MOUNT GIBSON IRON LIMITED 2023 ANNUAL REPORT

Mount Gibson Iron

# 2023 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.

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.

Headquartered in Perth, Western Australia, Mount Gibson's primary operating asset is the Koolan Island mine off the Kimberley coast in the remote north-west of the State. It also holds prospective mining and exploration tenure in the Mid-West region of WA.

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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 | | | | |

## Contents



# 2022/23 Performance Summary

- Significantly improved Lost Time Injury Frequency Rate (LTIFR) of 0.7 incidents per million manhours on a rolling 12 month basis and Total Recordable Injury Frequency Rate (TRIFR) of 5.2 at year end, reduced from 1.7 and 11.4 respectively.
- Total revenue of $452.6 million Free on Board from increased sales of 3.0 million wet metric tonnes (Mwmt) of high-grade iron ore fines grading 65.3% Fe.
- Koolan Island mining production increased to 4.0 Mwmt of high-grade 65% Fe ore, and ore shipments accelerated following completion of crusher repairs in April 2023.
- Platform established for the generation of significant cashflows from Koolan Island over its remaining mine life.
- Year-end cash, term deposits and liquid investments increased to $162.4 million after positive full year operating cashflow of $84.4 million.
- Gross profit of $114.2 million. Net profit after tax of $5.2 million after non-cash pre-tax impairments ($75.4 million) and derecognition of deferred tax assets ($16.5 million).
- Net assets of $539.2 million at 30 June 2023.
- Successful divestment of Mid-West iron ore and infrastructure assets.

# Chairman's Report

I am pleased to present Mount Gibson Iron's Annual Report for the 2022/23 financial year.

The year was one in which the Company began to realise the benefits of the significant capital investment made at its flagship Koolan Island mine in the Kimberley region during the preceding two years to enable increased ore production, sales and cashflow over the remaining mine life. This improvement was achieved amid continued volatility in iron ore market conditions, global inflationary pressures, tight labour availability, and the impacts of a fire in the processing circuit in August 2022.

Group revenue totalled $452.6 million Free on Board (FOB) from total high-grade ore sales of 3.0 million wet metric tonnes (Mwmt) grading 65.3% Fe, all from Koolan Island. This compared with revenue of $131.1 million on sales of 1.65 Mwmt in the preceding year, which included 0.3 Mwmt of medium grade material from the suspended Shine operation in the Mid-West.

The Company returned to profitability in the year, recording a net profit after tax of $5.2 million after pre-tax accounting impairments totalling $75.4 million on the carrying value of assets and the derecognition of deferred tax assets totalling $16.5 million. These non-cash expenses reflect recent lower iron ore prices and market conditions, higher prevailing interest rates and general inflationary pressures. The after-tax profit compared with a loss after tax of $174.1 million for the prior 2021/22 financial year. Gross profit totalled $114.2 million compared with a gross loss of $72.8 million in the prior year.

At year end, the Company's cash and liquid investments consequently increased by $36.8 million over the year $162.4 million after repayment in full of the Company's $25 million borrowing facility.

Mount Gibson's operational and financial improvement reflected the decision to maintain mining production consistent with the mine plan while crushing capacity was impacted, resulting in the establishment of substantial ore stockpiles which have enabled accelerated ore processing and shipments since repairs to the processing circuit were completed in early April 2023.

Consequently, shipments in the June quarter doubled to 1.25 Mt while ore stockpiles totalled approximately 1.1 Mwmt at year-end. The Company is targeting substantially higher ore sales in the 2023/24 financial year and expects to realise significant cashflow over the remaining mine life.

In the Mid-West, Mount Gibson also captured substantial additional value from the sale of its historical mining and infrastructure assets to regional high-grade iron ore miner Fenix Resources Ltd in late June 2023. Consideration totalled $29.5 million, comprising $10 million in cash and 60 million shares worth $19.5 million at completion of the transaction in July 2023. Mount Gibson consequently became the single largest shareholder in Fenix with an equity interest of approximately 8.6% and scope to increase via a further 25 million options.

In addition to the consideration received and ongoing exposure to a growth-focused Mid-West iron ore and logistics business, the transaction also frees the Company to concentrate on maximising cashflow from Koolan Island and to pursue new resource investment opportunities.

Given this focus, a dividend was not declared for the 2022/23 year. However, the Board intends to resume paying dividends going forward and will review dividend capacity, including the expected generation of franking credits, at future interim and full-year periods.

Looking ahead, the Board has determined the following key business objectives for the 2023/24 financial year:

- **Safety and Environment** – continue the ongoing safety improvement focus on the Company's worksites, the high standard of environmental and rehabilitation activities, and the pursuit of appropriate carbon reduction initiatives.
- **Koolan Island** – increase the mining and export of high grade iron ore to maximise sales and cashflow of the operation.
- **Cost reductions** – continue to drive for sustainable productivity and cost improvements across all business units.
- **Treasury management** – responsibly manage the Group's cash and financial reserves.
- **Growth** – accelerate the search for resource acquisition and growth opportunities.

By focusing on these priorities, we are confident that Mount Gibson can continue to navigate fluid market conditions and deliver strong long term capital growth and dividend returns for all shareholders.

In summary, I would like to thank my fellow Directors and the employees and contractors of Mount Gibson for their commitment and efforts over the year. I would also like to thank Mr Russell Barwick for his valued contribution over almost 12 years as a Non-Executive Director of Mount Gibson before stepping down in August 2023, and I welcome Ms Evian Delfabbro to the Board as a Non-Executive Director.

