					
Mineral Resources, above 50% Fe					
Measured	0.41	58.9	6.26	3.50	0.082
Indicated	1.03	58.1	11.70	1.66	0.066
Inferred	0.20	54.7	17.89	1.93	0.056
Total at 30 June 2018	**1.65**	**57.9**	**11.10**	**2.15**	**0.069**
Total at 30 June 2017	*1.65*	*57.9*	*11.10*	*2.15*	*0.069*

Resources and Reserves *Continued*

Shine	Tonnes millions	Fe %	SiO %	Al O %	P %
Mineral Resources, above 50% Fe					
Measured	5.73	58.9	9.04	1.81	0.076
Indicated	6.57	58.0	10.01	1.35	0.070
Inferred	3.59	56.8	9.61	1.18	0.063
Total at 30 June 2018	**15.89**	**58.1**	**9.57**	**1.48**	**0.071**
Total at 30 June 2017	*15.89*	*58.1*	*9.57*	*1.48*	*0.071*
Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves. All tonnages have been estimated as dry tonnages.					

Total Group Mineral Resources and Ore Reserves as at 30 June 2018 (above 50% Fe)

	Tonnes millions	Fe %	SiO %	Al O %	P %
Total Mineral Resources at 30 June 2018	**76.4**	**61.8**	**8.23**	**0.95**	**0.032**
Total Ore Reserves at 30 June 2018	**21.0**	**65.5**	**4.58**	**0.89**	**0.012**
Total Mineral Resources at 30 June 2017	*87.9*	*61.4*	*8.70*	*1 .07*	*0.032*
Total Ore Reserves at 30 June 2017	*12.82*	*66.02*	*3.71*	*0.93*	*0.009*
Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves. All tonnages have been estimated as dry tonnages.					

Material Change

The significant changes to occur in the annual reporting period, other than depletion by mining at Iron Hill, was an increase in total Ore Reserves at the Koolan Island Operation to a total of 21.0Mt @ 65.5% Fe (30 June 2017: 12.8Mt @ 66% Fe) due to the successful completion of evaluation of the technical and financial viability of accessing additional high grade Mineral Resources at the eastern end of Main Pit. Full details of the increase were announced on 20 April 2018. As part of the Koolan Island Restart Project, total Koolan Island Mineral Resources were reduced to 51.9Mt @ 63.9% Fe, from 60.5Mt @ 63.0% Fe previously, to reflect in pit waste dumping which sterilised remnant resources at the Eastern Barramundi, Barramundi West and Mullet-Acacia deposits. The Koolan Island Restart Project is on track to commence ore sales in the March quarter of 2019.

Competent Persons and Responsibilities

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 a member of the Australian Institute of Geoscientists. Ms Haren was previously a full-time employee of, and is now 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 at Koolan Island is based on information compiled by Brett Morey, a Competent Person who is 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.

Refer to the Company's 2018 Annual Statement of Mineral Resources and Ore Reserves for more information.

Financial Report

Mount Gibson Iron

MOUNT GIBSON IRON LIMITED AND CONTROLLED ENTITIES
ABN 87 008 670 817

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2018

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Directors' Report

Your Directors submit their report for the year ended 30 June 2018 for Mount Gibson Iron Limited ("**Company**" or "**Mount Gibson**") and the consolidated entity incorporating the entities that it controlled during the financial year ("**Group**").

DIRECTORS

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

Names, Qualifications, Experience and Special Responsibilities

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

Mr Lee was appointed as a Non-Executive Director on 29 January 2010, Non-Executive Deputy Chairman on 14 December 2012, and Chairman on 18 February 2014. Mr Lee graduated with Honours from the University of Sydney Law School. Mr Lee is the Chief Executive and an Executive Director of Allied Group Limited and Allied Properties (H.K.) Limited both of which are listed on the Hong Kong Stock Exchange. He is also the Chairman and a Non-Executive Director of Tian An China Investments Company Limited, and a Non-Executive Director of APAC Resources Limited, one of Mount Gibson's substantial shareholders.

Alan Jones CA
Independent Non-Executive Director

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

Li Shaofeng B.Automation
Non-Executive Director

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

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

Mr Barwick was appointed as an Independent Non-Executive Director on 16 November 2011 and is Chairman of the Operational Risk and Sustainability Committee. Mr Barwick is a mining engineer with 44 years of technical, operational, managerial and corporate experience in international mining companies covering various commodities. He has worked for Bougainville Copper Limited (CRA), Pancontinental Mining Ltd (Jabiluka Uranium) and CSR Limited (coal). He spent 17 years with Placer Dome Asia Pacific in key development, operational and corporate roles in numerous countries culminating in his appointment as Managing Director of Placer Niugini Ltd. He then served as Managing Director of Newcrest Mining Limited (2000 to 2001). For the four years to the end of 2006, Mr Barwick was the Chief Operating Officer of Wheaton River Minerals Ltd and Goldcorp Inc., based in Vancouver, Canada. He was subsequently the Chief Executive Officer of Canada-based Gammon Gold Inc. before returning to Australia in 2008. He is currently the Chairman of Red Metal Ltd and a Non-Executive Director of Lithium Power International Limited.

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

Mr Bird was appointed as an Independent Non-Executive Director on 23 February 2012. Mr Bird is the Lead Independent Director and Chairman of the Audit and Financial Risk Management Committee. Mr Bird has over 30 years of international corporate experience, including holding the positions of General Manager Finance at Stockland Limited, Chief Financial Officer of GrainCorp Limited, and Chief Financial Officer of Wizard Mortgage Corporation. He was also Chief Executive Officer of ASX-listed King Island Scheelite Limited, a former Managing Director of ASX-listed Sovereign Gold Limited, a former Chairman of ASX-listed Rawson Resources Limited and a former Director of CPA Australia Limited. Mr Bird is currently a director of ASX-listed company Pacific American Coal Limited.

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

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

Kin Chan (resigned 5 January 2018)
Independent Non-Executive Director

Mr Chan was appointed a director on 22 September 2016 and subsequently retired as a director on 5 January 2018. Mr Chan has more than 25 years' experience in international capital markets, investment banking, corporate advisory and major transactions, particularly in Asia. He is the founding shareholder of successful Hong Kong-based investment institution Argyle Street Management Limited (Argyle), and has been the Chief Investment Officer since inception in 2002. Mr Chan is also the Chairman of TIH Limited and Non-Independent Non-Executive Director of OUE Limited, both listed in Singapore. Through Argyle, Mr Chan has invested in mines in Asia and Australia and most recently has had a central role in the acquisition and planned recapitalisation of PT Berau Coal, a major Indonesian mining interest. Prior to founding Argyle, Mr Chan was Chief Executive and Managing Director of Lazard Asia Limited from 2000 to 2001 and managed the firm's advisory business in Asia outside of Japan. Prior to joining Lazard, Mr Chan was an Executive Director at Goldman, Sachs & Co. where he worked in Hong Kong, New York and Singapore from 1992 to 1999. Mr Chan holds an A.B. degree from Princeton University and an MBA degree from the Wharton School of the University of Pennsylvania where he was a Palmer Scholar.

Andrew Ferguson
Alternate Director to Lee Seng Hui

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

COMPANY SECRETARY

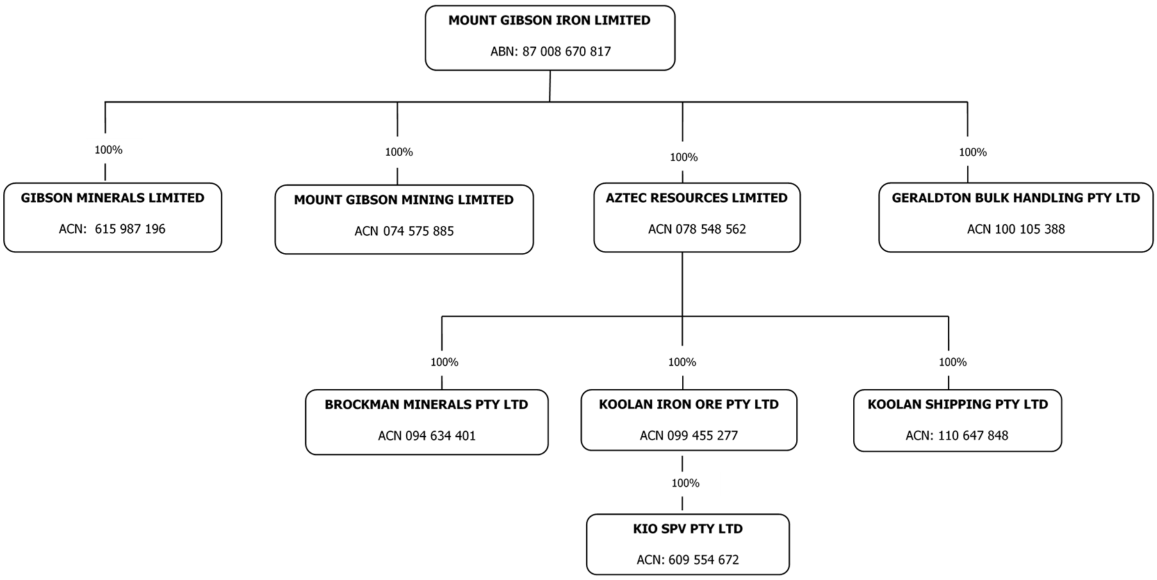
David Stokes B.Bus, LLB, ACIS
Company Secretary & General Counsel

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

CORPORATE INFORMATION

Corporate Structure

Mount Gibson is a company limited by shares that is incorporated and domiciled in Australia. It is the ultimate parent entity and has prepared a consolidated financial report incorporating the entities that it controlled during the financial year. The structure of the Group as at 30 June 2018 was as follows:



Nature of Operations and Principal Activities

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

- mining of hematite iron ore in the Iron Hill deposit 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;
- reconstruction of the Koolan Island Main Pit seawall, in the Kimberley region of Western Australia, with ore sales targeted to resume in early 2019;
- treasury management; and
- the pursuit of mineral resources acquisitions and investments.

Employees

The Group employed 163 employees (excluding contractors) as at 30 June 2018 (2017: 168 employees).

OPERATING AND FINANCIAL REVIEW

Introduction

The Board presents the 2017/18 Operating and Financial Review which has been prepared to provide shareholders with a clear and concise overview of Mount Gibson's operations, financial position, business strategies and prospects. This review also provides a summary of the impact of key events which occurred in 2017/18 and the material business risks so that shareholders can make an informed assessment of the results and prospects of the Group.

The review complements Mount Gibson's financial statements for the year ended 30 June 2018 and has been prepared in accordance with Regulatory Guidance 247 published by the Australian Securities and Investments Commission ("**ASIC**").

Overview of the 2017/18 Financial Year

The Group's financial performance for the year ended 30 June 2018 was steady reflecting the ramp-up of mining in the Iron Hill deposit at Extension Hill, expenditure on the high grade Koolan Island Restart Project, including an expansion of the declared Ore Reserve estimate and completion of the seawall and seepage barrier, and continued management of the Group's treasury reserves. The Group recorded a net profit after tax of $99,129,000 comprising underlying earnings of $34,842,000 plus proceeds from the settlement of the Koolan Island business interruption insurance claim of $64,287,000.

At the beginning of the year, the Platts Index for delivery of 62% Fe iron ore fines to northern China was approximately US$65 per dry metric tonne ("**dmt**") and, after trading within a band of US$58-80/dmt, including a strong March 2018 quarter, finished the year slightly lower at US$64/dmt. The average for the full year was US$69/dmt. Over the year, the A$/US$ exchange rate traded between A$1.00/US$0.735 and US$0.81, with an average of US$0.775. However, although the high grade benchmark iron ore price (for 62% Fe fines material) remained at solid levels, in both US$ and A$ terms, market prices for lower and medium grade iron ore were adversely impacted by significantly increased discounts against the Platts 62% Fe benchmark index, a situation which many commentators now believe is a permanent structural change to global iron ore pricing.

Group ore sales for the year totalled 3.6 million wet metric tonnes ("**Mwmt**") and sales revenue totalled $250,341,000 ($192,675,000 net of shipping freight) from sales of high grade Iron Hill ore and stockpiled low grade Extension Hill material, plus $3,788,000 of realised foreign exchange and commodity hedging gains. Mount Gibson achieved an average realised price for standard iron ore fines product for the year of US$30/dmt Free On Board ("**FOB**") after grade and provisional pricing adjustments and penalties for impurities, compared with an average of US$44/dmt in the 2016/17 financial year. The weighted average realised price received (including realised foreign exchange and commodity hedging gains) for all products sold, including low grade products, was $54/wmt FOB in the year compared with $55/wmt FOB in the 2016/17 financial year.

Total cash reserves, comprising cash and cash equivalents, term deposits and subordinated notes, and financial assets held for trading, increased by $10,755,000 over the year to a total of $457,534,000 as at 30 June 2018. The cashflow movement was primarily attributable to settlement of the Koolan seawall business interruption insurance claim, operating cashflows from the Mid-West business, expenditure on the rebuild of the Koolan Main Pit seawall, and payment of a final dividend for the 2016/17 financial year.

Operating Results for the Financial Year

The summarised operating results for the Group for the year ended 30 June 2018 are tabulated below:

Year ended:		30 June 2018*	30 June 2017*	30 June 2016*	30 June 2015*	30 June 2014
Net profit/(loss) before tax	*$'000*	**99,129**	**24,841**	**85,536**	**(1,008,505)**	**163,698**
Taxation benefit/(expense)	*$'000*	-	1,481	761	97,083	(67,345)
Net profit/(loss) after tax	*$'000*	**99,129**	**26,322**	**86,297**	**(911,422)**	**96,353**
Earnings/(loss) per share	*cents/share*	9.08	2.41	7.91	(83.56)	8.84

* The figures for net profit/(loss) before tax and taxation benefit/(expense) for the years ended 30 June 2018, 2017, 2016 and 2015 are shown inclusive of discontinued operations. Refer the attached financial statements for further details.

Consolidated quarterly operating and sales statistics for the 2017/18 financial year are tabulated below:

Consolidated Group	Unit	Sept Quarter 2017	Dec Quarter 2017	Mar Quarter 2018	Jun Quarter 2018	2017/18	2016/17
Mining & Crushing							
Total waste mined	*kwmt*	420	514	397	327	**1,659**	**658**
Total ore mined#	*kwmt*	1,104	1,112	994	875	**4,085**	**1,899**
Total ore crushed	*kwmt*	821	742	953	992	**3,507**	**3,292**
Shipping/Sales							
Standard DSO Lump	*kwmt*	294	481	492	361	**1,627**	**1,259**
Standard DSO Fines	*kwmt*	366	300	426	485	**1,576**	**766**
Low Grade DSO	*kwmt*	181	60	59	118	**419**	**1,142**
Total	*kwmt*	841	841	977	963	**3,622**	**3,167**
Ave. Platts 62% Fe CFR northern China price	*US$/dmt*	**71**	**66**	**74**	**65**	**69**	**70**
MGX Free on Board (FOB) average realised fines price^	*US$/dmt*	**34**	**24**	**35**	**26**	**30**	**44**

kwmt = thousand wet metric tonnes

US$/dmt = USD per dry metric tonne

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

^ Reflects the realised fines price for standard DSO fines ore only, after adjustments for shipping freight, grade, provisional invoicing adjustments and penalties for impurities.

Minor discrepancies may appear due to rounding.

Mid-West Operations - Extension Hill/Iron Hill

The Extension Hill mine and adjacent Iron Hill Deposit are located in the Mount Gibson Ranges, 85km east of Perenjori and 260km east south east of Geraldton in the Mid-West region of Western Australia. Ore is mined, crushed and screened on-site, transported by sealed road 85km to Perenjori, where it is loaded onto rail wagons and railed 240km to the Geraldton Port. Mining commenced at Extension Hill in the 2011/12 financial year.

The Extension Hill mine achieved another sound operational performance in the year. Shipments from Geraldton Port totalled 3,622,000 wmt, comprising 1,627,000 wmt of lump ore, 1,576,000 wmt of fines ore and 419,000 wmt of low grade lump material from existing Extension Hill stockpiles. Shipments were stronger in the second half, reflecting the adverse impact of customer defaults in the first half.

The mine generated earnings before interest and tax of $36,527,000 reflecting the successful ramp-up of mining in the Iron Hill open pit in the first half of the year, and the ongoing focus on cost control and efficiency improvements.

Extension Hill's cost of sales for the year was $44/wmt FOB compared with the average for the 2016/17 financial year of $47/wmt FOB.

At the end of the year, approximately 60,000 wmt of crushed high grade product was stockpiled at the mine. Stockpiles of uncrushed high grade Iron Hill material totalled 254,000 wmt and stockpiles of uncrushed lower grade material totalled 2.9 Mwmt grading 50-55% Fe. Crushed ore stockpiles at the Perenjori rail siding totalled approximately 190,000 wmt of high grade ore.

The average grade of Iron Hill lump ore sold during the year was 61.0% Fe, and the average grade of the fines ore was 59.6% Fe.

Production and shipping statistics for Extension Hill for the 2017/18 financial year are tabulated below:

Extension Hill **Production Summary**	**Unit**	**Sept Quarter 2017 '000**	**Dec Quarter 2017 '000**	**Mar Quarter 2018 '000**	**Jun Quarter 2018 '000**	**Year 2017/18 '000**	**Year 2016/17 '000**	***% Incr/ (Decr)***
Mining								
Waste mined*	*wmt*	420	514	397	327	**1,659**	**658**	*152*
Standard Ore mined	*wmt*	879	961	898	746	**3,484**	**1,508**	*131*
Low Grade Ore mined*	*wmt*	225	151	97	129	**601**	**391**	*54*
Total Ore Mined	*wmt*	**1,104**	**1,112**	**994**	**875**	**4,085**	**1,899**	*115*
Crushing								
Lump	*wmt*	449	386	543	497	**1,874**	**1,978**	*(5)*
Fines	*wmt*	372	356	410	495	**1,633**	**1,313**	*24*
		821	**742**	**953**	**992**	**3,507**	**3,292**	*7*
Transported to Perenjori Railhead								
Lump	*wmt*	440	392	546	489	**1,867**	**1,981**	*(6)*
Fines	*wmt*	339	350	407	526	**1,622**	**822**	*97*
		779	**742**	**953**	**1,015**	**3,489**	**2,803**	*24*
Transported to Geraldton Port								
Lump (Rail)	*wmt*	464	515	619	460	**2,058**	**1,939**	*6*
Fines (Rail)	*wmt*	287	371	361	563	**1,582**	**801**	*97*
		751	**886**	**980**	**1,023**	**3,640**	**2,740**	*33*
Shipping								
Lump	*wmt*	294	481	492	361	**1,627**	**1,259**	*29*
Fines	*wmt*	366	300	426	485	**1,576**	**766**	*106*
Low Grade Lump	*wmt*	181	60	59	118	**419**	**726**	*(42)*
		841	**841**	**977**	**963**	**3,622**	**2,751**	*32*

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

Minor discrepancies may appear due to rounding.

Koolan Island

Following approval for the restart of the Koolan Island operation in May 2017, construction activity commenced during the first half of the 2017/18 financial year. After successful completion of the starter embankment of the Main Pit seawall in the September quarter, activity focused on installation of vertical drains and in-ground monitoring instrumentation, as well as construction of the seepage barrier. Activity in the second half of the year was focused on completion of the seepage barrier and preparations for footwall refurbishment and dewatering. The seepage barrier was successfully completed shortly after year end, in mid-July.

The Project remains on track to achieve targeted first ore sales in the March 2019 quarter.

During the year the Company also announced that Ore Reserves at Koolan Island had been increased by 64% to 21.0 million tonnes grading an average of 65.5% Fe. This upgrade has increased the expected mine life to over 5 years, compared with the original life of 3.5 years based on the initial Ore Reserves of 12.8 million tonnes grading 66.0% Fe. The Ore Reserves increase was the result of geotechnical evaluation to confirm a viable method to safely access approximately 8 million tonnes of high grade iron ore at the eastern end of Main Pit. The selected option involves building a ramp to mine out a 10-15 metres wide bench of relatively unstable rock stretching approximately 400 metres along the footwall at the eastern end of the Main Pit.

The upgraded life-of-mine plan includes the purchase of one additional excavator and the hire of four additional haul trucks to avoid any substantive delays to the start of sales. The extra equipment will also allow improvements in future mining rates and continuity. Peak cash draw continues to be estimated at up to approximately $175 million.

Expenditure (cash and non-cash) on the Koolan restart project in the year totalled $83,894,000 including various items of plant and equipment. Expenditure from inception in May 2017 to 30 June 2018 totals approximately $89 million.

Financial Position

The Group's cash and cash equivalents, term deposits and subordinated notes and financial assets held for trading totalled $457,534,000 at 30 June 2018, an increase of $10,755,000 from the balance at 30 June 2017 of $446,779,000.

The key components of the increase included underlying operating cashflows (net of corporate costs) of $34,940,000, settlement proceeds of $64,287,000 from the business interruption component of the Koolan Island insurance claim, interest income of $12,205,000, Koolan Island Restart Project expenditure (including plant and equipment) totalling $81,731,000, and payment of a $21,859,000 fully franked dividend to shareholders.

As at the balance date, the Company's current assets totalled $492,072,000 and its current liabilities totalled $52,278,000. As at the date of this report, the Group has sufficient funds in addition to access to further equity and debt funding to maintain its existing operations and to advance its exploration and growth objectives.

Derivatives

As at 30 June 2018, the Group held foreign exchange collar option contracts covering the conversion of US$12,000,000 into Australian dollars over the period July 2018 to October 2018 with an average cap price of A$1.00/US$0.7813 and an average floor price of A$1.00/US$0.7474. These collar contracts had a marked-to-market loss at balance date of $325,000.

During the year, the Group entered into forward sales contract covering six shipments totalling 330,000 tonnes of iron ore, with maturity dates spread over the period October 2017 to May 2018. The average price for 62% Fe fines (CFR) at each maturity date was between US$72 and US$75 per tonne, with each contract maturing for positive cash settlement proceeds.

Koolan Island Seawall Insurance Claim

In July 2017 the Company reached final agreement with 14 insurers, representing 92.5% of the Company's underwriting cover for the Koolan business interruption insurance cover, for a cash settlement of the business interruption component of the Koolan Island insurance claim for $64,287,000. Proceeds of the settlement were received in July 2017. Negotiations are continuing with one further insurer representing the remaining 7.5% of the Company's business interruption insurance cover.

This settlement takes total cash proceeds from Mount Gibson's insurance claim relating to the seawall failure to just over $150 million, including the $86 million cash settlement received for property damage in mid-2016.

Iron Hill Offtake Agreement

On 21 December 2017, the Company announced it had entered a second offtake agreement with SCIT Trading Limited ("SCIT"), a wholly-owned subsidiary of China's Shougang Concord International Enterprises Company Limited, for the sale of iron ore from Iron Hill. This second agreement was approved by Mount Gibson's shareholders on 23 March 2018.

The new offtake agreement increased the total production committed to SCIT, under both offtake contracts, to approximately 82% of available lump and 83% of fines ore up until 8 July 2018 when the first offtake agreement expired, and thereafter 75% of available lump and fines ore.

Terms of the new offtake agreement include market reflective pricing referenced to relevant S&P Global Platts pricing indices, and market-typical lump premium and impurity penalties, on a Cost and Freight (CFR) basis for delivery in China.

Extension Hill Rail Refund/Credit – Contingent Asset

Following achievement of a contractual rail volume threshold at Extension Hill during the year, the Group has a contingent asset in the form of an entitlement to receive a partial refund of historical rail access charges from Arc Infrastructure, based upon the future usage by certain third parties of specific segments of the Perenjori to Geraldton railway line. This entitlement commences upon termination of the Group's existing rail agreements – which is now expected to occur in 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.

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.

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

The Board's corporate objective is to grow the Company's cash reserves and continue to pursue an appropriate balance between the retention and utilisation of cash reserves for value-accretive investments. The Board has determined the following key business objectives for the 2018/19 financial year:

- **Extension Hill/Iron Hill** – continue to mine the final stages of the Iron Hill deposit while optimising production rates and controlling costs, to maximise margins and prepare the site for its ultimate closure in 2019.
- **Koolan Island** – successfully rebuild the Main Pit seawall, dewater the pit and commence commercial production, with initial ore sales anticipated in the March 2019 quarter.
- **Cost reductions** - continue to drive for sustainable cost improvements across the existing business.
- **Treasury returns** – maintain the increased yield on the Group's cash and investment reserves.
- **Growth projects** - continuation of the search for acquisition opportunities in the resources sector.

Extension Hill Outlook

Mining in the Iron Hill open pit at the Extension Hill mine site will continue to late 2018, following which the site will process, transport and export the remaining ore stockpiles, with final shipments expected in the March 2019 quarter. Opportunistic sales of existing stockpiles of low grade material will be undertaken if economically justified. The site and Mid-West logistics workforce will be reduced over this time and the site ultimately placed into closure mode. Early site rehabilitation activities will also be undertaken where use of the existing workforce and site equipment is justified.

Koolan Island Outlook

Following recent completion of the seepage barrier within the reconstructed Main Pit seawall, activity at Koolan Island is now focused on dewatering of the Main Pit, refurbishment of the footwall, and ramp-up to the recommencement of commercial production, with first ore sales targeted for the March 2019 quarter.

Based on the recently increased Ore Reserve estimate for the operation, to 21.0 million tonnes at an average grade of 65.5% Fe, the expected mine life has increased to over 5 years. The high grade and low impurities of the Koolan Island Main Pit ore mean that the operation will benefit from the substantial high grade premiums that exist in today's iron ore market. In order to reduce the risk of substantive delays to the start of ore sales, the upgraded life-of-mine plan includes the purchase of an additional excavator and the hire of four additional haul trucks which will also allow improvements in future mining rates and continuity. Peak cash draw for the restart project continues to be estimated at up to approximately $175 million.

Life of mine all-in cash costs are projected at $48/wmt FOB, including development capital expenditure and final closure costs, resulting in an estimated breakeven Platts 62% Fe price of US$40/dmt including capital and closure costs.

Group Sales Guidance and Cash Costs Guidance

Mount Gibson expects its annual sales for the 2018/19 financial year to be between 2.7 and 3.3 Mwmt of iron ore at an average all-in group cash cost of $52-57/wmt. All-in group cash costs are reported FOB and include cash operating expenditure, royalties, sustaining capital expenditure and corporate costs, and exclude Koolan Restart Project capital expenditure.

DIVIDENDS

During the year, a final dividend of $0.02 per share fully franked in respect of the 2016/17 financial year was paid in cash totalling $21,859,000.

On 14 August 2018, the Company declared a final dividend on ordinary shares in respect of the 2017/18 financial year of $0.03 per share fully franked, payable either in cash or in shares to eligible shareholders as part of the Company's Dividend Reinvestment Plan. The total amount of the dividend is $32,987,000. The dividend has not been provided for in the 30 June 2018 financial statements.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Other than the final dividend declared by the Company on 14 August 2018 noted above, as at the date of this report there are no significant events after balance date of the Company or of the Group that require adjustment of or disclosure in this report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

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

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

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

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

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

SHARE OPTIONS, PERFORMANCE RIGHTS AND RESTRICTED SHARES

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

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

There were no restricted shares issued during the year. There were 4,749,456 restricted shares on issue at balance date and, following an issue made after balance date, there are 7,747,807 restricted shares on issue as at the date of this report.

Refer to the Remuneration Report for further details of options, Performance Rights and restricted shares outstanding.

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

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

	Ordinary Shares	Options over Shares	Performance Rights over Shares
Lee Seng Hui[(i)]	-	-	-
A Jones	300,000	-	-
Li Shaofeng	-	-	-
R Barwick	-	-	-
S Bird	20,000	-	-
P Dougas	284,944	-	-
A Ferguson (Alternate for Mr Lee)	-	-	-

(i) For the purposes of Corporations Act Regulation 2M.3.03(1)-Item 18, Mr Lee does not have a disclosable shareholding. However, we note that for purposes of ASX Listing Rule 3.19A.2, Mr Lee has previously declared an indirect "relevant interest" in 353,043,237 ordinary shares in the Company through his association with Allied Group Limited, a substantial shareholder of the Company – refer ASX announcement dated 30 May 2018.

DIRECTORS' MEETINGS

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

	Directors' Meetings	Audit and Risk Management Committee Meetings	Nomination, Remuneration and Governance Committee	Operational Risk and Sustainability Committee	Contracts Committee
Number of Meetings Held	7	4	4	5	3
Lee Seng Hui	7	3	3	-	-
A Jones	7	4	4	-	-
Li Shaofeng	5	-	-	-	-
R Barwick	7	-	4	4	3
S Bird	7	4	-	4	3
P Dougas	7	-	-	5	3
K Chan (resigned 5 January 2018)	3	-	-	-	2
A Ferguson (Alt. for Mr Lee)	-	-	-	-	-

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

In addition, the Department of Environmental Regulation had granted approval and licensing of works to allow construction and operation of facilities on "prescribed" premises and the Department of Mines, Industry Regulation and Safety has granted approval for Mining Proposals at each of the mines.

The Group holds various environmental licences and authorities, issued under both State and Federal laws, to regulate its mining and exploration activities in Australia. Along with Regulations, these licences include conditions in relation to specifying limits on emissions into the environment, rehabilitation of areas disturbed during the course of mining, exploration activities, tenement conditions associated with exploration and mining, and the storage of hazardous substances.

There have been no material breaches of the Group's licences, permits and approvals.

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

ROUNDING

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

CURRENCY

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

CORPORATE GOVERNANCE

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

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the *Corporations Act 2001*, the Directors received the attached Independence Declaration from the auditor of the Company on page 17 which forms part of this Report.

NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. There were no non-audit services provided by EY during the financial year ended 30 June 2018.

REMUNERATION REPORT (AUDITED)

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

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

Nomination, Remuneration and Governance Committee ("NRGC")

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

The NRGC of the Board of Directors of the Company is responsible for determining and reviewing remuneration arrangements for the Board and Key Management Personnel.

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

Remuneration Policy

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

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

Remuneration Structure

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

Non-Executive Director Remuneration

Objective

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

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting of shareholders. An amount not exceeding the amount determined is then divided between the Non-Executive Directors as agreed. The latest determination was at the Annual General Meeting held on 16 November 2011 when Shareholders approved an aggregate remuneration of $1,250,000 per year. Total Non-Executive Director fees of $538,758 were paid in the 2017/18 financial year.

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

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

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

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

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

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

Senior Executives' Remuneration

Objective

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

- reward senior executives for Company and individual performance toward key Company objectives;
- align the interests of senior executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

Use of Remuneration Consultants

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

During the year, the NRGC sought advice from BDO Reward (WA) Pty Ltd ("**BDO**") regarding market data in relation to senior executives' remuneration packages and incentive structure, and Non-Executive Director fees. The recommendations were provided directly to the NRGC as an input to the decision making process, and the NRGC considered these recommendations, along with other factors, in making its remuneration decisions and recommendations to the Board. The fees payable to BDO during the year totalled $9,750 and no other services were provided by BDO. The NRGC and Board are satisfied the advice received was free from undue influence from senior executives to whom the remuneration recommendations applied, and BDO confirmed this in writing to the NRGC.

Fixed Remuneration

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

- cash remuneration;
- superannuation;
- accommodation and travel benefits;
- motor vehicle, parking and other benefits; and
- reimbursement of entertainment, home office and telephone expenses.

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

In determining the remuneration package, the NRGC reviews the individual's remuneration with the use of market data for positions with comparable companies. Where appropriate, the package is adjusted so as to keep pace with market trends and ensure continued remuneration competitiveness. In conducting a comparative analysis, the Company's expected performance for the year is considered in the context of the Company's capacity to fund remuneration budgets.

Variable Remuneration

Short-term Incentives ("STI")

Senior executives may receive variable remuneration in the form of STI of up to 50% of their annual salary package. STI payments are based on the Board's assessment of the executive's performance towards achieving key Company objectives over the relevant period. For the 2017/18 financial year, the primary focus was on achieving key milestones towards restart of the Koolan Island operation. The total potential STI available for award is ultimately at the Board's discretion.

On an annual basis, the performance of each senior executive is reviewed immediately prior to or just after the reporting date. The NRGC then determines the amount of STI to be allocated to each executive with approval from the Board. Payments are made in cash after the reporting date.

For the 2017/18 financial year, the Board decided to defer the consideration of STI awards to Key Management Personnel until late 2018 to take into account the activities associated with completion of the Koolan Island Main Pit seawall and return of the site to operational status. As such, no STI cash incentives were paid to Key Management Personnel for the year ended 30 June 2018. However, the Board did decide, for the reasons set out below, to pay in cash the assessed award of each senior executive's Long Term Incentive under the Loan Share Plan, rather than have those incentives issued in the usual form of restricted shares.