Together, the Board and Management of Mount Gibson look forward to reporting an improved performance in 2024 and future years.

**Lee Seng Hui**
Chairman

# Chief Executive Officer's Report

During the 2022/23 financial year Mount Gibson began to realise the benefits of the significant capital invested in its business in the preceding year aimed at enabling the Koolan Island operation to achieve materially increased high-grade ore production and shipments over its remaining life.

The safety of our people remains a priority and continuous improvement in safety performance is a critical focus of the Company. It is therefore particularly satisfying to report a substantially improved safety performance over the course of 2022/23. Mount Gibson's rolling 12 month Total Recordable Injury Frequency Rate (TRIFR) reduced by more than half to 5.2 incidents per one million manhours worked as at 30 June 2023, down from 11.4 at the end of the prior year. Similarly, the Lost Time Injury Frequency Rate (LTIFR) reduced to 0.7 incidents per one million manhours worked, compared with 1.7 at the end of the prior year. This is a credit to our site team's focus on safety leadership, culture and performance, with further improvement targeted in the year ahead.

As noted by the Chairman, group ore sales nearly doubled to 3.0 Mwmt in the financial year, while total revenue more than trebled to $452.6 million, reflecting that ore sales solely comprised high-grade ore from Koolan Island at an average sales grade of 65.3% Fe.

Koolan Island's unit cash operating costs also declined materially to average $77 per wet metric tonne (wmt) sold on a Free on Board (FOB) basis before royalties, inventory build and capital projects, compared with $119/wmt sold FOB in the prior financial year. This reduction reflected increased sales and the reduction in waste stripping requirements following completion of the major waste stripping program in the prior year. The waste-to-ore stripping ratio is a major driver of costs at Koolan Island and declined substantially as planned, averaging 1.1:1 in the June 2023 half year compared with 3.5:1 in the December 2022 half year. The stripping ratio is expected to average approximately 1.2:1 over the remaining mine life.

These improvements delivered substantial positive operating cashflow of $84.4 million over the year, compared with an operating cash outflow of $229.6 million in the prior year.

This performance was particularly commendable given the impact of a fire in the processing plant in August 2022 which limited crushing and shipping volumes in the first nine months of the year, and temporary logistics interruptions resulting from record flooding on the Kimberley mainland in early 2023.

Maintaining planned ore production rates while the crushing plant was repaired saw 4.0 Mwmt of high grade ore mined from the Koolan Island Main Pit during the year, and over 1.1 Mwmt of ore stockpiled and available for processing at year-end. Processing and shipping consequently accelerated rapidly once crusher repairs were complete in early April 2023, resulting in a doubling of ore sales to seventeen shipments in the June quarter, including a record seven shipments in the month of June. Going forward, the Company is targeting an average of 5-6 shipments per month during the Kimberley dry season and 4 shipments per month during the annual wet season from December to March.

The Main Pit at Koolan Island requires careful geotechnical management and it was disappointing that in early August a localised rockfall occurred in the eastern footwall of Main Pit, albeit in an area not scheduled to be mined until the March quarter 2024. Importantly, the event was detected in advance by the site's continuous radar monitoring systems, and no injuries or equipment damage occurred. Initial geotechnical evaluation indicated that remedial measures can be implemented to enable mining to safely recommence in the impacted zone with minimal impact on the current mine plan, with detailed geotechnical assessment commenced to further define these measures.

The Company continues to expect a further material increase in iron ore sales and cashflow from Koolan Island in 2023/24 and over the remaining mine life.

Positively, the divestment of Mount Gibson's Mid-West iron ore mining and infrastructure assets on attractive terms to Fenix Resources at year-end will enhance the Company's capacity to maximise production and cashflow from Koolan Island, as well as better focus on new resources investment opportunities. Additionally, our equity interest in Fenix provides ongoing exposure to an innovative growth-oriented iron ore and logistics business in the Mid-West region where Mount Gibson has been a significant presence and contributor over the past two decades.

We consequently enter the new financial year with great optimism about the opportunities ahead, and I thank the Mount Gibson Board members for their ongoing support and guidance as we seek to maximise outcomes for our shareholders. I also offer my own thanks to Mr Russell Barwick for his contribution as a Non-Executive Director over many years and welcome Ms Evian Delfabbro to the Mount Gibson Board.

Finally, I thank all of Mount Gibson's hard working employees and contractors for their commitment throughout the last year. We can all be proud of the efforts and achievements made in often challenging circumstances and we look forward to another stronger year ahead.

**Peter Kerr**
Chief Executive Officer

# Health and Safety

Mount Gibson is committed to maintaining a safe work environment and safety oriented culture in which all personnel consider both their own wellbeing and that of their colleagues. Continuous improvement in safety performance is a critical focus of the Company.

Performance during the 2022/23 financial year improved substantially compared with the preceding year with further improvements now targeted in safety leadership, culture and performance. The rolling 12 month Total Recordable Injury Frequency Rate (TRIFR) reduced by more than half to 5.2 incidents per one million manhours worked as at 30 June 2023, down from 11.4 at the end of the prior year. Similarly, the Lost Time Injury Frequency Rate (LTIFR) reduced to 0.7 incidents per one million manhours worked, compared with 1.7 at the end of the prior year.