Long-term Incentives ("LTI")

The Company previously established a Performance Rights Plan ("**PRP"**) in the 2008 financial year. Under the PRP, the Board may invite eligible executives to apply for Performance Rights, which are an entitlement to receive ordinary shares in the Company, subject to satisfaction by the executive of specified performance hurdles set by the Board. The last grant of performance rights under the PRP was made in the 2015/16 financial year. There were no performance rights on issue at the start of the 2017/18 financial year, and no grants of new performance rights under the PRP were made during the year.

A new LTI plan, known as the Loan Share Plan (**"LSP"**), was established in August 2016. Under the LSP, ordinary shares in the Company may be issued to eligible participants, with vesting of the shares being subject to the satisfaction of stipulated performance conditions. The shares are issued at their market value with the recipient required to pay this market value in order to take up the share offer. The Company or any of its subsidiaries will provide a loan to fund the acquisition price. The loan is interest-free and is secured against the shares in the form of a holding lock preventing all dealing in the shares. The loan is limited recourse such that if the shares do not ultimately vest and are therefore forfeited, this is treated as full repayment of the loan balance. While the loan balance remains outstanding, any dividends paid on the shares, net of the tax on the dividends, will be automatically applied towards repayment of the loan. In making the loan in respect of the newly issued shares, there is no cash cost to the Company as the shares are newly issued.

On 24 August 2016 the Company issued a total of 4,749,456 shares to Messrs Beyer, Kerr and Stokes under the LSP, representing their full entitlement for LTI awards equating to one third of their base salaries (including superannuation). In accordance with the terms of the LSP, the shares were issued at a market price of $0.316 per share with the participants responsible for associated limited recourse loans totalling $1,500,828. The shares subsequently vested in July 2017 as the participants had remained continuously employed by the Group since issue and the Company's share price, as measured by a rolling five day volume weighted average price of the Company's shares traded on the ASX, on 1 July 2017 (or at any time in the following four year period) was above a 10% premium to the issue price of the shares. The award was accounted for as an in-substance option award, with the fair value at grant date assessed at $0.104 per share.

No LTI share issue was made under the LSP in the 2017/18 financial year because the Board was prevented from making such an issue as a result of trading restrictions applied in accordance with the law. The Board however, having regard to the performance of the Company against its internal budgets and the performance of the executives, exercised its discretion to pay to Messrs Beyer, Kerr, Stokes and de Kruijff the total cash amount of $612,151, representing 75% of their LTI entitlements for the year.

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

Employment Contracts

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

Jim Beyer

The key terms of his contract include:

- Commenced as Chief Operating Officer on 2 November 2011 and was appointed as Chief Executive Officer on 14 May 2012, with no set term;
- Annual Salary Package increase by minimum of CPI from 1 July every year;
- STI Bonus of up to one half of Annual Salary Package;
- LTI Bonus of up to one third of Annual Salary Package; and
- If the Company wishes to terminate the contract other than if Mr Beyer is guilty of any grave misconduct, serious or persistent breach of the terms of the contract or wilful neglect in the discharge of his duties, the Company is obliged to pay out 12 months Annual Salary Package plus any other accrued entitlements and bonuses. If Mr Beyer wishes to terminate the contract, he must provide six months' notice.

Peter Kerr

The key terms of his contract include:

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

David Stokes

The key terms of his contract include:

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

Scott de Kruijff

The key terms of his contract include:

- Commenced as General Manager Koolan Island on 17 September 2013 and subsequently appointed as General Manager – Operations on 1 July 2015 with no set term;
- Annual Salary Package review subject to performance;
- STI Bonus of up to one half of Annual Salary Package;
- LTI Bonus of up to one third of Annual Salary Package; and
- Employee can terminate upon one month's notice and the Company upon six weeks' notice, or immediately for any serious misconduct.

Details of directors and key management personnel disclosed in this report

[i] Directors

Lee Seng Hui	Chairman
A Jones	Non-Executive Director
Li Shaofeng	Non-Executive Director
R Barwick	Non-Executive Director
S Bird	Lead Non-Executive Director
P Dougas	Non-Executive Director
K Chan	Non-Executive Director (resigned 5 January 2018)
A Ferguson	Alternate Director to Mr Lee

[ii] Key Management Personnel

J Beyer	Chief Executive Officer
P Kerr	Chief Financial Officer
D Stokes	Company Secretary and General Counsel
S de Kruijff	General Manager - Operations

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

	Short Term				Post Employment	Long Term			
30 June 2018	Salary & Fees $	Non Monetary[(a)] $	Cash Incentives[(b)] $	Accrued Annual Leave[(c)] $	Super-annuation $	Long Service Leave[(d)] $	Loan Share Plan[(e)] $	Total $	% Perform-ance Related
Directors									
Lee Seng Hui	95,548	-	-	-	9,077	-	-	**104,625**	-
A Jones	90,868	-	-	-	8,632	-	-	**99,500**	-
Li Shaofeng	-	-	-	-	-	-	-	**-**	-
R Barwick	90,868	-	-	-	8,632	-	-	**99,500**	-
S Bird	97,717	-	-	-	9,283	-	-	**107,000**	-
P Dougas	86,500	-	-	-	-	-	-	**86,500**	-
K Chan	37,987	-	-	-	3,646	-	-	**41,633**	-
A Ferguson (Alt)	-	-	-	-	-	-	-	**-**	-
Sub-total	**499,488**	**-**	**-**	**-**	**39,270**	**-**	**-**	**538,758**	
Other KMP									
J Beyer	624,171	17,510	170,865	4,788	59,296	46,409	43,378	**966,417**	22
P Kerr	434,045	12,778	114,760	(3,216)	25,000	13,641	29,134	**626,142**	23
D Stokes	323,426	10,566	88,537	4,962	30,725	11,249	22,477	**491,942**	23
S de Kruijff	374,710	11,750	237,989	(4,312)	35,597	4,468	-	**660,202**	36
Sub-total	**1,756,352**	**52,604**	**612,151**	**2,222**	**150,618**	**75,767**	**94,989**	**2,744,703**	
Totals	**2,255,840**	**52,604**	**612,151**	**2,222**	**189,888**	**75,767**	**94,989**	**3,283,461**	

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

(b) Cash incentives for 2017/18 represent the cash value of the executives' long term incentive awards vested and paid in the period. Refer to Long Term Incentives above.

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

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

(e) The amounts for 2017/18 reflect the value of dividends received on the Loan Share Plan (LSP) shares held by the relevant recipients. In accordance with the terms of the LSP, dividends are paid to the recipients to the extent required to cover the taxable value of the dividends, with the balance utilised to reduce the amount of the associated limited recourse loans attaching to the LSP shares. The LSP shares are accounted for as in-substance options. Refer to the description of Long Term Incentives in this Remuneration Report for details of the LSP. The amount included as remuneration in the above table is not related to or indicative of the benefit (if any) that individual executives may in fact ultimately receive.

Options

There were no options granted to Directors and Executives during the year ended 30 June 2018 and there are no options outstanding as at 30 June 2018. There were no shares issued on the exercise of options during the year ended 30 June 2018 (2017: nil).

Shares

There were no shares granted to Directors and Executives during the year ended 30 June 2018.

During the year ended 30 June 2018, there were no alterations to the terms and conditions of LSP shares after their grant date.

Performance Rights

There were no performance rights granted as part of remuneration, or vested and exercised, during the year ended 30 June 2018. At 30 June 2018, there were no Performance Rights on issue. There were no shares issued on the exercise of Performance Rights during the year ended 30 June 2018 (2017: 533,625).

Shareholdings and Rights of Key Management Personnel as at 30 June 2018

	Balance 1 July 2017 Ord	Granted as Remuneration Ord	Exercise of Performance Rights Ord	Net Change Other Ord	Balance 30 June 2018 Ord
Directors					
Lee Seng Hui(i)	-	-	-	-	-
A Jones	300,000	-	-	-	300,000
Li Shaofeng	-	-	-	-	-
R Barwick	-	-	-	-	-
S Bird	20,000	-	-	-	20,000
P Dougas	284,944	-	-	-	284,944
A Ferguson (Alt. for Mr Lee)	-	-	-	-	-
Other KMP(ii)					
J Beyer	2,911,068	-	-	-	2,911,068
P Kerr	1,739,681	-	-	-	1,739,681
D Stokes	1,347,336	-	-	-	1,347,336
S de Kruijff	-	-	-	-	-
Total	**6,603,029**	**-**	**-**	**-**	**6,603,029**

(i) For the purposes of Corporations Act Regulation 2M.3.03(1)-Item 18, Mr Lee does not have a disclosable shareholding. However, we note that for purposes of ASX Listing Rule 3.19A.2, Mr Lee has previously declared an indirect "relevant interest" in 353,043,237 ordinary shares in the Company through his association with Allied Group Limited, a substantial shareholder of the Company – refer ASX announcement dated 30 May 2018.

(ii) The shareholdings at balance date for the Other KMP include 4,749,456 Loan Share Plan (LSP) shares held by Messrs Beyer (2,168,889 LSP shares), Kerr (1,456,716 LSP shares) and Stokes (1,123,851 LSP shares) which all vested in the year ended 30 June 2018.

Remuneration of Key Management Personnel for the year ended 30 June 2017

	Short Term				Post Employment	Long Term	Share Based Payment		
30 June 2017	**Salary & Fees $**	**Non Monetary(a) $**	**Cash Incentives(b) $**	**Accrued Annual Leave(c) $**	**Super-annuation $**	**Long Service Leave(d) $**	**Loan Share Plan(e) $**	**Total $**	**% Perform-ance Related**
Directors									
Lee Seng Hui	102,854	-	-	-	9,771	-	-	**112,625**	-
A Jones	105,479	-	-	-	10,021	-	-	**115,500**	-
Li Shaofeng	-	-	-	-	-	-	-	**-**	-
R Barwick	105,479	-	-	-	10,021	-	-	**115,500**	-
S Bird	112,329	-	-	-	10,671	-	-	**123,000**	-
P Dougas	101,875	-	-	-	625	-	-	**102,500**	-
K Chan	57,534	-	-	-	5,466	-	-	**63,000**	-
A Ferguson (Alt)	-	-	-	-	-	-	-	**-**	-
Sub-total	**585,550**	**-**	**-**	**-**	**46,575**	**-**	**-**	**632,125**	
Other KMP									
J Beyer	627,776	15,618	338,350	28,444	48,924	20,282	225,564	**1,304,958**	43
P Kerr	424,500	11,219	227,250	9,552	30,000	5,099	151,498	**859,118**	44
D Stokes	320,645	9,401	175,322	-	30,000	4,230	116,881	**656,479**	45
S de Kruijff	371,245	8,507	121,874	1,423	35,000	2,045	-	**540,094**	23
Sub-total	**1,744,166**	**44,745**	**862,796**	**39,419**	**143,924**	**31,656**	**493,943**	**3,360,649**	
Totals	**2,329,716**	**44,745**	**862,796**	**39,419**	**190,499**	**31,656**	**493,943**	**3,992,774**	

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

(b) Cash incentives represent short term incentives awarded during the year and paid after year-end.

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

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

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

Loans to Key Management Personnel

There were no loans made to key management personnel during the year ended 30 June 2018.

Limited recourse loans totalling $1,500,828 were made to Key Management Personnel during the year ended 30 June 2017 under the terms of the Company's LSP and, after the partial repayment of these loans arising from the dividend paid during the year, the total balance of these loans was $1,428,908 as at 30 June 2018.

Other Transactions and Balances with Key Management Personnel

There were no other transactions and balances with key management personnel during the years ended 30 June 2018 and 30 June 2017.

Company Performance

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

		30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
Net profit/(loss) after tax	***$'000***	99,129	26,322	86,297	(911,422)	96,353
Earnings/(loss) per share	***$/share***	0.0908	0.0241	0.0791	(0.8356)	0.0884
Closing share price	***$***	0.43	0.33	0.26	0.20	0.69

End of remuneration report.

Signed in accordance with a resolution of the Directors.

LEE SENG HUI
Chairman
Sydney, 14 August 2018

Competent Persons Statement:

Ore Reserves:

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

Building a better
working world

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Auditor's Independence Declaration to the Directors of Mount Gibson Iron Limited

As lead auditor for the audit of Mount Gibson Iron Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

This declaration is in respect of Mount Gibson Iron Limited and the entities it controlled during the financial year ended 30 June 2018.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
14 August 2018

GB:EH:MGI:241

Consolidated Income Statement

For the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
CONTINUING OPERATIONS			
Sale of goods	3[a]	254,129	182,688
Interest revenue		12,140	12,113
TOTAL REVENUE		**266,269**	**194,801**
Cost of sales	4[a]	(217,542)	(158,343)
GROSS PROFIT		**48,727**	**36,458**
Other income	3[b]	66,483	5,866
Administration and other expenses	4[c]	(14,823)	(17,072)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX AND FINANCE COSTS		**100,387**	**25,252**
Finance costs	4[b]	(1,284)	(1,134)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		**99,103**	**24,118**
Tax benefit	5	-	1,481
PROFIT AFTER TAX FROM CONTINUING OPERATIONS		**99,103**	**25,599**
DISCONTINUED OPERATIONS			
Profit after tax for the year from discontinued operations	32[a]	26	723
PROFIT AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY		**99,129**	**26,322**
Earnings per share (cents per share)			
• basic earnings per share	26	9.08	2.41
• diluted earnings per share	26	9.04	2.40
Earnings per share (cents per share) for continuing operations			
• basic earnings per share	26	9.08	2.34
• diluted earnings per share	26	9.04	2.34

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	2018 $'000	2017 $'000
PROFIT FOR THE PERIOD AFTER TAX	**99,129**	**26,322**
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit or loss		
Change in fair value of cash flow hedges	(325)	341
Reclassification adjustments for loss on cash flow hedges transferred to the Income Statement	(86)	(109)
Change in fair value of available for sale financial assets	982	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**571**	**232**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**99,700**	**26,554**

Consolidated Balance Sheet

As at 30 June 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	6	46,547	48,756
Term deposits and subordinated notes	7	377,030	365,500
Financial assets held for trading	8	33,957	32,523
Trade and other receivables	9	7,843	9,528
Inventories	10	23,321	20,736
Prepayments		3,374	1,953
Derivative financial assets	11	-	341
Total Current Assets		**492,072**	**479,337**
Non-Current Assets			
Property, plant and equipment	13	7,734	5,919
Mine properties	15	87,781	10,891
Prepayments		2,370	-
Total Non-Current Assets		**97,885**	**16,810**
TOTAL ASSETS		**589,957**	**496,147**
LIABILITIES			
Current Liabilities			
Trade and other payables	17	42,078	31,477
Employee benefits		3,336	2,966
Derivative financial liabilities	19	325	-
Provisions	20	6,539	3,651
Total Current Liabilities		**52,278**	**38,094**
Non-Current Liabilities			
Employee benefits		489	334
Provisions	20	40,366	38,736
Total Non-Current Liabilities		**40,855**	**39,070**
TOTAL LIABILITIES		**93,133**	**77,164**
NET ASSETS		**496,824**	**418,983**
EQUITY			
Issued capital	21	568,328	568,328
Accumulated losses	23	(1,053,908)	(1,131,178)
Reserves	22	982,404	981,833
TOTAL EQUITY		**496,824**	**418,983**

Consolidated Cash Flow Statement

For the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		255,814	192,533
Payments to suppliers and employees		(220,566)	(188,493)
Proceeds from Koolan Island seawall business interruption insurance claim		64,287	-
Interest paid		(308)	(191)
Income tax refund received		-	1,532
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	6[b]	**99,227**	**5,381**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		12,205	11,484
Proceeds from sale of property, plant and equipment		128	2,586
Purchase of property, plant and equipment		(5,998)	(3,863)
Payment for term deposits		(10,500)	(28,500)
Proceeds from sale of subordinated notes		10,020	-
Payment for subordinated notes		(10,047)	-
Proceeds from sale of financial assets held for trading		23,889	10,344
Payment for financial assets held for trading		(25,104)	(22,863)
Payment for deferred exploration and evaluation expenditure		(324)	(663)
Payment for mine development		(74,005)	(2,126)
Proceeds from Koolan Island seawall property insurance claim		-	34,558
NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**(79,736)**	**957**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of insurance premium funding facility		-	(421)
Payment of borrowing costs		(124)	(303)
Dividends paid		(21,859)	-
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		**(21,983)**	**(724)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(2,492)	5,614
Net foreign exchange difference		283	(174)
Cash and cash equivalents at beginning of year		48,756	43,316
CASH AND CASH EQUIVALENTS AT END OF YEAR	6[a]	**46,547**	**48,756**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Attributable to Equity Holders of the Parent						*Total Equity*
	Issued Capital	**Accumulated Losses**	**Share Based Payments Reserve**	**Net Unrealised Gains / (Losses) Reserve**	**Dividend Distribution Reserve**	**Other Reserves**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2016	**568,328**	**(1,157,500)**	**20,037**	**-**	**964,262**	**(3,192)**	**391,935**
Profit for the period		26,322	-	-	-	-	**26,322**
Other comprehensive income	-	-	-	232	-	-	**232**
Total comprehensive income for the year	**-**	**26,322**	**-**	**232**	**-**	**-**	**26,554**
Transactions with owners in their capacity as owners							
Share-based payments	-	-	494	-	-	-	**494**
At 30 June 2017	**568,328**	**(1,131,178)**	**20,531**	**232**	**964,262**	**(3,192)**	**418,983**
At 1 July 2017	**568,328**	**(1,131,178)**	**20,531**	**232**	**964,262**	**(3,192)**	**418,983**
Profit for the period	-	99,129	-	-	-	-	**99,129**
Other comprehensive income	-	-	-	571	-	-	**571**
Total comprehensive income for the year	**-**	**99,129**	**-**	**571**	**-**	**-**	**99,700**
Transactions with owners in their capacity as owners							
Share-based payments	-	-	-	-	-	-	**-**
Dividends paid	-	(21,859)	-	-	-	-	**(21,859)**
At 30 June 2018	**568,328**	**(1,053,908)**	**20,531**	**803**	**964,262**	**(3,192)**	**496,824**

Notes to the Consolidated Financial Report

For the year ended 30 June 2018

1. Introduction

(a) Corporate information

The consolidated financial statements of the Group, comprising the Company and the entities that it controlled during the year ended 30 June 2018, were authorised for issue in accordance with a resolution of the Directors on 14 August 2018.