One Lost Time Injury (LTI) was recorded during the year, at Koolan Island, compared with two in the previous year. The Company's operations at Geraldton Port were again LTI-free and have remained so for more than thirteen years, passing 5,000 consecutive LTI-free days shortly before the end of the reporting period. In late June 2023, the Company reached agreement to divest its Mid-West iron ore mining and infrastructure assets, including the Geraldton Port operations. The transaction was completed in late July 2023.

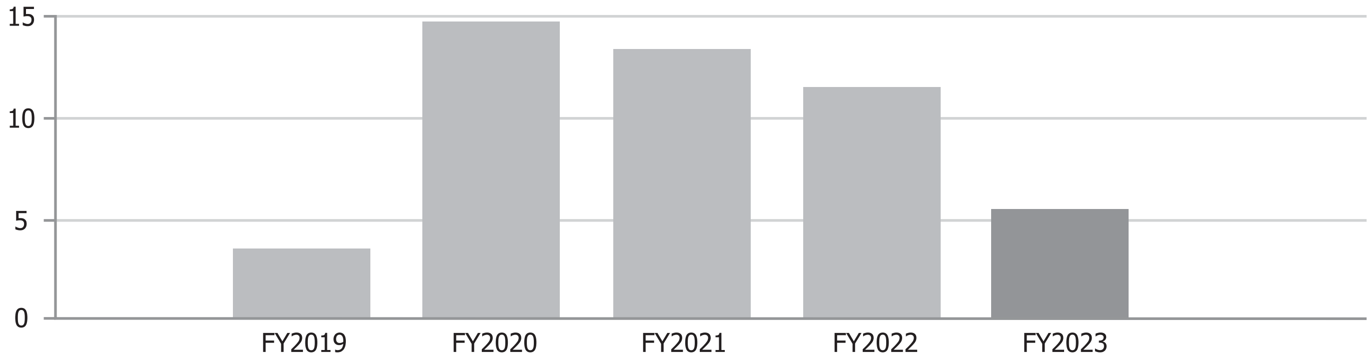
Overall safety performance is subject to continuous assessment by executive and site management. This has resulted in the implementation of a program of improvement initiatives, including enhanced safety management protocols and systems, safety awareness training and task-specific safety protocols. The benefits of these initiatives are evident in the significant reduction in incidents over the year.

The Company will be actively working to achieve continuing improvements in the coming year.

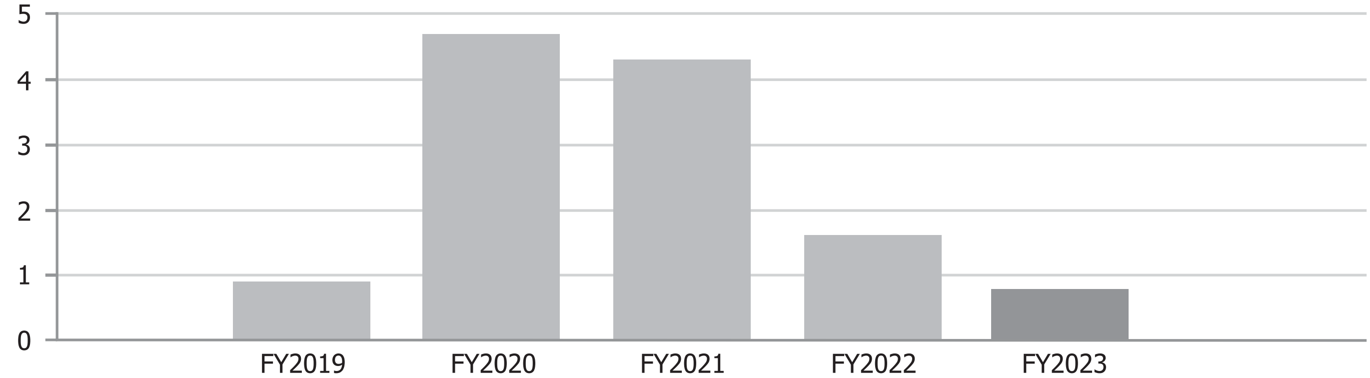
Mount Gibson's definition of TRIFR includes Lost Time Injuries, Restricted Work Injuries and Medically Treated Injuries. Using TRIFR provides a useful tool for safety conversations and active communication with the entire workforce to help ensure Mount Gibson's people are not injured in their workplaces.

*For details of the Company's safety performance, including statistics for each site, please refer to Mount Gibson Iron's 2023 Sustainability Report, as published on the Mount Gibson website.*

## TRIFR




## LTIFR




**LTIFR and TRIFR each represent incidents per one million manhours worked, on a rolling 12 month basis.*

# Operational Review

During 2022/23, Mount Gibson achieved total ore sales of 3.0 million wet metric tonnes (Mwmt), with the operational focus on substantially increasing high-grade ore production and sales to maximise cashflow over the remainder of the mine life at Koolan Island.

## Koolan Island

Koolan Island is located approximately 140km north of Derby in the Kimberley region of Western Australia. Significant operational progress was achieved at Koolan Island during the year as the benefits of completion of the major bulk waste stripping and upper footwall ground support programs took effect, particularly once repairs were completed to the components of the processing plant damaged by a fire in August 2022. The focus of activity has now shifted to substantially increasing high-grade ore production and shipments in order to maximise operating cashflow.