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 in the Mid-West region of Western Australia, reconstruction of the Koolan Island Main Pit seawall and restart of operations in the Kimberley region of Western Australia, treasury management and the pursuit of mineral resources acquisitions and investments.

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

(b) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and financial assets held for trading that have been measured at fair value.

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

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

(c) Basis of consolidation

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

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

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

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

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

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

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

Notes to the Consolidated Financial Report (continued)

2. Other Significant Accounting Policies

(a) Foreign currency

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

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

(b) Other taxes

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

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

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

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

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

(c) Other accounting policies

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

(d) Key accounting judgements, estimates and assumptions

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

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

Determination of mineral resources and ore reserves

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

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

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

Notes to the Consolidated Financial Report (continued)

	Notes	2018 $'000	2017 $'000

3. Revenue and Other Income

[a] Revenue			
Sale of ore – continuing operations		250,341	182,527
Realised gain on foreign exchange hedges and commodity forward sales contracts		3,788	161
		254,129	182,688
[b] Other income			
Net realised gain on foreign exchange transactions		1,172	-
Net unrealised foreign exchange gain on balances		283	-
Net gain on disposal of property, plant and equipment		128	2,201
Net gain on sale of financial assets held for trading		95	246
Unrealised marked-to-market gain on financial assets held for trading		145	-
Insurance proceeds – Koolan Island seawall business interruption insurance claim		64,287	-
Insurance proceeds – other		20	9
Other income		353	3,410
		66,483	5,866

Recognition and measurement

Revenue

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

The Group generates a significant proportion of revenue from the sale of iron ore. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

The Group enters into provisionally priced ore sales contracts for which price finalisation is referenced to relevant market indices at specified future dates. Provisional pricing mechanisms contained within these sales arrangements are considered to be an embedded derivative reflecting the forward contract for which the underlying sale is subsequently adjusted. The embedded derivative is recognised at the date of shipment at fair value by reference to forecast iron ore prices.

Interest

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

	Notes	2018 $'000	2017 $'000

4. Expenses

[a] Cost of sales – continuing operations			
Mining and site administration costs		35,518	31,702
Depreciation – mining and site administration		761	3,780
Amortisation of mine properties	15	4,125	402
Crushing costs		5,313	4,135
Depreciation – crushing		32	762
Transport costs		83,852	70,952
Depreciation – transport		612	399
Port costs		16,538	15,215
Depreciation – port		139	97
Royalties		14,485	12,078
Net ore inventory movement		944	(2,571)
Impairment (write-back)/loss on ore inventories	10[i]	(2,443)	3,153
Rehabilitation revised estimate adjustments		-	(2,406)
Cost of sales – FOB		159,876	137,698
Shipping freight		57,666	20,645
Cost of sales – CFR		217,542	158,343

Notes to the Consolidated Financial Report (continued)

	Notes	2018 $'000	2017 $'000
4. Expenses (Continued)			
[b] Finance costs			
Finance charges on banking facilities		439	495
Non-cash interest accretion on rehabilitation provision	20	845	639
		1,284	1,134
[c] Administration and other expenses include:			
Depreciation		276	593
Share-based payments expense	25(a)	-	494
Impairment of debtors		50	3,142
Net realised loss on foreign exchange transactions		-	39
Net unrealised loss on foreign exchange balances		-	174
Koolan seawall insurance claim		448	502
Insurance premiums (net of refunds)		1,002	26
Business development expenses		467	2,281
Koolan restart feasibility study		-	2,124
Impairment (write-back)/impairment of consumables inventories		61	(2,479)
Impairment (write-back) of deferred acquisition, exploration and evaluation	14	(62)	(2,507)
Exploration expenses	14	38	90
Unrealised marked-to-market loss on foreign exchange derivatives		255	123
Unrealised marked-to-market loss on financial assets held for trading		-	14
[d] Cost of sales and Administration and other expenses above include:			
Salaries, wages expense and other employee benefits		25,789	23,549
Operating lease rental – minimum lease payments		3,198	1,667

Recognition and measurement

Employee benefits expense

Wages, salaries, sick leave and other employee benefits

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

Redundancy

Provision is made for redundancy payments where positions have been identified as excess to requirements, the Group has communicated a detailed and formal plan, and a reliable estimate of the amount payable can be determined. Refer to note 20 for further details on redundancy (restructure) provision.

Annual leave and long service leave

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

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

The policy relating to share-based payments is set out in note 25.

Superannuation

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

Borrowing costs

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

Operating Leases

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

Depreciation and amortisation

Refer to notes 13 and 15 for details on depreciation and amortisation.

Impairment

Impairment expenses are recognised to the extent that the carrying amounts of assets exceed their recoverable amounts. Refer to note 16 for further details on impairment.

Notes to the Consolidated Financial Report (continued)

	2018 $'000	2017 $'000

5. Taxation

Major components of tax benefit for the years ended 30 June 2018 and 2017 are:

	2018 $'000	2017 $'000
Income Statement		
Current tax		
Current income tax charge	-	-
Refund in respect of previous return	-	(1,481)
Deferred tax		
Relating to origination and reversal of temporary differences:		
Income tax	-	-
Tax benefit reported in Income Statement	**-**	**(1,481)**
Tax benefit relating to continuing operations	-	(1,481)
Tax benefit relating to discontinued operations	-	-
	-	**(1,481)**
Statement of Changes in Equity		
Deferred income tax		
Remeasurement of foreign exchange contracts	-	-
Deferred income tax (benefit)/liability reported in equity	-	-

Reconciliation of tax benefit

A reconciliation of tax benefit applicable to accounting profit before tax at the statutory income tax rate to tax expense at the Group's effective tax rate for the years ended 30 June 2018 and 2017 is as follows:

	2018 $'000	2017 $'000
Accounting profit before tax	99,129	24,841
• At the statutory income tax rate of 30% (2017: 30%)	29,739	7,452
• Expenditure not allowed for income tax purposes	46	266
• Recognition of previously unrecognised deferred tax assets	(29,749)	(8,548)
• Adjustments in respect of current income tax of previous year	17	(654)
• Adjustments in respect of deferred tax	(53)	-
• Other	-	3
Tax benefit	**-**	**(1,481)**
Effective tax rate	0.0%	(6.0%)
Tax benefit reported in Income Statement	**-**	**(1,481)**

Notes to the Consolidated Financial Report (continued)

5. Taxation (Continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000
CONSOLIDATED						
Accrued liabilities	(3,158)	(1,743)	-	-	(3,158)	(1,743)
Capital raising costs	(645)	(1,015)	-	-	(645)	(1,015)
Deferred expense	(949)	-	-	-	(949)	-
Deferred income	-	(1)	123	-	123	(1)
Donations	(22)	(10)	-	-	(22)	(10)
Foreign exchange contracts	(45)	(89)	-	-	(45)	(89)
Inventory	(230)	(1,211)	-	-	(230)	(1,211)
Prepaid expenditure	-	-	63	53	63	53
Fixed assets, mine properties and exploration expenditure	(16,593)	(23,545)	-	-	(16,593)	(23,545)
Provisions	(16,198)	(15,416)	-	-	(16,198)	(15,416)
Borrowing cost	(194)	(298)	-	-	(194)	(298)
Research and development carried forward tax offset	(1,063)	(1,063)	-	-	(1,063)	(1,063)
Tax losses	(45,496)	(69,818)	-	-	(45,496)	(69,818)
Tax (assets)/liabilities	(84,593)	(114,209)	186	53	(84,407)	(114,156)
Derecognition of deferred tax asset	84,593	114,209	(186)	(53)	84,407	114,156
Net tax (assets)/liabilities	**-**	**-**	**-**	**-**	**-**	**-**

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

Notes to the Consolidated Financial Report (continued)

5. Taxation (Continued)

	Balance 1 July 2016 $'000	Recognised in Income $'000	Recognised in Equity $'000	Balance 30 June 2017 $'000
Movement in temporary differences during the financial year ended 30 June 2017				
Accrued liabilities	(547)	(1,196)	-	(1,743)
Capital raising costs	(294)	(721)	-	(1,015)
Deferred expense	(445)	445	-	-
Deferred income	783	(784)	-	(1)
Donations	-	(10)	-	(10)
Foreign exchange contracts	(49)	(40)	-	(89)
Inventory	(2,745)	1,534	-	(1,211)
Prepaid expenditure	23	30	-	53
Fixed assets, mine properties and exploration expenditure	(35,793)	12,248	-	(23,545)
Provisions	(16,429)	1,013	-	(15,416)
Borrowing cost	(510)	212	-	(298)
Research and development carried forward tax offset	-	(1,063)	-	(1,063)
Tax losses	(66,698)	(3,120)	-	(69,818)
Derecognition of deferred tax asset	122,704	(8,548)	-	114,156
	-	**-**	**-**	**-**

	2018 $'000	2017 $'000
Unrecognised deferred tax assets (calculated at 30%)		
Deferred tax assets have not been recognised in respect of the following items:		
Temporary differences	38,911	44,338
Tax losses	45,496	69,818
	84,407	114,156

Notes to the Consolidated Financial Report (continued)

5. Taxation (Continued)

Recognition and measurement

Income Tax

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

Deferred income tax liabilities are recognised for all taxable differences:

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

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

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

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

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

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

Tax consolidation

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

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

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

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

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

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

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

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

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

Key estimate: recoverability of potential deferred tax assets

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

Notes to the Consolidated Financial Report (continued)

	2018 $'000	2017 $'000

6. Cash and Cash Equivalents

[a] Reconciliation of cash

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

	2018 $'000	2017 $'000
Cash at bank and on hand	46,547	33,756
Short-term deposits	-	15,000
	46,547	**48,756**

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

Recognition and measurement

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

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

[b] Reconciliation of the net profit after tax to the net cash flows from operations

	2018 $'000	2017 $'000
Net profit after tax	99,129	26,322
Adjustments to reconcile profit after tax to net cash flows:		
Depreciation of non-current assets	1,842	5,674
Amortisation of other mine properties	4,125	402
Net (gain) on disposal of property, plant and equipment	(128)	(2,201)
Interest received	(12,140)	(12,113)
Exploration expenses written off	38	90
Share based payments	-	494
Borrowing costs	131	304
Interest accretion on rehabilitation provision	845	639
Net ore inventory movement	944	2,240
Impairment of debtors	154	3,142
Impairment/(write-back) and obsolescence of consumables inventories	61	(2,479)
Impairment/(write-back) of ore inventories	(2,443)	(225)
Impairment/(write-back) of deferred acquisition, exploration and evaluation	(62)	(2,507)
Unrealised (gain)/loss on foreign exchange balances	(283)	174
Unrealised marked-to-market loss on foreign exchange derivatives	255	123
Unrealised marked-to-market (gain)/loss on financial assets held for trading	(145)	14
Realised (gain) on sale of financial assets held for trading	(95)	(246)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	1,461	(5,053)
(Increase) in inventory	(1,144)	(255)
(Increase)/decrease in prepayments and deposits	(281)	492
Decrease in income tax receivable	-	50
Increase/(decrease) in trade and other payables	3,551	(8,185)
Increase in employee benefits	524	401
Increase in provision for restructure	3,559	-
Decrease in other provisions	(671)	(1,916)
Net Cash Flow from Operating Activities	**99,227**	**5,381**

[c] Non-cash financing activities

There were no non-cash financing activities during the year ended 30 June 2018 (2017: nil).

Notes to the Consolidated Financial Report (continued)

	Notes	2018 $'000	2017 $'000
7. Term Deposits and Subordinated Notes			
Current			
Term deposits – receivables	[i]	279,000	268,500
Subordinated notes – available for sale investment	[ii]	98,030	97,000
		377,030	**365,500**

[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).

[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.

Recognition and measurement

Term deposits are classified as receivables and recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. Subordinated notes are classified as available for sale investments and are carried at fair value through other comprehensive income.

	2018 $'000	2017 $'000
8. Financial Assets Held for Trading		
Current		
Tradeable corporate bonds at fair value	32,420	31,217
Share investments at fair value	1,537	1,306
	33,957	**32,523**

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

Recognition and measurement

Financial assets held for trading are acquired principally for the purpose of selling or repurchasing in the short term. These are managed as part of a portfolio of identified financial instruments and are measured at fair value through the income statement. Gains or losses from the sale of the financial assets are recognised in the income statement. Interest earned at market bond rates is recognised in the income statement on an effective yield basis.

	Notes	2018 $'000	2017 $'000
9. Trade and Other Receivables			
Current			
Trade debtors	[a][i]	6,087	9,176
Allowance for impairment	[b]	(3,374)	(5,384)
		2,713	3,792
Sundry debtors	[a][ii]	2,763	4,486
Other receivables		2,367	1,250
		7,843	**9,528**

[a] Terms and conditions

Terms and conditions relating to the above financial instruments:

[i] Details of terms and conditions of trade debtors and credit sales are set out in the "recognition and measurement" note below.

[ii] Sundry debtors are non-interest bearing and have repayment terms between 30 and 90 days.

Notes to the Consolidated Financial Report (continued)

9. Trade and Other Receivables (Continued)

[b] Impaired or past due financial assets

An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. The table below reconciles the allowance for impairment loss for the years ended 30 June 2018 and 2017.

	2018 $'000	2017 $'000
Balance at the beginning of the year	5,384	2,242
Charge for the year	154	3,142
Utilised	(2,164)	-
Balance at the end of the year	3,374	5,384

At 30 June 2018, trade debtors of $131,000 (2017: $789,000) in the Group were past due but not impaired. These relate to a number of customers for whom there is no recent history of default or other indicators of impairment. At 14 August 2018, this amount remains outstanding.

With respect to trade debtors that are neither impaired nor past due, there are no indications as at the reporting date that the relevant debtors will not meet their payment obligations.

	2018 $'000	2017 $'000
The ageing of trade debtors past due but not impaired is as follows:		
Less than 30 days overdue	-	-
Between 30 and 60 days overdue	-	413
Between 60 and 90 days overdue	124	245
Greater than 90 days overdue	7	131
	131	789
Trade debtors not impaired and not past due	2,582	3,003
	2,713	3,792

Recognition and measurement

Trade receivables

Trade receivables are recognised and carried at amortised cost less any allowance for impairment.

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

The vast majority of sales revenue is invoiced and received in US dollars (US$). The balance is invoiced and received in Australian dollars (A$).

Generally, on presentation of shiploading documents and the provisional invoice, the customer settles 95% of the provisional sales invoice value within 10 days of receipt of shiploading documents and provisional invoice, and the remaining 5% is settled within 30 days of presentation of the final invoice. The final value is subject to adjustments for final pricing and other minor adjustments based on the final analyses of weight, chemical and physical composition, and moisture content.