Mining of high grade iron ore (+65% Fe) in the Main Pit increased and was maintained in line with plan throughout the year. Approximately 4.0 Mwmt of ore was extracted from the Main Pit, a substantial proportion of which was stockpiled for future processing. At year end, these mined stockpiles totalled approximately 1.1 Mwmt and had an estimated value in excess of $150 million at prevailing market prices once processed.

The waste-to-ore mining strip ratio also declined substantially as planned, averaging only 1.1:1 in the June 2023 half year compared with 3.5:1 in the December 2022 half year. The stripping ratio averaged 2.2:1 for the full year and is expected to average approximately 1.2:1 over the remaining mine life. The stripping ratio is a key driver of operating costs at Koolan Island.

As indicated above, processing was adversely impacted by a fire in the product sizing screen area of the processing plant in mid-August 2022. No personnel were injured, and interim modifications to the unaffected primary sections of the plant enabled processing and shipping to be undertaken at reduced rates while repairs were completed.

After temporary delays related to record mainland flooding in the Kimberley region in early 2023, fire repairs were completed in early April 2023 and crushing capacity ramped up, supplemented by the mobilisation of a mobile crushing contractor to site. This facilitated a rapid sales increase and a strong operational and financial improvement in the June half-year. Ore processing, including rehandle, subsequently totalled 3.6 Mwmt for the year, of which 1.1 Mwmt was processed in the June 2023 quarter.

In relation to the processing plant fire, Mount Gibson maintains relevant property damage and business interruption insurance cover for the Koolan Island operations and by year-end had received progress payments totalling approximately $7.7 million from the Company's insurers. The Company is also liaising with its insurers regarding a potential business interruption claim resulting from the fire, however the timing, likelihood and potential quantum of such a claim remains uncertain.

Ore sales totalled 3.0 Mwmt of high-grade fines products for the year, almost double the sales in the prior year, at an average grade of 65.3% Fe. The sales result included 1.25 Mwmt sold in the June 2023 quarter in which a record 17 shipments were completed.

The Koolan Island operation generated a profit before interest and tax of $44.1 million in the year, a significant improvement compared with the loss of $190.9 million recorded in the prior year. Operating cashflow totalled $95.3 million, compared with a cashflow deficit of $188.2 million in the prior year. Ore sales revenue totalled $450.6 million FOB, reflecting an average realised price of US$103/dmt FOB, with the key outflow items being cash operating costs ($227.9 million), royalties ($42.5 million), crusher repair and interim processing arrangement costs ($20.7 million), advanced waste stripping investment ($11.0 million) and sustaining and project capital costs ($53.4 million).

Koolan Island's unit cash costs were $77/wmt sold FOB in the year before inventory build, major project costs and royalties, which reflected the significantly reduced waste stripping activity and increased shipping volumes in the year. This was a substantial reduction compared with the average unit cost of $119/wmt FOB achieved in the prior year. Costs are expected to reduce further in line with increased sales and a lower average strip ratio. Shipping freight rates for journeys from Koolan Island to northern China also further declined to an average of approximately US$14/tonne in the year, compared with an average of around US$20/tonne in the preceding year.

As reported subsequent to period end, a localised rock fall occurred in a section of the eastern footwall (island-side) of the Main Pit at Koolan Island on 5 August 2023. The event was detected in advance by the site's continuous radar monitoring systems, and no injuries or equipment damage occurred. The area impacted by the rock fall was not being mined at the time and ore production is not scheduled to occur in that location until the March 2024 quarter. Based on initial geotechnical evaluation, it is currently expected that remedial measures can be implemented to enable mining to recommence in the impacted zone with minimal impact on the current mine plan. Detailed geotechnical assessment commenced to further define these measures which are likely to include the use of additional strengthened mesh as well as cable bolting and shotcreting typical for ground support activities at the Koolan Island operation.

## Mid-West Operations

The Company's Mid-West assets comprised the suspended Shine iron ore mine, the completed Extension Hill and Tallering Peak mine sites, regional transport infrastructure and the Company's bulk storage facilities at the regional port of Geraldton and exploration tenure.

The Mid-West business generated a profit before interest and tax of $6.5 million for the year, reflecting expenses totalling $5.9 million and income of $12.4 million from the ongoing rail credit refund and third-party usage of ore storage facilities at Geraldton Port.

### Mid-West Transaction

In late June, Mount Gibson reached agreement to divest its Mid-West iron ore mining and infrastructure assets to fellow Mid-West producer Fenix Resources Limited for total consideration of at least $25 million, comprising $10 million cash, 60 million Fenix shares and 25 million Fenix options (exercisable in two tranches of 12.5 million options at $0.25 and $0.30 each respectively within five years of settlement). Completion of the transaction was subsequently achieved on 21 July 2023. Total consideration received was $29.5 million, based on valuations of the Fenix shares and options at the completion date.

Mount Gibson consequently became Fenix's largest shareholder with an equity interest of approximately 8.6%. Mount Gibson also holds the right, but not the obligation, to nominate a non-executive director to the Fenix Board should its equity interest increase to 10%.

The assets sold to Fenix comprise Mount Gibson's two bulk materials storage sheds at Geraldton Port, rail sidings at Perenjori and Mullewa, various items of plant and equipment, and Mount Gibson's iron ore mining rights and other obligations at the currently suspended Shine iron ore mine near Yalgoo and the closed hematite iron ore mine at Extension Hill near Perenjori. Fenix acquired land and tenement titles, mining rights, and plant and equipment, along with the rehabilitation and other contractual obligations associated with these assets. The rehabilitation obligations assumed by Fenix across the assets being divested were provisioned on Mount Gibson's books for $8.2 million as at 30 June 2023. Mount Gibson has retained its mining and exploration interests in the historic Tallering Peak mining area, to the north of which it continues to explore prospective ground for base metals mineralisation, together with its Fields Find interest.

The combination of Mount Gibson's Mid-West iron ore and port assets within Fenix's vertically integrated mining and bulk road haulage business creates an innovative mining and logistics business that will have increased annual production. The transaction enabled Mount Gibson to realise value for assets which were not reflected in the Company's share price and to participate via a direct equity interest in an expanded high-grade Mid-West iron ore and bulk materials logistics business.

### Mid-West Rail Refund/Credit

Mount Gibson continues to receive a partial refund of historical rail access charges from the Mid-West rail leaseholder based upon the usage by third parties of specific segments of the railway network. This refund is calculated at various volume-related rates and capped at a total of approximately $35 million (subject to indexation) and a time limit expiring in 2031. The entitlement accrues at a rate of approximately $2 million per quarter, with payments made every six months. Mount Gibson received $9.2 million of the rail credit during the year, taking total cumulative proceeds to approximately $33.5 million. The remaining credit is expected to be received in the 2023/24 financial year.

## Exploration and Business Development

Mount Gibson continues to seek and review potential development and investment opportunities consistent with the Company's objective to extend and grow its business into new operations. This strategy has targeted opportunities in the bulk commodities and base metals sectors primarily in Australia. Equity positions with a combined market value of approximately $3 million at period end (excluding the Company's interest in Fenix) are held in a number of junior resource development companies where it is considered that future financing or strategic opportunities may arise.

The Company also continues to assess regional exploration opportunities for base metals deposits particularly in the Mid-West region, where it has entered into a farm-in agreement covering prospective exploration tenure at the Butcher's Track prospect north of the Company's Tallering Peak mine site, approximately 160km northeast of Geraldton. During the year the Company completed preliminary drilling programs at prospects near Tallering Peak and Butcher's Track to confirm geological settings and test identified electromagnetic anomalies. Assessment and planning to determine the next stage of activity is underway.

# Climate Change

## Climate Change and Energy Management Policy

In line with the growing international focus on climate change and to guide Mount Gibson's focus on reducing carbon emissions and increasing energy efficiency, in 2022 the Board adopted a Climate Change and Energy Management Policy, as published on the Company's website.

The policy helps Mount Gibson to identify, monitor and manage future energy and emissions business risks, as legislation and regulatory environment responds to climate change imperatives.

Mount Gibson recognises that a pivotal aspect of emissions reduction, at a Company level, is energy management and decarbonisation.

In order to responsibly contribute to Australia's and the international community's response to climate change in a way that is realistic in the context of Mount Gibson's mining assets, Mount Gibson is committed to:

- Engaging collaboratively with government, the community and industry on climate change and emissions reduction matters;
- Applying a target of continuous improvement with regard to reducing carbon emissions across business operations through more energy efficient processes or indirectly through use of offsets as appropriate;
- Developing energy management and decarbonisation frameworks to enable the review, identification, and reporting of carbon emissions and energy use in existing business operations as well as progressing with adoption of initiatives to improve energy efficiency and reduce carbon emissions;
- Continuing to annually report on its environmental performance, carbon dioxide emissions, energy usage status and energy management and decarbonisation initiatives consistent with evolving standards, reporting and disclosure obligations; and
- Making decarbonisation, carbon intensity and energy efficiency key considerations in the Company's risk management processes.

Mount Gibson will continue to assess and respond to physical climate change risks as relevant taking into account the impact of severe weather events and rising sea levels, regulatory changes, shifts in demand for higher grades of iron ore, reputational damage, directors' duties and increased oversight and operating costs.

### Response to climate change

Mount Gibson accepts the scientific consensus expressed by the Intergovernmental Panel on Climate Change that continued emissions resulting in global warming above 2 degrees Celsius could lead to catastrophic economic and social consequences. Mount Gibson supports the Paris Agreement to limit global warming, and the more recent 2021 Glasgow Climate Pact, to limit global warming to less than 1.5 degrees Celsius above pre-industrial levels.

It is acknowledged that the response to climate change will require engagement and collaboration with Government, the community and industry, to develop economically sustainable measures in reducing global carbon emissions to internationally agreed levels.

Mount Gibson has undertaken a risk review of the transitional and physical risks arising from climate change impacting its business, focussing on risks connected to regulatory changes, product demand, reputational damage, directors' duties, increased operating costs, the impact of severe weather events and rising sea levels. The detailed risk assessment outcome is provided in the following pages.

It is accepted by Mount Gibson that there is a risk that its existing operations, which are estimated to continue for another four years, and future acquisitions may well be impacted by changing regulatory policy restricting greenhouse gas emissions or imposing a carbon tax as the world transitions towards a lower carbon footprint. Mount Gibson is unable to quantify the impact of such restrictions or taxes at this time.

During the remaining mine life at Koolan Island, Mount Gibson does not anticipate any substantial increase to the physical climate change risks it already faces having already operated in a cyclonic region in the Kimberley for over 15 years. The impact of adverse weather events is already factored into its operations in that location where infrastructure has been engineered and is regularly maintained to withstand cyclone conditions. That said, the impact of physical climate change risks remains an important consideration with any future acquisition beyond existing operations.