Other receivables

Other receivables are recorded at amortised cost, using the effective interest rate method, less any impairment. Interest is recognised by applying the effective interest rate method.

Notes to the Consolidated Financial Report (continued)

	Notes	2018 $'000	2017 $'000

10. Inventories

	Notes	2018 $'000	2017 $'000
Consumables – at cost		13,833	12,813
Allowance for obsolescence and impairment of consumables inventories		(7,539)	(7,604)
		6,294	5,209
Ore – at cost		17,737	18,680
Allowance for impairment of ore inventories	[i]	(710)	(3,153)
At lower of cost and net realisable value		17,027	15,527
		23,321	**20,736**

[i] At 30 June 2018, the Group assessed the carrying values of ore inventories stockpiled at the Extension Hill mine site. Assumptions used in the assessment include prevailing and anticipated iron ore prices and exchange rates, ore specifications, estimated costs to make the ore inventories available for sale, and associated sales and shipping freight costs.

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

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

	2018 $'000	2017 $'000
Tallering Peak – discontinued operation	-	3,378
Extension Hill	2,443	(3,153)
Koolan Island	-	-
Total write-backs on impairment	**2,443**	**225**

Recognition and measurement

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

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

Consumable materials for plant and equipment are recognised as inventory. Consumable stocks are carried at the lower of cost and net realisable value.

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

Key estimate

Inventories are written down to net realisable value if considered damaged, have become wholly or partially obsolete, or if their selling prices have declined. A new assessment is made of net realisable value in each subsequent period.

	Notes	2018 $'000	2017 $'000

11. Derivative Financial Assets

	Notes	2018 $'000	2017 $'000
Current			
Foreign currency option contracts	35[b][i]	-	341
		-	**341**

Refer note 35 for details on derivative financial instruments.

Notes to the Consolidated Financial Report (continued)

12. Interest in Subsidiaries

Name	Country of Incorporation	Percentage of Equity Interest Held by the Group	
		2018	2017
		%	%
Mount Gibson Mining Limited	Australia	100	100
Geraldton Bulk Handling Pty Ltd	Australia	100	100
Gibson Minerals Ltd	Australia	100	100
Aztec Resources Limited	Australia	100	100
• Koolan Shipping Pty Ltd	Australia	100	100
• Brockman Minerals Pty Ltd	Australia	100	100
• Koolan Iron Ore Pty Ltd	Australia	100	100
• • KIO SPV Pty Ltd	Australia	100	100

Entities subject to Class Order relief

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

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

Consolidated Income Statement of the Closed Group

	2018 $'000	2017 $'000
CONTINUING OPERATIONS		
Sale of goods	254,129	182,688
Interest revenue	12,140	12,113
TOTAL REVENUE	266,269	194,801
Cost of sales	(202,446)	(142,840)
GROSS PROFIT	63,823	51,961
Other income	66,480	5,760
Impairment of non-current other receivables	(14,864)	(12,204)
Administration and other expenses	(15,052)	(17,206)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX AND FINANCE COSTS	100,387	28,311
Finance costs	(1,284)	(1,134)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	99,103	27,177
Tax expense	-	(1,578)
PROFIT AFTER TAX FROM CONTINUING OPERATIONS	99,103	25,599
DISCONTINUED OPERATIONS		
Profit after tax for the year from discontinued operations	26	723
PROFIT AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY	99,129	26,322

Notes to the Consolidated Financial Report (continued)

Consolidated Balance Sheet of the Closed Group

	Notes	2018 $'000	2017 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		46,430	48,612
Term deposits		377,030	365,500
Financial assets held for trading		32,420	31,217
Trade and other receivables		7,674	9,380
Inventories		23,116	20,592
Prepayments		3,224	1,815
Derivative financial assets		-	341
TOTAL CURRENT ASSETS		**489,894**	**477,457**
NON-CURRENT ASSETS			
Property, plant and equipment		7,483	5,679
Mine properties		87,781	10,891
Prepayments		2,370	-
TOTAL NON-CURRENT ASSETS		**97,634**	**16,570**
TOTAL ASSETS		**587,528**	**494,027**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		39,847	29,532
Employee benefits		3,083	2,778
Derivative financial liabilities		325	-
Provisions		6,144	3,651
TOTAL CURRENT LIABILITIES		**49,399**	**35,961**
NON-CURRENT LIABILITIES			
Other payables		461	38
Employee benefits		478	309
Provisions		40,366	38,736
TOTAL NON-CURRENT LIABILITIES		**41,305**	**39,083**
TOTAL LIABILITIES		**90,704**	**75,044**
NET ASSETS		**496,824**	**418,983**
EQUITY			
Issued capital		568,328	568,328
Accumulated losses	[i]	(1,053,908)	(1,131,178)
Reserves		982,404	981,833
TOTAL EQUITY		**496,824**	**418,983**

		2018 $'000	2017 $'000
[i]	**Accumulated losses**		
	Balance at the beginning of the year	(1,131,178)	(1,157,500)
	Net profit attributable to members of the closed group	99,129	26,322
	Dividends paid	(21,859)	-
	Balance at the end of the year	(1,053,908)	(1,131,178)

Notes to the Consolidated Financial Report (continued)

13. Property, Plant and Equipment

	Land		Plant and equipment		Plant and equipment under lease		Buildings		Capital works in progress		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross carrying amount at cost	649	649	279,895	273,180	22,074	24,427	140,048	139,926	776	119	443,442	438,301
Accumulated depreciation and impairment	(549)	(549)	(273,586)	(268,387)	(22,074)	(24,419)	(139,499)	(139,027)	-	-	(435,708)	(432,382)
Net carrying amount	**100**	**100**	**6,309**	**4,793**	**-**	**8**	**549**	**899**	**776**	**119**	**7,734**	**5,919**
Reconciliation												
Carrying amount at the beginning of the year	100	105	4,793	8,510	8	28	899	101	119	-	5,919	8,744
Additions	-	-	5,184	2,523	-	-	38	1,213	776	119	5,998	3,855
Transfers	-	-	37	-	-	-	82	-	(119)	-	-	-
Disposals	-	(5)	-	(372)	-	-	-	-	-	-	-	(377)
Depreciation expense – continuing operations	-	-	(1,370)	(5,205)	-	(17)	(450)	(409)	-	-	(1,820)	(5,631)
Depreciation expense – discontinued operations	-	-	(22)	(43)	-	-	-	-	-	-	(22)	(43)
Depreciation capitalised	-	-	(2,313)	(620)	(8)	(3)	(20)	(6)	-	-	(2,341)	(629)
Carrying amount at the end of the year	**100**	**100**	**6,309**	**4,793**	**-**	**8**	**549**	**899**	**776**	**119**	**7,734**	**5,919**
Assets pledged as security	100	100	6,309	4,793	-	8	549	899	776	119	7,734	5,919

Refer note 18 for details of security arrangements.

Notes to the Consolidated Financial Report (continued)

13. Property, Plant and Equipment (Continued)

Recognition and measurement

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

Depreciation and amortisation

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

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

Impairment

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

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

Individual assets in the cash-generating units are not written down below their recoverable amount. Refer note 16 for further details on impairment.

Derecognition

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

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

Key judgement, estimates and assumptions

Units of production method of depreciation and amortisation

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

Impairment of property, plant and equipment

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

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

The Group's cash flows are most sensitive to movements in iron ore prices, the discount rate and key operating costs. Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment assessment or losses recognised, if any, which could in turn impact future financial results. Refer note 16 for further details on impairment.

Notes to the Consolidated Financial Report (continued)

	Notes	2018 $'000	2017 $'000
14. Deferred Acquisition, Exploration and Evaluation Costs			
Deferred acquisition, exploration and evaluation – at cost		18,100	18,162
Allowance for impairment		(18,100)	(18,162)
		-	**-**
Reconciliation			
Carrying amount at beginning of the year		-	-
Additions		46	1,010
Transferred to mine properties	15	-	(3,427)
Net impairment reversal		62	2,507
Write-back of accruals		(70)	-
Exploration expenditure written off		(38)	(90)
Carrying amount at the end of the year		-	-

Recognition and measurement

Acquisition costs

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

Exploration and evaluation costs

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

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

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

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

Factors which could impact the future recoverability include the level of mineral resources and ore reserves, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

Notes to the Consolidated Financial Report (continued)

	2018 $'000	2017 $'000

15. Mine Properties

	2018 $'000	2017 $'000
Gross carrying amount at cost	1,629,644	1,548,630
Accumulated amortisation and impairment	(1,541,863)	(1,537,739)
	87,781	**10,891**

	Koolan Island		Extension Hill		Total	
Reconciliation	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**
Other mine properties						
Carrying amount at the beginning of the period	4,988	-	5,903	-	10,891	-
Additions	79,963	4,988	267	411	80,230	5,399
Mine rehabilitation – revised estimate adjustment	578	-	207	2,467	785	2,467
Transferred from deferred acquisition, exploration and evaluation costs (note 14)	-	-	-	3,427	-	3,427
Amortisation expensed	-	-	(4,125)	(402)	(4,125)	(402)
Carrying amount at the end of the period	**85,529**	**4,988**	**2,252**	**5,903**	**87,781**	**10,891**

The security pledged for financing facilities includes mining mortgages over the mining tenements and contractual rights to mine hematite deposits owned by the Group (refer note 18).

Notes to the Consolidated Financial Report (continued)

15. Mine Properties (Continued)

Recognition and measurement

Deferred stripping

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

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

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

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

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

Other mine properties

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

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

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Impairment expenses are recognised to the extent that the carrying amount of the mine properties asset exceeds its estimated recoverable amount. Refer to note 16 for further details on impairment.

Key judgement and estimate

Impairment of capitalised mine development expenditure

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

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

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made. Capitalised mine development expenditure is assessed for recoverability along with property, plant and equipment as described below. Refer note 16 for further details on impairment.

Notes to the Consolidated Financial Report (continued)

16. Impairment of Non-Current Assets

The Group reviews the carrying value of the assets of each Cash Generating Unit ("**CGU**") at each balance date. As at 30 June 2018, the market capitalisation of the Group was below the book value of its equity, representing a potential indicator of impairment.

Accordingly, the Group has performed an impairment assessment of both the Koolan Island and Extension Hill CGUs. As both of these CGUs have previously been impaired, the assessment also considered the potential for any reversal of impairment recorded in prior periods. Based on this assessment, no impairment expenses or reversals have been recognised during the reporting period for the Koolan Island CGU.

Details of the prior period impairment write-back recognised are tabulated below:

	2018 $'000	2017 $'000
Koolan Island	-	-
Extension Hill	-	(2,966)
Total impairment (write-back) of non-current assets	**-**	**(2,966)**

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

	Koolan Island		Extension Hill		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Deferred acquisition, exploration and evaluation costs (Iron Hill)	-	-	-	(2,966)	-	(2,966)
Other mine properties	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	-
Total impairment/(write-back) of non-current assets	**-**	**-**	**-**	**(2,966)**	**-**	**(2,966)**

The Group assessed the recoverable amount of the Extension Hill and Koolan Island CGUs as at 30 June 2018 using the Fair Value Less Costs of Disposal ("**FVLCD**") approach. The FVLCD is assessed as the present value of the future cash flows expected to be derived from the operation less disposal costs (level 3 in the fair value hierarchy), utilising the following key assumptions for each CGU:

- Cashflow forecasts were made based on recent actual performance, budgets and anticipated revenues and estimated operating and capital costs over the remaining life of the mine;
- Discount rate of 12% (nominal, after tax);
- Iron ore price forecasts for the 62% Fe benchmark fines CFR prices (northern China), expressed in real 2018 terms, of US$65/dmt, at an exchange rate of A$1.00/US$0.75, with sensitivities undertaken for a broad range of these inputs; and
- Cost inflation estimate of 2.0% per year.

Reasonable variations in the above assumptions do not materially impact the outcome of the impairment analysis.

Notes to the Consolidated Financial Report (continued)

16. Impairment of Assets (Continued)

Recognition and measurement

Recoverable amount of assets

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

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

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

In allocating an impairment loss, the carrying amount of an individual asset is not taken below the highest of:

(a) Its fair value less costs of disposal (if measurable); and
(b) Its value-in-use (if determinable).

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

17. Trade and Other Payables

	Notes	2018 $'000	2017 $'000
Current			
Trade creditors	[i]	15,289	10,102
Accruals and other payables	[i]	26,789	21,375
		42,078	**31,477**

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

Recognition and measurement

Trade payables and accruals and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

	Notes	2018 $'000	2017 $'000

18. Performance Bond Facility

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

Performance bonding facility

		2018 $'000	2017 $'000
Used at reporting date		9,444	11,608
Unused at reporting date		10,556	8,392
		20,000	**20,000**

Terms and conditions relating to the above financial facilities:

In May 2011, the Company entered into a Facility Agreement comprising a Corporate Loan facility and a Performance Bonding facility. The undrawn Corporate Loan facility was cancelled in April 2013. The Performance Bonding facility was reduced in size from $55,000,000 to $20,000,000 in June 2017 and extended to 30 June 2021. As at balance date, bonds and guarantees totalling $9,444,000 were drawn under the Performance Bond Facility.

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

19. Derivative Financial Liabilities

	Notes	2018 $'000	2017 $'000
Current			
Foreign currency option contracts	35[b][i]	325	-
		325	**-**

Refer note 35 for details on derivative financial instruments.

Notes to the Consolidated Financial Report (continued)

20. Provisions

	Road Resealing		Restructure		Decommissioning Rehabilitation		Other Provisions		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current	2,000	2,536	3,559	-	980	1,115	-	-	6,539	3,651
Non-Current	-	-	-	-	40,366	38,736	-	-	40,366	38,736
	2,000	**2,536**	**3,559**	**-**	**41,346**	**39,851**	**-**	**-**	**46,905**	**42,387**
Reconciliation										
Carrying amount at the beginning of the year	2,536	1,878	-	-	39,851	39,017	-	183	42,387	41,078
Provision for period	256	1,112	3,559	-	-	-	-	-	3,815	1,112
Amounts utilised during the period	(179)	(454)	-	-	(135)	(257)	-	(87)	(314)	(798)
Unused amounts reversed	-	-	-	-	-	-	-	(96)	-	(96)
Interest accretion on rehabilitation provision - expensed	-	-	-	-	845	639	-	-	845	639
Interest accretion on rehabilitation provision - capitalised	-	-	-	-	-	120	-	-	-	120
Revised estimate adjustment – continuing operations	-	-	-	-	785	(2,406)	-	-	785	(2,406)
Revised estimate adjustment – discontinued operations	(613)	-	-	-	-	271	-	-	(613)	271
Revised estimate adjustment – mine properties asset	-	-	-	-	-	2,467	-	-	-	2,467
Carrying amount at the end of the year	**2,000**	**2,536**	**3,559**	**-**	**41,346**	**39,851**	**-**	**-**	**46,905**	**42,387**

Road resealing
This provision relates to the forecast cost of roadworks associated with the Tallering Peak and Extension Hill mine sites. Payments to the relevant local government authorities are made annually.

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

Decommissioning rehabilitation
This provision represents the present value of decommissioning and rehabilitation costs for the Tallering Peak, Koolan Island and Extension Hill sites. The cost estimates forming the basis of the provisions were prepared as at the end of the prior financial year by independent consultants specialising in mine closure planning and mine rehabilitation cost estimates. The timing of decommissioning and rehabilitation expenditure is dependent on the life of the mines and on the timing of the rehabilitation requirements, which may vary in the future. Based on current estimates, the bulk of expenditure on decommissioning rehabilitation is expected to occur at Tallering Peak and Extension Hill within the next 1-3 years, and at Koolan Island between 5-7 years from balance date.

Notes to the Consolidated Financial Report (continued)

	2018 $'000	2017 $'000

20. Provisions (Continued)

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

	2018 $'000	2017 $'000
Tallering Peak	980	1,115
Koolan Island	28,542	27,331
Extension Hill	11,824	11,405
	41,346	39,851

Recognition and measurement

Rehabilitation costs

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

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

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

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

Restructuring provision

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

Other Provisions

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

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

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

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

Key estimate : mine rehabilitation provision

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

Notes to the Consolidated Financial Report (continued)

	2018 $'000	2017 $'000

21. Issued Capital

[a] Ordinary shares

	2018 $'000	2017 $'000
Issued and fully paid	**568,328**	**568,328**

[b] Movement in ordinary shares on issue

	2018 Number of Shares	2018 $'000	2017 Number of Shares	2017 $'000
Beginning of the financial year	1,096,562,516	568,328	1,091,279,435	568,328
Exercise of Performance Rights	-	-	533,625	-
	1,096,562,516	568,328	1,091,813,060	568,328
Restricted shares – executive loan share plan issues	-	-	4,749,456	-
End of the financial year	1,096,562,516	568,328	1,096,562,516	568,328

[c] Terms and conditions of contributed equity

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

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

[d] Share options

As at 30 June 2018, there were no options on issue (2017: nil). See note 25(b).