Mount Gibson recognises that a pivotal aspect of emissions reduction, at a Company level, is energy management and decarbonisation. Mount Gibson is mindful of reducing its greenhouse gas (GHG) emissions where possible, however substantive changes require alternative power sources for Koolan Island, such as the use of hybrid power stations and electric trucks, but as yet, none are economically feasible for the operation given the scale of operations and available mine life. However, irrespective of this, Mount Gibson accepts that climate change is a matter of global responsibility and an expert energy management consulting group is currently undertaking the second phase of a detailed review of operations at Koolan Island to provide guidance on realistic (i.e. fit for purpose) changes that the business may make.

In preparing its report on climate change, Mount Gibson has considered and supports the recommendations of the Task Force on Climate–related Financial Disclosures (TCFD). The recommendations assist stakeholders in assessing the Company's performance in this area.

**The four key elements of the TCFD recommendations include:**

| Governance | Strategy | Risk management | Metrics and targets |
|---|---|---|---|
| Governance around climate change related risks and opportunities, in particular Board and management oversight. | Disclosure of climate-related risks over the short, medium and longer term, and the impact and opportunities on business strategy and financial planning. | Disclosure as to how the organisation identifies, assesses and manages climate related risks and how this is integrated within the business' overall risk management system. | Disclosure of the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is available. |

### Governance

Mount Gibson's Board and Operational Risk & Sustainability Committee has primary responsibility, together with management, to review and formulate the Company's approach towards climate change and management of climate change risks.

### Strategy

Greenhouse gas emissions arising directly from the production of iron ore relate primarily to the consumption of diesel fuel for engines in mobile mining equipment and the generation of electrical power for use in fixed plant and site infrastructure. Indirect emissions occur from the consumption of bunker fuel by shipping vessels and the ultimate consumption of metallurgical coal in blast furnaces to make iron.

Given its size, Mount Gibson has negligible ability to control emissions from blast furnaces but it does have some ability to reduce the consumption of fuel and hence fuel-related emissions at its operating sites:

- Mount Gibson exports high grade of iron ore (approximately 65% Fe with low impurities) that has fewer GHG emissions in the process of steel making.
- The consumption of diesel fuel at the Koolan Island site will reduce over the remaining mine life in line with the scheduled reduction in the waste to ore strip ratio, and total mined volumes.
- The consumption of fuel in shipping vessels is not controlled by Mount Gibson, however in its offtake agreements with key customers, Mount Gibson has encouraged its customers to transition to the use of more modern and larger Kamsarmax vessels which enable improved fuel consumption per tonne transported. In addition, in accordance with international shipping laws, all Panamax/Kamsarmax vessels are now required to use low-sulphur fuel or install sulphur scrubbers to reduce sulphur emissions.
- Given the production of hematite iron ore for export does not involve extensive processing, rather just crushing and sizing, the power draw on Mount Gibson's sites is relatively low. However, there are a number of smaller power efficiency or equipment replacement options that are under consideration for GHG emission reductions. Examples include solar power generation and improved power distribution and management.
- Mount Gibson has engaged a specialist in energy efficiency and decarbonisation to undertake a detailed review of operations at Koolan Island and propose site-specific options to reduce carbon emissions. The initial potential measures identified in the review are now undergoing a more detailed second evaluation to confirm those considered most appropriate relative to the remaining mine-life and potential future site uses.

Beyond this, as Mount Gibson looks to acquire additional mining projects, it will assess the value impact of climate change risks as part of any acquisition process. It is possible that decisions around future projects might include commodities that have greater demand as the world transitions to a low carbon future.

### Risk management

The Board, Operational Risk & Sustainability Committee, and the Audit and Financial Risk Committee, together with management, all are responsible for identifying, assessing and managing the impact of climate change risks.

Management has identified the risks in Table 1 below as representing the key climate change risks impacting Mount Gibson.

### Metrics

Mount Gibson is assessing opportunities to reduce its carbon footprint but also to invest in initiatives that support the overall objective of global transition to a low carbon future. Mount Gibson discloses its Scope 1 and Scope 2 emissions in its Sustainability Report.

*More information on Mount Gibson's approach to managing climate change can be found in its annual Sustainability Report published on the Mount Gibson website.*

# Climate Change *Continued*

**Table 1 – Climate Change Risks**

| TRANSITIONAL RISKS | Risk Detail | Mitigation and opportunities |
|---|---|---|
| **Regulatory Changes** | Policy and regulatory changes capping emissions may increase operational costs. It is possible that these changes may be introduced within the next 5 years. | Mount Gibson will continue to work with relevant industry bodies to ensure that any proposed regulatory framework is workable.<br>The Company is focussed on continuing to reduce its GHG emissions. This includes the second phase of a detailed review of operations at Koolan Island by an expert energy management consulting group now underway to provide guidance on realistic (i.e. fit for purpose) changes that the business may make.<br>Mount Gibson will make investment decisions in respect of future projects taking into account the risks of climate change and a forecasted carbon price impact. |
| **Reduced product demand** | Demand for particular grades of iron ore may change if market demand shifts, for example, as a result of the introduction of climate change regulations directly impacting the steel manufacturing sector in China. | Mount Gibson's ore reserves at its Koolan Island operation are high grade having an average iron ore content of approximately 65% Fe. Higher grade iron ore products require fewer GHG emissions in the process of steel making and so will continue to have strong demand.<br>Mount Gibson is also assessing diversification options beyond iron ore to other commodities where demand may increase as the global economy moves towards lower GHG emissions. |
| **Reputational Damage** | Mount Gibson may experience reputational damage if stakeholders consider that it is not responding adequately to climate change risks. This may impact the Company's investment profile in the market. | Mount Gibson has not set voluntary emissions intensity targets but is considering supporting external initiatives that are consistent with transitioning to a lower carbon environment. |
| **Legal risks** | Directors have a responsibility to manage and disclose climate change risks relating to the business. Failure to do so may result in third party litigation by shareholder activists or enforcement by regulatory groups. There is growing community expectation that companies will take steps to reduce their GHG emissions. | Mount Gibson needs to make sure it takes all reasonable actions to manage its climate change risks and to be transparent in respect of its strategy towards managing climate change impacts. |
| **Increasing operating costs** | Increased maintenance costs, increased insurance premiums, more resilient infrastructure, and increased shipping costs to reduce GHG have resulted in higher operating costs. | Mount Gibson's understanding that additional industry wide operating costs will ultimately be partially or wholly reflected in the iron ore and other commodity prices. |
| **PHYSICAL RISKS** | **Risk Detail** | **Mitigation and opportunities** |
| **Increased severity of extreme weather events** | Increased severity of extreme weather events including cyclones, flooding and bushfires may cause material damage to assets leading to operational disruptions, impacts to production rates and increased costs associated with asset repair, and loss of revenue. | Mount Gibson's port and mine infrastructure at Koolan Island have been built to a standard that is capable of withstanding extreme weather events such as cyclones. Cyclone management plans are in place.<br>Mount Gibson divested its port and mine infrastructure assets in the Mid West and Geraldton Port in July 2023.<br>The Main Pit at Koolan Island is subject to flooding during adverse weather events. Pumping equipment is available to respond to those circumstances and the return of the site to normal operational status is typically prompt. |
| **Rising seas levels** | Sea level rise has the potential to cause material damage to port infrastructure. | Mount Gibson's port infrastructure at Koolan Island is understood to be capable of withstanding adverse weather events based on its current design criteria. There is a risk that compliance with existing engineering codes and standards provides insufficient resilience for future extreme weather events. |

# Environment and Community

Mount Gibson recognises that it is critical for any successful mining organisation to have a key focus on environmental management and rehabilitation, and on being a responsible community citizen. These matters 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 and community perspective remained a significant focus for Mount Gibson during the 2022/23 financial year.

## Environment

Mount Gibson places significant emphasis on environmental management and compliance. The Company has focused strongly on continuous improvement and innovation in its environmental management activities, always performing in a responsible manner and ensuring a high standard of environmental performance and compliance.

Environmental reporting is a core component of successful environmental management and many regulatory organisations require extensive periodic reports, including various Western Australian Government agencies such as the Department of Mines, Industry Regulation and Safety (DMIRS), the Department of Water & Environmental Regulation (DWER), the Department of Biodiversity Conservation and Attractions and the Department of Health. In addition, plans associated with specific species and quarantine management have been approved by the Australian Government Department of Climate change, Energy, Environment and Water. The Group undertakes its mining and exploration activities in Australia in accordance with various environmental approvals, licences and permits, issued under both State and Commonwealth laws. These approvals, licences and permits include conditions in relation to emissions into the environment, rehabilitation of areas disturbed during the course of mining and exploration activities, consumption of water, tenement conditions associated with exploration and mining, and the storage of hazardous substances. The Group evaluates its performance through detailed monitoring and reports against these approval conditions regularly to government. No notices of non-compliance, letters of warning nor any other materially adverse findings were tabled in the period by any regulatory authority in relation to the Group's operations.

A key reporting obligation is the National Greenhouse and Energy Reporting Scheme (NGERS) which provides data on greenhouse gas emissions and energy production. Diesel combustion is Mount Gibson's single largest source of greenhouse gas emissions from its mining operations. Mount Gibson's latest NGERS report reflects the current phase of mining operations at Koolan Island, where total material movement reduced in step with the reducing waste-to-ore stripping ratio but haulage distances increased as the floor of Main Pit deepened. The report also reflects much reduced activity in the Mid-West since the Shine project was placed on care and maintenance due to rapidly deteriorating market conditions in late 2021. Late in June 2023, Mount Gibson agreed to divest its Mid-West iron ore mining and infrastructure assets to regional producer Fenix Resources Limited. The transaction was completed soon after the end of the reporting period in July 2023.

*For details of the Company's environmental performance, including emissions data and other information relating to each site, please refer to Mount Gibson Iron's 2023 Sustainability Report, as published on the Mount Gibson website.*

## Community Affairs

Mount Gibson values its relationship with key stakeholders and works hard 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 within the communities near to its mining and infrastructure operations, and with an additional emphasis on the recognition of Traditional Owners and areas of special heritage and cultural significance.

Mount Gibson's stakeholders include its customers, shareholders, employees, suppliers, landowners, Traditional Owners, regulators, local governments, interest groups and the broader community. The Company works throughout each year with each of these stakeholder groups, whether through formal agreements and meetings or through informal updates, with the level of consultation dependent on specific stakeholder interests.

Mount Gibson's approach is to actively support its local communities, with a particular focus on youth and education. In line with our commitments, Mount Gibson invested substantially in these areas in the last 12 months, including through direct contributions to community organisations, sponsorships, educational scholarships and direct support for community events and initiatives.