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

[e] Performance rights

During the year ended 30 June 2018, no Performance Rights were issued.

No Performance Rights vested during the year (2017: 533,625).

As at 30 June 2018, there were no Performance Rights on issue (2017: nil) – see note 25(c).

[f] Capital management

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

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

No changes were made in the objectives, policy or processes for managing capital during the year ended 30 June 2018.

Notes to the Consolidated Financial Report (continued)

	Notes	2018 $'000	2017 $'000
22. Reserves			
Share based payments reserve	[a]	20,531	20,531
Net unrealised gains reserve	[b]	803	232
Dividend distribution reserve	[c]	964,262	964,262
Other reserves	[d]	(3,192)	(3,192)
		982,404	**981,833**

[a] Share based payments reserve

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

		2018 $'000	2017 $'000
Balance at the beginning of the year		20,531	20,037
Share based payments		-	494
Balance at the end of the year		20,531	20,531

[b] Net unrealised gains reserve

This reserve records movement for available-for-sale financial assets to fair value and gains and losses on hedging instruments classified as effective cash flow hedges.

		2018 $'000	2017 $'000
Balance at the beginning of the year		232	-
Net gain/(loss) on cash flow hedges		(411)	232
Change in fair value of available for sale financial assets		982	-
Deferred income tax on cash flow hedges		-	-
Balance at the end of the year		803	232

[c] Dividend distribution reserve

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

		2018 $'000	2017 $'000
Balance at the beginning of the year		964,262	964,262
Movement during the period		-	-
Balance at the end of the year		964,262	964,262

[d] Other reserves

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

		2018 $'000	2017 $'000
Balance at the beginning of the year		(3,192)	(3,192)
Movement during the period		-	-
Balance at the end of the year		(3,192)	(3,192)

23. Accumulated Losses

	Notes	2018 $'000	2017 $'000
Balance at the beginning of the year		(1,131,178)	(1,157,500)
Dividends paid during the period	27[a]	(21,859)	-
Net profit attributable to members of the Company		99,129	26,322
Balance at the end of the year		**(1,053,908)**	**(1,131,178)**

Notes to the Consolidated Financial Report (continued)

	Notes	2018 $'000	2017 $'000
24. Expenditure Commitments			
[a] Exploration Expenditure Commitments	[i]		
Minimum obligations not provided for in the financial report and are payable:			
• Not later than one year		470	520
• Later than one year but not later than five years		1,401	1,011
• Later than five years		2,088	863
		3,959	**2,394**
[b] Operating Lease Commitments	[ii]		
Minimum lease payments			
• Not later than one year		1,496	1,817
• Later than one year but not later than five years		3,119	3,125
• Later than five years		-	946
		4,615	**5,888**
[c] Property, plant and equipment commitments	[iii]		
Commitments contracted for at balance date but not recognised as liabilities			
• Not later than one year		5,246	1,326
• Later than one year but not later than five years		-	-
		5,246	**1,326**
[d] Contractual commitments	[iv]		
Commitments for the payment of other mining and transport contracts:			
• Not later than one year		9,485	8,282
• Later than one year but not later than five years		-	600
		9,485	**8,882**

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

[ii] Operating leases relate to leases for office space and land with an initial term of 5 years, and leases for equipment which have an average term of 3.4 years.

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

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

Notes to the Consolidated Financial Report (continued)

	Notes	2018 $'000	2017 $'000

25. Share-Based Payment Plans

(a) Recognised share-based payment expense

	Notes	2018 $'000	2017 $'000
Expense arising from equity-settled share-based payment transactions	4[c]	-	494

The share-based payment plans are described below. There have been no cancellations of any of the plans during 2018 and 2017.

(b) Employee Option Scheme

An Employee Option Scheme has been established where the Company may, at the discretion of the Board, grant options over the ordinary shares of the Company. The options, issued for nil consideration, are granted in accordance with performance guidelines established by the Directors of the Company. All Directors, officers and employees are eligible for this scheme. No options were issued during the year ended 30 June 2018. As at balance date, no options over unissued shares were on issue.

(c) Performance Rights Plan

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

The vesting scale applicable to the Company's TSR performance is as follows:

Percentile Rank Achieved	Proportion of Target Award Vesting
>76th percentile	100%
> 51st percentile and ≤76th percentile	Pro rata allocation
51st percentile	50%
<51st percentile	0%

Information with respect to the number of performance rights granted and issued is as follows:

	2018 No. of Performance Rights	2017 No. of Performance Rights
Balance at beginning of year	-	711,500
- granted	-	-
- exercised	-	(533,625)
- lapsed/forfeited	-	(177,875)
Balance at year end	**-**	**-**

At 30 June 2018, there were no Performance Rights on issue.

(d) Loan Share Plan

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

On 24 August 2016 the Company issued 4,749,456 shares under the LSP. In accordance with the terms of the LSP, the shares were issued at a market price of $0.316 per share. These shares subsequently vested in July 2017 as the participants remained continuously employed by the Group and the Company's share price, as measured by a rolling five day volume weighted average price of the Company's shares traded on the ASX, on 1 July 2017 (or at any time in the following four year period) was above a 10% premium to the issue price of the shares. The award was accounted for as an in-substance option award, with the fair value at grant date assessed at $0.104 per 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 was satisfied, with the resultant values discounted back to the grant date. The underlying share price and the exercise price were assumed at $0.31 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 1.40% 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.

The exercise price of the LSP shares, being in-substance options, was $0.301 per share at balance date.

No share issue was made under LSP in the year ended 30 June 2018.

25. Share-Based Payment Plans (Continued)

Recognition and measurement

Share-based payment transactions

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

Options

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

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

Performance rights

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

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

Loan share plan

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

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

Equity-Settled Transactions Generally

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

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

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

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

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

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

Notes to the Consolidated Financial Report (continued)

26. Earnings Per Share

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

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

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

	2018 $'000	2017 $'000
Profit used in calculating basic and diluted earnings per share:		
Continuing operations	99,103	25,599
Discontinued operations	26	723
Profit attributable to ordinary equity holders of the Company	99,129	26,322
	Number of Shares	**Number of Shares**
Weighted average number of ordinary shares used in calculating basic earnings per share	1,091,813,060	1,091,813,060
Effect of dilution		
- Restricted shares (in-substance options)	4,749,456	4,037,038
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,096,562,516	1,095,850,098
Earnings per Share (cents per share):		
Basic earnings per share	9.08	2.41
Diluted earnings per share	9.04	2.40

Conversions, calls, subscriptions or issues after 30 June 2018

Immediately after year end, on 2 July 2018, an issue of 2,998,351 restricted shares was made under the LSP. In accordance with the terms of the LSP, the shares were issued at a market price of $0.443 per share. In order for the shares to vest, the participants must remain continuously employed with the Group to at least 1 July 2019 and the Company's share price, as measured by a rolling five day volume weighted average price of the Company's shares traded on the ASX, must on 1 July 2019 or at any time in the following four year period be above a 10% premium to the issue price of the shares.

Other than as described above, there have been no issues of shares or exercises, conversions or realisations of options, performance rights or restricted LSP shares under any of the Company's share-based payment plans since 30 June 2018.

Recognition and measurement

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

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

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

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

Notes to the Consolidated Financial Report (continued)

	2018 $'000	2017 $'000

27. Dividends Paid and Proposed

Declared and paid during the year:

[a] Dividends on ordinary shares:

During the year ended 30 June 2018, a final dividend of $0.02 per share fully franked in respect of the 2016/17 financial year was paid in cash totalling $21,859,000.

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

On 14 August 2018, the Company declared a final dividend on ordinary shares in respect of the 2017/18 financial year of $0.03 per share fully franked, payable either in cash or in shares to eligible shareholders as part of the Company's Dividend Reinvestment Plan. The total amount of the dividend is $32,987,000. The dividend has not been provided for in the 30 June 2018 financial statements.

[c] Franked dividends:

	2018 $'000	2017 $'000
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year at 30%	49,843	59,243
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	-
	49,843	**59,243**
The amount of franking credits available for future reporting periods: Impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	(14,137)	(9,400)
	35,706	**49,843**

Tax rates

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

28. Contingent Assets and Liabilities

1. Following achievement of a contractual rail volume threshold at Extension Hill during the year, the Group has a contingent asset in the form of an entitlement to receive a partial refund of historical rail access charges from Arc Infrastructure, based upon the future usage by certain third parties of specific segments of the Perenjori to Geraldton railway line. This entitlement commences upon termination of the Group's existing rail agreements – which is now expected to occur in 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.
2. The Group has a Performance Bonding facility drawn to a total of $9,444,000 as at balance date (2017: $11,608,000). The performance bonds secure the Group's obligations relating primarily to environmental matters and infrastructure assets.
3. Certain claims arising with customers, employees, consultants, and contractors have been made by or against certain controlled entities in the ordinary course of business, some of which involve litigation or arbitration. The Directors do not consider the outcome of any of these claims will have a material adverse impact on the financial position of the consolidated entity.

Notes to the Consolidated Financial Report (continued)

29. Key Management Personnel

[a] Compensation of Key Management Personnel

	2018 $	2017 $
Short-term	2,922,817	3,276,676
Post employment	189,888	190,499
Long-term	75,767	31,656
Share-based payment	-	493,943
Loan Share Plan - dividend	94,989	-
	3,283,461	**3,992,774**

[b] Loans to Specified Key Management Personnel

There were no new loans to key management personnel during the year.

Limited recourse loans totalling $1,500,828 were made to key management personnel during the prior year under the terms of the Company's Loan Share Plan (**LSP**). The loans were paid down to $1,428,908 as at 30 June 2018 as a result of the dividend paid on ordinary shares in the period. Refer note 25(d) for details of the LSP.

[c] Other Transactions and Balances with Key Management Personnel

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

30. Related Party Transactions

Ultimate parent

Mount Gibson Iron Limited is the ultimate Australian parent company.

Director-related entity transactions

Sales

During all or part of the year Mr Li was a director of Shougang Concord International Trading Pty Ltd (**SCIT**), and Mr Lee and Mr Ferguson were directors of APAC Resources Limited (**APAC**).

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

- The sale to SCIT of 80% of iron ore from Koolan Island's available mined production over the life of mine.
- The sale to a subsidiary of APAC of 20% of iron ore from Koolan Island's available mined production of the life of mine.
- The sale to SCIT of approximately 25% initially, and then later 80%, of the iron ore produced from the Iron Hill deposit at the Extension Hill mine site.
- 9 ad hoc spot sales of iron ore to SCIT from Extension Hill.
- 6 ad hoc spot sales of iron ore to APAC from Extension Hill.

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

- Sold 1,678,072 wet metric tonnes (**WMT**) (2017: nil WMT) of iron ore to SCIT; and
- Sold 366,940 WMT (2017: 182,167 WMT) of iron ore to APAC.

Notes to the Consolidated Financial Report (continued)

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

	2018 $'000	2017 $'000
Assets and Liabilities		
Current Assets		
Trade receivables – APAC	(53)	2,566
Trade receivables – SCIT	1,961	-
Total trade receivables	1,908	2,566
Total Assets	**1,908**	**2,566**
Current Liabilities		
Trade payables – APAC	-	-
Trade payables – SCIT	-	-
Total trade payables	-	-
Total Liabilities	**-**	**-**
Sales Revenue		
Sales revenue – APAC	18,893	11,612
Sales revenue – SCIT	130,278	-
Total Sales Revenue (before shipping freight)	**149,171**	**11,612**

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

31. Auditor's Remuneration

	2018 $	2017 $
Amounts received or due and receivable by EY for:		
▪ An audit or review of the financial report of the entity and any other entity in the consolidated entity	192,095	192,095
▪ Other services in relation to the entity and any other entity in the consolidated entity	-	3,605
	192,095	**195,700**

Notes to the Consolidated Financial Report (continued)

	2018	2017
	$'000	$'000

32. 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] Profit from discontinued operations

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

	2018 $'000	2017 $'000
Revenue	-	16,078
Cost of sales	-	(18,733)
Impairment write-back on ore inventories	-	3,378
Gross profit	-	723
Impairment of debtors	(104)	-
Revised estimate adjustment – road resealing provision	613	-
Other expenses	(483)	-
Profit before tax and finance costs from discontinued operations	26	723
Finance costs	-	-
Profit before tax from discontinued operations	26	723
Income tax benefit/(expense)	-	-
Net profit after tax from discontinued operations	26	723
Earnings per share (cents per share):		
▪ basic earnings per share	0.00	0.07
▪ diluted earnings per share	0.00	0.07

[b] Cash flow from discontinued operations

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

	2018 $'000	2017 $'000
Operating	(653)	2,399
Investing	-	-
Financing	-	-
Net cash inflow/(outflow) from discontinued operations	**(653)**	**2,399**

Notes to the Consolidated Financial Report (continued)

33. Segment Information

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

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

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

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

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

For the purposes of segment reporting, revenue is disclosed net of shipping freight costs, on a Free on Board (FOB) basis.

There have been no inter-segment revenues.

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

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

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

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

Customer	2018 $'000
# 1	105,439
# 2	26,697
# 3	19,583
Other	40,956
	192,675

During the year ended 30 June 2017, revenue received from the sale of iron ore comprised purchases by the following buyers who each on a proportionate basis equated to greater than 10% of total sales for the period:

Customer	2017 $'000
# 1	53,669
# 2	38,672
Other	69,541
	161,882

Revenue from external customers by geographical location is based on the port of delivery. All iron ore has been shipped to China during the year ended 30 June 2018.

All segment assets are located within Australia.

Notes to the Consolidated Financial Report (continued)

33. Segment Information (Continued)

	Extension Hill		Koolan Island		Unallocated*		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue								
Revenue from sale of iron ore, net of shipping freight	196,463	162,043	-	-	-	-	196,463	162,043
Interest revenue	-	-	-	-	12,140	12,113	12,140	12,113
Segment revenue, net of shipping freight	**196,463**	**162,043**	**-**	**-**	**12,140**	**12,113**	**208,603**	**174,156**
Shipping freight	57,666	20,645	-	-	-	-	57,666	20,645
Segment revenue, before shipping freight	**254,129**	**182,688**	**-**	**-**	**12,140**	**12,113**	**266,269**	**194,801**
Segment result								
Earnings/(loss) before impairment, interest, tax, depreciation and amortisation	39,814	36,092	-	(3,154)	64,074	(3,486)	103,888	29,452
Impairment (loss)/reversal	2,382	32	-	2,260	62	(459)	2,444	1,833
Earnings/(loss) before interest, tax, depreciation and amortisation	42,196	36,124	-	(894)	64,136	(3,945)	106,332	31,285
Depreciation and amortisation	(5,669)	(2,373)	-	(3,067)	(276)	(593)	(5,945)	(6,033)
Segment result	**36,527**	**33,751**	**-**	**(3,961)**	**63,860**	**(4,538)**	**100,387**	**25,252**
Finance costs							(1,284)	(1,134)
Profit before tax and discontinued operations							**99,103**	**24,118**
Items included in segment result:								
Impairment/(write-backs) of consumables inventories	61	(219)	-	(2,260)	-	-	61	(2,479)
Impairment (write-backs)/loss on ore inventories	(2,443)	3,153	-	-	-	-	(2,443)	3,153
Impairment/(write-backs) of exploration and evaluation expenditure	-	(2,966)	-	-	(62)	459	(62)	(2,507)
	(2,382)	(32)	-	(2,260)	(62)	459	(2,444)	(1,833)

* 'Unallocated' includes interest revenue of $12,140,000, proceeds from business interruption insurance claim of $64,287,000 and corporate expenses such as head office salaries and wages.

	Extension Hill 2018	Extension Hill 2017	Koolan Island 2018	Koolan Island 2017	Unallocated* 2018	Unallocated* 2017	Consolidated 2018	Consolidated 2017
Segment assets								
Current financial assets	13,478	9,504	1,473	2,152	450,426	444,992	465,377	456,648
Other current assets	18,917	17,289	6,634	4,249	1,144	1,151	26,695	22,689
Property, plant and equipment	3,241	2,637	4,172	2,580	321	702	7,734	5,919
Mine properties	2,252	5,903	85,529	4,988	-	-	87,781	10,891
Other non-current assets	-	-	2,370	-	-	-	2,370	-
Total assets	**37,888**	**35,333**	**100,178**	**13,969**	**451,891**	**446,845**	**589,957**	**496,147**
Segment liabilities								
Financial liabilities	27,078	19,136	11,790	4,184	3,535	8,157	42,403	31,477
Other liabilities	18,471	13,944	29,331	27,762	2,928	3,981	50,730	45,687
Total liabilities	**45,549**	**33,080**	**41,121**	**31,946**	**6,463**	**12,138**	**93,133**	**77,164**
Net assets/(liabilities)	**(7,661)**	**2,253**	**59,057**	**(17,977)**	**445,428**	**434,707**	**496,824**	**418,983**

Notes to the Consolidated Financial Report (continued)

34. Events After the Balance Sheet Date

On 14 August 2018, the Company declared a final dividend on ordinary shares in respect of the 2017/18 financial year of $0.03 per share fully franked, payable either in cash or in shares to eligible shareholders as part of the Company's Dividend Reinvestment Plan. The total amount of the dividend is $32,987,0000. The dividend has not been provided for in the 30 June 2018 financial statements.

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

35. Financial Instruments

[a] Financial risk management objectives

The Group's principal financial instruments, other than derivatives, comprise bank and equipment finance arrangements, cash and short-term deposits, and financial assets held for trading.

The main purpose of these financial instruments is to raise finance for the Group's operations.

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

The Group also enters into derivatives transactions, principally forward currency contracts, and from time to time also enters into foreign currency collar options and interest rate swaps. The purpose is to manage the currency and interest rate risks arising from the Group's operations and its sources of finance.

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

[b] Foreign currency risk

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

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

During the year ended 30 June 2018, there were no US dollar foreign exchange forward contract deliveries.

At 30 June 2018, the notional amount of the foreign exchange hedge book totalling US$12,000,000 is made up exclusively of collar option contracts with maturity dates due in the 4 months ended 29 October 2018 and with an average cap price of A$1.00/US$0.7813 and an average floor price of A$1.00/US$0.7474.

As at 30 June 2018, the marked-to-market unrealised loss on the total outstanding US dollar foreign exchange hedge book of US$12,000,000 was $325,000.

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

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

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

Notes to the Consolidated Financial Report (continued)

35. Financial Instruments (Continued)

[i] Foreign exchange contracts – cash flow hedges

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

	2018				2017			
	Average Contract Rate A$/US$	Contract Amount US$ $'000	Contract Amount A$ $'000	Fair Value A$ $'000	Average Contract Rate A$/US$	Contract Amount US$ $'000	Contract Amount A$ $'000	Fair Value A$ $'000
Collar Option Contracts								
Within one year:	-	-	-	-		12,000	15,894	341
- call strike price					0.7550			
- put strike price					0.7205			
Within one year:		3,000	3,822	(143)	-	-	-	-
- call strike price	0.7850							
- put strike price	0.7667							
Within one year:		9,000	11,538	(182)	-	-	-	-
- call strike price	0.7800							
- put strike price	0.7410							
Total		**12,000**	**15,360**	**(325)**		**12,000**	**15,894**	**341**

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

	Notes	2018 $'000	2017 $'000
Current assets	11	-	341
Current liabilities	19	(325)	-
Total collar option contracts		(325)	341

[ii] Foreign currency sensitivity

The following table details the effect on profit and other comprehensive income after tax of a 10% change in the A$ against the US$ from the spot rates at 30 June 2018 and 30 June 2017 due to changes in the fair value of monetary assets and liabilities.

	Net Profit		Other Comprehensive Income	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
10% appreciation in the A$ spot rate with all other variables held constant	(770)	(767)	468	1,167
10% depreciation in the A$ spot rate with all other variables held constant	942	938	(1,362)	(526)

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

Notes to the Consolidated Financial Report (continued)

35. Financial Instruments (Continued)

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

		2018 $'000	2017 $'000
Financial Assets			
Cash	(included within note 6)	10,204	6,729
Trade receivables	(included within note 9)	2,621	6,440
Financial Liabilities			
Trade payables	(included within note 17)	(716)	(1,116)
Net exposure		**12,109**	**12,053**

[c] Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash and cash equivalents, term deposits and subordinated notes, and financial assets held for trading (tradeable corporate bonds).

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

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

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

Notes to the Consolidated Financial Report (continued)

35. Financial Instruments (Continued)

	Floating interest rate		Fixed interest rate maturing in:				Non-interest bearing		Total carrying amount per balance sheet		Weighted Average Interest	
			1 year or less		Over 1 to 5 years							
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
CONSOLIDATED	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%	%
i) ***Financial assets***												
Cash	46,546	33,755	-	-	-	-	1	1	**46,547**	**33,756**	0.69	0.47
Short-term deposits (< 3 months maturity)	-	-	-	15,000	-	-	-	-	**-**	**15,000**	-	2.23
Term deposits – receivables	-	-	279,000	268,500	-	-	-	-	**279,000**	**268,500**	2.62	2.62
Subordinated notes – available-for-sale	98,030	97,000	-	-	-	-	-	-	**98,030**	**97,000**	3.29	3.14
Financial assets held for trading	-	-	32,420	31,217	-	-	1,537	1,306	**33,957**	**32,523**	3.86	4.17
Trade and other receivables	-	-	-	-	-	-	7,843	9,528	**7,843**	**9,528**	-	-
Derivative financial assets	-	-	-	-	-	-	-	341	**-**	**341**	-	-
Total financial assets	**144,576**	**130,755**	**311,420**	**314,717**	**-**	**-**	**9,381**	**11,176**	**465,377**	**456,648**		
ii) ***Financial liabilities***												
Trade and other payables	-	-	-	-	-	-	42,078	31,477	**42,078**	**31,477**	-	-
Derivative financial liabilities	-	-	-	-	-	-	325	-	**325**	**-**	-	-
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**42,403**	**31,477**	**42,403**	**31,477**		

Notes to the Consolidated Financial Report (continued)

35. Financial Instruments (Continued)

[i] Interest rate sensitivity

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

	Net Profit		Other Comprehensive Income	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
• 0.25% increase in interest rate with all other variables held constant	748	721	-	-
• 0.25% decrease in interest rate with all other variables held constant	(748)	(721)	-	-

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

[d] Credit risk

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

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

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

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

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

[e] Commodity price risk

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

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

Sensitivity of Ore Sales Revenue for Provisionally Priced Sales Volumes at Balance Date	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000
Ore Sales Revenue:		
- 10% increase in iron ore prices	3,839	839
- 10% decrease in iron ore prices	(3,839)	(839)

The sensitivities have been determined as the dollar impact on ore sales revenues of a 10% increase and decrease in benchmark iron ore prices (including lump premiums) at each reporting date, while holding all other variables, including foreign exchange rates, constant. The relationship between iron ore prices and exchange rates is complex, and movements in exchange rates can impact commodity prices. The above sensitivities should therefore be used with caution.

Notes to the Consolidated Financial Report (continued)

35. Financial Instruments (Continued)

During the period, the Group entered into forward sales agreements covering six shipments totalling 330,000 tonnes of iron ore, with maturity dates spread over the period October 2017 to May 2018. The contracts were stated in US$ per dry metric tonne 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$72 and US$75 per tonne. Movements in the market value of the forward sale contracts are taken to the income statement. There were no outstanding iron ore forward contracts as at 30 June 2018.

[f] Liquidity risk

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

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

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

At 30 June 2018, the Group had unutilised performance bonding facilities totalling $10,556,000 (2017: $8,392,000). Refer note 18.

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

	30 June 2018					30 June 2017				
	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Financial Liabilities										
Trade and other payables	42,078	-	-	-	42,078	31,477	-	-	-	31,477
Derivatives – inflow	(15,035)	-	-	-	(15,035)	(16,235)	-	-	-	(16,235)
Derivatives – outflow	15,360	-	-	-	15,360	15,894	-	-	-	15,894
	42,403	**-**	**-**	**-**	**42,403**	**31,136**	**-**	**-**	**-**	**31,136**

[g] Fair value of financial assets and financial liabilities

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

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

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

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

The fair values of derivative financial instruments are determined using the Level 2 method requiring fair value to be calculated using short and long term observable market inputs. The Group's fair values under the Level 2 method are sourced from an independent valuation by the Group's treasury advisors. The valuation techniques use prevailing market inputs sourced from Reuters/Bloomberg to determine an appropriate mid price valuation.

The fair values of quoted notes and bonds (classified as either financial assets held for trading or available-for-sale) are determined using Level 1 method based on market price quotations at the reporting date.

The fair values of cash, short-term deposits, trade and 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.

Notes to the Consolidated Financial Report (continued)

35. Financial Instruments (Continued)

The carrying amounts and fair values measurement hierarchy of the financial assets and financial liabilities for the Group as at 30 June 2018 and 30 June 2017 are shown below.

	2018		2017	
	Carrying Amount $'000	Fair Value $'000	Carrying Amount $'000	Fair Value $'000
Financial assets – current				
Cash	46,547	46,547	33,756	33,756
Short-term deposits	-	-	15,000	15,000
Term deposits – receivables	279,000	279,000	268,500	268,500
Subordinated notes – available-for-sale	98,030	98,030	97,000	97,000
Financial assets held for trading	33,957	33,957	32,523	32,523
Trade debtors and other receivables	7,843	7,843	9,528	9,528
Derivatives	-	-	341	341
	465,377	465,377	456,648	456,648
Financial liabilities – current				
Trade and other payables	42,078	42,078	31,477	31,477
Derivatives	325	325	-	-
	42,403	42,403	31,477	31,477
Net financial assets	**422,974**	**422,974**	**425,171**	**425,171**

Recognition and measurement

Derivative financial instruments and hedging

The Group uses foreign currency to hedge its risks associated with foreign currency and commodity price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to fair value.

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

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

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

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

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

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

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

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

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

36. Parent Entity Information

	2018 $'000	2017 $'000
[a] Information relating to Mount Gibson Iron Limited:		
Current assets	11,055	17,134
Total assets	902,753	799,833
Current liabilities	217,552	2,095
Total liabilities	405,929	380,850
Issued capital	568,328	568,328
Issued capital – restricted shares under Loan Share Plan	1,501	1,501
Accumulated losses	(487,842)	(565,683)
Dividend distribution reserve	394,306	394,306
Share based payments reserve	20,531	20,531
Total Shareholder's Equity	496,824	418,983
Net profit after tax of the parent entity	99,700	25,053
Total comprehensive profit of the parent entity	99,700	25,053

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

There are cross guarantees given by Mount Gibson Iron Limited in relation to the debts of its subsidiaries as described in note 12 and note 18.

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

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

The parent entity had contingent liabilities as at reporting date as set out in note 28. For information about guarantees given by the parent entity, refer [b] above.

Mount Gibson Iron Limited guarantees the performance of Mount Gibson Mining Limited's obligations to Aurizon entities under the Transport Agreement made on 26 June 2008 as amended and restated on 30 June 2009. In accordance with this agreement, Mount Gibson Mining Limited agrees to reimburse Aurizon for track access charges properly due and payable to Brookfield, the rail infrastructure owner.

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

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

[e] Tax Consolidation

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

Notes to the Consolidated Financial Report (continued)

37. New and Amended Accounting Standards and Interpretations

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board.

From 1 July 2017 the Group has adopted all new and amended Accounting Standards and Interpretations mandatory for annual periods beginning on 1 July 2017 including:

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	This Standard amends AASB 112 *Income Taxes* to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	1 July 2017
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	The amendments to AASB 107 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).	1 January 2017	1 July 2017
AASB 2017-2	Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	This Standard clarifies the scope of AASB 12 *Disclosure of Interests in Other Entities* by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with AASB *5 Non-current Assets Held for Sale and Discontinued Operations.*	1 January 2017	1 July 2017

Changes to accounting policies due to adoption of these standards and interpretations are not considered significant for the Group.

Notes to the Consolidated Financial Report (continued)

Other Australian Accounting Standards and Interpretations relevant to the Group that have recently been issued or amended but are not yet effective, have not been adopted by the Group for the period ended 30 June 2018 are outlined in the table below:

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 9, and relevant amending standards	Financial Instruments	AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*. Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs. Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss. For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO. The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.	1 January 2018	1 July 2018
AASB 2016-5	Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	This standard amends to AASB 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: ► The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments ► Share-based payment transactions with a net settlement feature for withholding tax obligations ► A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 January 2018	1 July 2018

Notes to the Consolidated Financial Report (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 15 and relevant amending standards	Revenue from Contracts with Customers	AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB Interpretation 13 *Customer Loyalty Programmes*, AASB Interpretation 15 *Agreements for the Construction of Real Estate*, AASB Interpretation 18 *Transfers of Assets from Customers* and AASB Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 *Leases* (or AASB 16 *Leases*, once applied). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps: ► Step 1: Identify the contract(s) with a customer ► Step 2: Identify the performance obligations in the contract ► Step 3: Determine the transaction price ► Step 4: Allocate the transaction price to the performance obligations in the contract ► Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.	1 January 2018	1 July 2018
AASB Int 22	Foreign Currency Transactions and Advance Consideration	The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.	1 January 2018	1 July 2018
AASB 2017-1	Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments	The amendments clarify certain requirements in: ► AASB 1 *First-time Adoption of Australian Accounting Standards* – deletion of exemptions for first-time adopters and addition of an exemption arising from AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration ► AASB 12 *Disclosure of Interests in Other Entities* – clarification of scope ► AASB 128 *Investments in Associates and Joint Ventures* – measuring an associate or joint venture at fair value ► AASB 140 *Investment Property* – change in use.	1 January 2018	1 July 2018

Notes to the Consolidated Financial Report (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 16	Leases	AASB 16 requires lessees to account for all leases under a single on balance sheet model in a similar way to finance leases under AASB 117 *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.	1 January 2019	1 July 2019
AASB 2017-6	Amendments to Australian Accounting Standards- Prepayment Features with Negative Compensation	This Standard amends AASB 9 *Financial Instruments* to permit entities to measure at amortised cost or fair value through other comprehensive income particular financial assets that would otherwise have contractual cash flows that are solely payments of principle and interest but do not meet that condition only as a result of a prepayment feature. This is subject to meeting other conditions, such as the nature of the business model relevant to the financial asset. Otherwise, the financial assets would be measured at fair value through profit or loss. The Standard also clarifies in the Basis for Conclusion that, under AASB 9, gains and losses arising on modifications of financial liabilities that do not result in derecognition should be recognised in profit or loss.	1 January 2019	1 July 2019
AASB 2018-1	Annual Improvements to IFRS Standards 2015-2017 Cycle	The amendments clarify certain requirements in: ► AASB 3 *Business Combinations* and AASB 11 Joint Arrangements – previously held interest in a joint operation ► AASB 112 *Income Taxes* – income tax consequences of payments on in financial instruments classified as equity ► AASB 123 *Borrowing Cost* – borrowing costs eligible for capitalisation.	1 January 2019	1 July 2019
AASB Int 23, and relevant amending standards	Uncertainty over Income Tax Treatments	The Interpretation clarifies the application of the recognitions and measurement criteria in AASB 112 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: ► Whether an entity considers uncertain tax treatments separately ► The assumptions an entity makes about the examination of tax treatments by taxation authorities ► How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates ► How an entity considers changes in facts and circumstances.	1 January 2019	1 July 2019

The Group has elected not to early adopt any of these new standards or amendments in these financial statements. In view of the current state of operations, the Group has yet to fully assess the full impact of the below accounting standards, when applied in future periods:

- AASB 15 *Revenue from Contracts with Customers* changes the timing (and in some case, the quantum) of revenue recognised from customers. The standard does not apply mandatorily before 1 January 2018 and applies to the Group from 1 July 2018. The Group plans to adopt the new standard using the modified retrospective approach.

  The Group has made a preliminary assessment of the potential impacts of AASB 15 as at the reporting date and formed an initial view that the new standard may operate to require the deferral of the recognition of certain Cost and Freight (CFR) revenues apportioned to the remaining sea voyages of "in transit" vessels to their destination ports where iron ore cargoes are discharged. Based on the limited number of vessels expected to be in transit at any reporting date, the new standard is unlikely to have a material future impact on the Group's financial results.

  All of the Group's CFR sales agreements are expected to end by 30 June 2019, after which all sales will be on a Free on Board (FOB) basis.

- AASB 9 *Financial Instruments* brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. This standard does not apply before 1 January 2018 and the application date for the Group is 1 July 2018. The Group continues to assess the impacts of AASB 9 and has formed the view that there will be no material differences in the carrying amounts of financial assets and financial liabilities when it is first adopted for the year ended 30 June 2019.

- AASB 16 *Leases* eliminates the distinction between operating and finance leases, and brings all leases (other than short term leases) onto the balance sheet. The standard does not apply mandatorily before 1 January 2019. The Group has yet to fully assess the impact on the Group's financial results when it is first adopted for the year ending 30 June 2020.

38. Reclassification of Prior Period Revenue

The Group has entered into contracts for the sale of iron ore from the Iron Hill deposit at its Extension Hill mine site, predominantly on a Cost and Freight (CFR) basis, with the Group responsible for organising and paying for shipping freight services. These contracts formed the vast majority of the Group's sales in the year ended 30 June 2018. Revenues for the year ended 30 June 2018 have been presented on a gross CFR basis with the accompanying shipping freight costs included in Cost of Sales.

The Group has in previous years disclosed its Revenue and Cost of Sales on a net Free on Board (FOB) basis and, for prior year comparison purposes, has now reclassified its reported Revenue and Cost of Sales for the year ended 30 June 2017, to show Revenues on a CFR basis and Cost of Sales inclusive of shipping freight. Similarly, in its Cash Flow Statement the Group has reclassified the prior year Receipts from Customers and Payments to Suppliers and Employees, as follows:

	Year ended 30 June 2017 Original $'000	Reclassification $'000	Year ended 30 June 2017 Reclassified $'000
Consolidated Income Statement:			
Sale of Goods	162,043	20,645	182,688
Interest Revenue	12,113	-	12,113
Total Revenue	174,156	20,645	194,801
Cost of Sales	(137,698)	(20,645)	(158,343)
Gross Profit	**36,458**	**-**	**36,458**
Consolidated Cash Flow Statement:			
Receipts from customers	167,906	24,627	192,533
Payments to suppliers and employees	(163,866)	(24,627)	(188,493)
Interest paid	(191)	-	(191)
Income tax refund received	1,532	-	1,532
Net Cash Flows from Operations	**5,381**	**-**	**5,381**

The reclassification adjustment does not impact accumulated losses at 30 June 2016 nor does it impact the profit or earnings per share for the year ended 30 June 2017.

Directors' Declaration

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

1. In the opinion of the Directors:

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

      i) giving a true and fair view of the financial position of the Group as at 30 June 2018 and of its performance for the year ended on that date; and

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

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

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

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2018.

Signed in accordance with a resolution of the directors.

Lee Seng Hui

LEE SENG HUI
Chairman

Sydney, 14 August 2018

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Mount Gibson Iron Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2018, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

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

Basis for opinion

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

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

Key audit matters

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

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

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1. Provision for rehabilitation

Why significant	How our audit addressed the key audit matter
As a consequence of its operations the Group incurs obligations to rehabilitate and restore its mine sites. Rehabilitation activities are governed by local legislative requirements. As at 30 June 2018 the Group's consolidated balance sheet includes provisions of $43.3 million (including the Tallering Peak road resealing provision) in respect of these obligations (refer to note 20). We focused on this matter because estimating the costs associated with these future activities requires judgment and estimation for factors such as timing of when rehabilitation will take place, the extent of the rehabilitation and restoration activities and economic assumptions such as inflation rates and discount rates which are used to determine the provision amount.	We evaluated the assumptions and methodologies used by the Group in arriving at their rehabilitation cost estimates. In doing so we: ▶ Assessed the objectivity, qualifications and competence of both the Group's internal and external experts whose work formed the basis of the Group's cost estimate. ▶ Tested the reasonableness of the timing of the rehabilitation cashflows and the resultant inflation and discount rate assumptions used in the Group's cost estimates, having regard to available economic data on future inflation and discount rates. ▶ Evaluated the adequacy of the Group's disclosures relating to rehabilitation obligations and considered the treatment applied to changes in the rehabilitation and restoration provision.

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2. Impairment assessment for the Koolan Island Cash Generating Unit

Why significant	How our audit addressed the key audit matter
The value of the Group's property, plant and equipment and mine property assets at 30 June 2018 was $95.5 million. Of this total amount $89.7 million related to the Koolan Island Cash Generating Unit ("CGU"). Management performed an impairment assessment of the Koolan Island CGU at 30 June 2018 and concluded that no impairment was required. In addition, the Koolan Island CGU had been previously impaired and previously impaired costs remain available for reversal should an impairment assessment support any reversal. The Group concluded that reversal of previous impairment was not supported. We considered this to be a key audit matter because of the: ▶ Significant judgment involved in determining if there was an indicator that an impairment loss recognised in prior periods may either need to be reversed in full or in part or whether further impairment was required. ▶ Significant judgment and estimates involved in the determination of the recoverable amount of the Koolan Island CGU including assumptions relating to future iron ore prices, exchange rates, operating and capital costs and an appropriate discount rate to reflect the risk associated with the forecast cash flows having regard to the current status of the project.	We assessed the reasonableness of management's impairment assessment process and the resultant recoverable value calculations for Koolan Island. Our audit procedures included the following: ▶ Evaluated the assumptions and methodologies used by the Group, in particular, those relating to forecast cash flows and inputs used to formulate them. This included assessing, with involvement from our valuation specialists, where appropriate, the foreign exchange rates and iron ore prices with reference to market prices (where available), market research, market practice, market indices, broker consensus and historical performance and the discount rate. ▶ Tested the mathematical accuracy of the Group's discounted cash flow impairment models and agreed relevant data, including assumptions on timing and future capital and operating expenditure, to the Group's feasibility analysis of the project and the latest Board approved life of mine plans. ▶ Assessed the work of the Group's internal and external experts with respect to the capital and operating assumptions used in the cash flow forecasts. This included understanding the underlying cost estimation process, information in Board reports and releases to the market. We also examined the competence, qualifications and objectivity of the experts and assessed that key capital and operating expenditure assumptions were consistent with information in Board reports and releases to the market. ▶ Assessed the work of the Group's experts with respect to the reserve assumptions used in the cash flow forecasts. This included understanding the reserve estimation process. We also examined the competence, qualifications and objectivity of the Group's experts, and assessed whether key reserve economic assumptions were consistent with those used elsewhere in the financial report. ▶ Assessed the impact of a range of sensitivities to the economic assumptions underpinning the Group's impairment assessment. ▶ We examined the Directors' assessment of whether there was any indication that an impairment loss recognised in prior periods for Koolan Island may have reversed in part or in full in the current year.

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3. Accounting for unrecognised deferred tax assets

Why significant	How our audit addressed the key audit matter
As set out in Note 5 of the financial report, the Group has unrecognised deferred tax assets of $84.4 million as at 30 June 2018. We focused on this matter because the determination of the probability of the Group deriving taxable income in the future to recoup some or a portion of the unrecognised deferred tax assets is highly judgmental. This is subject to numerous assumptions around the future profitability of the Group's mining assets, which in turn is primarily dependent upon assumptions including future production levels, iron ore prices and exchange rates, operating and capital development costs.	We evaluated the appropriateness of the Group's assessment of the probability of the Group deriving assessable income in the future to recoup some or all of the unrecognised deferred tax assets. We involved our tax specialists in the assessment of the Group's tax positions, including the judgments made and estimates used. We considered the appropriateness of the Directors' assumptions, estimates and analysis in relation to the Group's future tax position having regard to the status of the Group's operations at 30 June 2018 and the recent financial performance of the Group. We evaluated the adequacy of the Group's disclosures relating to unrecognised tax assets in the 30 June 2018 financial report.

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

The Directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

Responsibilities of the Directors for the financial report

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

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

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Auditor's responsibilities for the audit of the financial report

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Mount Gibson Iron Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
14 August 2018

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Corporate Governance

The Company's Board is committed to protecting and enhancing shareholder value and conducting the Company's business ethically and in accordance with high standards of corporate governance. In determining those standards the Company has had reference to the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* recently released 3rd Edition ("ASX Recommendations") during the reporting period. The Company believes that its practices are substantially consistent with the ASX Recommendations and will continue to adapt its governance practices to be consistent with them and make changes as appropriate, having regard to the nature and scale of the Company's business.

A description of the Company's main corporate governance practices is set out in its Corporate Governance Statement available online at www.mtgibsoniron.com.au. The practices reflect the Company's existing corporate governance policies and is current as at 30 September 2018. The Corporate Governance Statement has been approved by the Board.

Additional ASX Information

The information is current as at 3 September 2018.

(a) Distribution of equity securities

The number of Shareholders, by size of holding, in each class of Share, are as follows:

	Ordinary Shares		
	Number of holders	Number of Shares	% of Issued Capital
1 - 1,000	1,707	863,695	0.08
1,001 - 5,000	3,475	10,040,248	0.91
5,001 - 10,000	1,780	14,239,616	1.30
10,001 - 100,000	2,881	88,949,150	8.09
100,001 - 999,999,999	377	985,468,158	89.62
TOTAL	**10,204**	**1,099,560,867**	**100.0**
The number of Shareholders holding less than a marketable parcel of Shares are:	991	1,341	497.710

(b) Equity security holders

The names of the twenty largest holders of quoted Shares are:

		Number of Shares	% of Shares Held
1.	SUN HUNG KAI INVESTMENT SERVICES LIMITED <CLIENT A/C>	180,785,949	16.44
2.	APAC RESOURCES INVESTMENTS LIMITED	172,257,288	15.67
3.	TRUE PLUS LIMITED	163,866,874	14.90
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	109,719,891	9.98
5.	CITICORP NOMINEES PTY LIMITED	64,613,226	5.88
6.	J P MORGAN NOMINEES AUSTRALIA LIMITED	57,426,773	5.22
7.	DEBORTOLI WINES PTY LIMITED	34,246,165	3.11
8.	NATIONAL NOMINEES LIMITED	32,005,585	2.91
9.	ZERO NOMINEES PTY LTD	20,395,000	1.85
10.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	12,405,164	1.13
11.	ECAPITAL NOMINEES PTY LIMITED <ACCUMULATION A/C>	8,015,848	0.73
12.	BNP PARIBAS NOMS PTY LTD <DRP>	5,185,804	0.47
13.	DE BORTOLI WINES (SUPERANNUATION) PTY LIMITED <DE BORTOLI WINES PL S/F A/C>	4,850,000	0.44
14.	MR JAMES BEYER	3,965,890	0.36
15.	ACN 139 886 025 PTY LTD	3,351,402	0.30
16.	BRAZIL FARMING PTY LTD	3,200,000	0.29
17.	MR PETER KERR	2,461,443	0.22
18.	MR TIMOTHY BRYCE KLEEMANN	2,154,000	0.20
19.	CROSSWIND TRUSTEE COMPANY LIMITED <CROSSWIND A/C>	2,000,000	0.18
20	MR DAVID STOKES	1,904,171	0.17
	Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)	**884,810,473**	**80.45**
	Total Remaining Holders Balance	**214,750,394**	**19.55**
	Total Issued Ordinary Shares	**1,099,560,867**	**100.00**

(c) Substantial Shareholders

The names of Substantial Shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

		Number of Shares	% of Current Issued Shares
1.	APAC Resources Limited and its subsidiaries	353,043,237	32.10%
2.	Allied Properties Investments (1) Company Limited and its related corporate entities	353,043,237	32.10%
	Note: Substantial shareholdings 1 and 2 are not cumulative and arise through common shareholdings.		
3.	Shougang Corporation and Shougang Concord International Enterprises Company Limited and each of their controlled entities	154,166,874	14.02%
4.	Shougang Fushan Resources Group Limited, True Plus Limited and its subsidiaries	154,166,874	14.02%
	Note: Substantial shareholdings 3 and 4 are not cumulative and arise through common shareholdings.		
5.	Spheria Asset Management Pty Limited	55,672,393	5.06%
6.	Pinnacle Investment Management Group Limited and its subsidiaries	55,583,831	5.05%

Note: Substantial shareholdings 5 and 6 are not cumulative and arise through common shareholdings.

(d) Voting rights

All ordinary Shares carry one vote per Share without restriction.
No voting rights attach to options.

(e) Schedule of interests in mining tenements

Location	Tenement	Status	Percentage Held
Tenements Held by MGX			
Extension Hill	L70/133	Live	100%
Extension Hill	G70/232	Live	100%
Extension Hill	G70/238	Live	100%
Koolan Island	M04/416-I	Live	100%
Koolan Island	M04/417-I	Live	100%
Koolan Island	E04/1266-I	Live	100%
Koolan Island	L04/29	Live	100%
Koolan Island	L04/68	Live	100%
Koolan Island	L04/101	Live	100%
Tallering Peak	M70/1062-I	Live	100%
Tallering Peak	M70/896-I	Live	100%
Tallering Peak	E70/3732	Live	100%
Tallering Peak	L70/60	Live	100%
Tallering Peak	L70/69	Live	100%
Tallering Peak	L70/73	Live	100%
Tallering Peak	L70/74	Live	100%
Tallering Peak	G70/192	Live	100%
Tallering Peak	G70/201	Live	100%
Tallering Peak	G70/202	Live	100%
Tallering Peak	G70/203	Live	100%
Tallering Peak	G70/204	Live	100%
Tallering Peak	G70/205	Live	100%

(e) Schedule of interests in mining tenements (continued)

Location	Tenement	Status	Percentage Held
MGX Has Interests In			
Extension Hill[1]	M59/339-I	Live	
Extension Hill[1]	M59/338-I	Live	
Extension Hill[1]	M59/454-I	Live	
Extension Hill[1]	M59/455-I	Live	
Extension Hill[1]	M59/550-I	Live	
Extension Hill[1]	M59/526-I	Live	
Extension Hill[1]	M59/609-I	Live	
Extension Hill[1]	L59/63	Live	
Extension Hill[1]	G59/30	Live	
Extension Hill[1]	G59/31	Live	
Extension Hill[1]	G59/45	Live	
Extension Hill[1]	G59/33	Live	
Extension Hill[1]	G59/34	Live	
Extension Hill[1]	G59/35	Live	
Extension Hill[1]	G59/36	Live	
Extension Hill[1]	G59/41	Live	
Fields Find[1]	E59/1938-I	Live	
Fields Find[1]	E59/1939-I	Live	
Fields Find[1]	E59/1940-I	Live	
Fields Find[1]	E59/1984	Live	
Fields Find[1]	E59/1268-I	Live	
Fields Find[1]	M59/63-I	Live	
Fields Find[1]	P59/2035	Live	
Fields Find[1]	E59/1996	Live	
Fields Find[1]	E59/1997	Live	
Fields Find[1]	E59/2064	Live	
Fields Find[1]	E59/2065	Live	
Fields Find[1]	E59/2066	Live	
Fields Find[1]	E59/2067	Live	
Shine2	M59/406-I	Live	
Shine2	M59/421-I	Live	
Shine2	M59/731-I	Live	

[1] Tenements are held by another party. MGX has rights to Hematite, Goethite and Limonite.
[2] Tenements are held by another party. MGX has rights to Iron on a portion of these tenements.

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Corporate Directory

All information correct as at 30 June 2018

Board of Directors

Lee Seng Hui
Chairman, Non-Executive Director

Alan Jones
Non-Executive Director

Li Shaofeng
Non-Executive Director

Russell Barwick
Non-Executive Director

Paul Dougas
Non-Executive Director

Simon Bird
Non-Executive Director

Company Secretary

David Stokes

Registered Office

Level 1, 2 Kings Park Road
West Perth 6005, Western Australia
Telephone: +61 8 9426 7500
Facsimile: +61 8 9485 2305
Email: admin@mtgibsoniron.com.au
Website: www.mtgibsoniron.com.au

Solicitors

Herbert Smith Freehills
Level 36, QV1 Building
250 St George's Terrace
Perth 6000, Western Australia

Auditors

Ernst & Young
Ernst & Young Building
11 Mounts Bay Road
Perth 6000, Western Australia

Bankers

HSBC Bank Australia Ltd
188-190 St George's Terrace
Perth 6000, Western Australia

Stock Exchange Listing

The company's shares are listed on the Australian Securities Exchange.
ASX Code: MGX

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St George's Terrace
Perth 6000, Western Australia
Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

Annual General Meeting of Shareholders

Scheduled to be held at 9.30am on 14 November 2018
at the Parmelia Hilton Hotel, 14 Mill St, Perth WA.

Easy Access to Information

See our website at **www.mtgibsoniron.com.au** for regular quarterly reports and financial results. Additionally, shareholders or interested parties can register to receive emailed updates shortly after the company makes any regular or major announcement.

www.**mtgibsoniron**.com.au