*For specific 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 2023 Sustainability Report, as published on the Mount Gibson website.*

# Resources and Reserves

## Total Mineral Resources and Ore Reserves by Project as at 30 June 2023

| **Koolan Island** | Tonnes millions | Fe % | $SiO_2$ % | $Al_2O_3$ % | P % |
|---|---|---|---|---|---|
| **Mineral Resources, above 50% Fe (includes Mined Ore Stockpiles)** | | | | | |
| Measured | 4.0 | 61.1 | 11.63 | 0.48 | 0.009 |
| Indicated | 27.8 | 64.6 | 5.80 | 0.64 | 0.014 |
| Inferred | 9.7 | 60.4 | 12.31 | 0.59 | 0.013 |
| **Total at 30 June 2023** | **41.5** | **63.3** | **8.24** | **0.58** | **0.013** |
| *Total at 30 June 2022* | *44.7* | *63.6* | *7.71* | *0.61* | *0.013* |
| **Ore Reserves, above 50% Fe (includes Mined Ore Stockpiles)** | | | | | |
| Proved | 1.2 | 63.3 | 7.22 | 0.93 | 0.013 |
| Probable | 11.2 | 65.4 | 4.93 | 0.78 | 0.014 |
| **Total at 30 June 2023** | **12.4** | **65.2** | **5.15** | **0.79** | **0.014** |
| *Total at 30 June 2022* | *16.0* | *65.4* | *4.79* | *0.85* | *0.013* |
| **Mined Ore Stockpiles available for processing (included in Measured Resources and Proved Reserves)** | | | | | |
| **Total at 30 June 2023** | **1.2** | **63.3** | **7.21** | **0.93** | **0.013** |
| *Total at 30 June 2022* | - | - | - | - | - |
| **Shine*** | | | | | |
| **Mineral Resources, above 50% Fe** | | | | | |
| **Total at 30 June 2023*** | **-** | **-** | **-** | **-** | **-** |
| *Total at 30 June 2022* | *15.1* | *58.2* | *9.54* | *1.36* | *0.071* |

*Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves. All tonnages have been estimated as dry tonnages. Stockpiles are incorporated in the Measured Resources and Proved Reserves.*

**Shine Mineral Resources were removed due to their being subject to the sale agreement for Mount Gibson's Mid-West iron ore assets announced on 29 June 2023 and completed on 21 July 2023.*

## Total Group Mineral Resources and Ore Reserves at 30 June 2023 (above 50% Fe)

| | Tonnes millions | Fe % | $SiO_2$ % | $Al_2O_3$ % | P % |
|---|---|---|---|---|---|
| **Total Mineral Resources at 30 June 2023** | **41.5** | **63.3** | **8.24** | **0.58** | **0.013** |
| **Total Ore Reserves at 30 June 2023** | **12.4** | **65.2** | **5.14** | **0.79** | **0.014** |
| *Total Mineral Resources at 30 June 2022* | *59.8* | *62.2* | *8.17* | *0.80* | *0.028* |
| *Total Ore Reserves at 30 June 2022* | *16.0* | *65.4* | *4.79* | *0.85* | *0.013* |

*Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves. All tonnages have been estimated as dry tonnages. Mineral Resources and Ore Reserves are reported inclusive of Mined Ore stockpiles at Koolan Island.*

# Resources and Reserves *Continued*

## Material Change

A material change occurred to the Mid-West Mineral Resources during the reporting period due to the divestment of Mount Gibson's iron ore mining and infrastructure interests, including the suspended Shine Project and the closed Extension Hill mine site. The divestment was announced on 29 June 2023 and completed shortly after the reporting period on 21 July 2023 (refer ASX releases dated 29 June and 24 July 2023).

Consequently, Mount Gibson has removed the Shine Mineral Resources estimate, which totalled 15.1 Mt at an average grade of 58.2% Fe at 30 June 2022, from the Company's Mineral Resources statement.

No other material changes occurred during the reporting period. The Company confirms that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

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

***Ore Reserves:***

*The information in this report relating to Ore Reserves is based on information compiled by Brett Morey, a member of the Australasian Institute of Mining and Metallurgy. Mr Morey is a full-time employee of Mount Gibson Iron Limited. Mr Morey 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.*

For more information, refer to Mount Gibson's Annual Statement of Mineral Resources and Ore Reserves at 30 June 2023 as released to the ASX and published on the Mount Gibson website.

Mount Gibson Iron

# Financial Report

## MOUNT GIBSON IRON LIMITED AND CONTROLLED ENTITIES

ABN 87 008 670 817

**ANNUAL FINANCIAL REPORT** FOR THE YEAR ENDED 30 JUNE 2023

# Directors' Report

Your Directors submit their report for the year ended 30 June 2023 for Mount Gibson Iron Limited (**Company** or **Mount Gibson**) and the consolidated group incorporating the entities that it controlled during the financial year (**Group**).

## DIRECTORS

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

### Names, Qualifications, Experience and Special Responsibilities

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

Mr Lee was appointed as a Non-Executive Director on 29 January 2010, Non-Executive Deputy Chairman on 14 December 2012, and Chairman on 18 February 2014. Mr Lee graduated with Honours from the University of Sydney Law School. Mr Lee is the Chief Executive and an Executive Director of Allied Group Limited which is listed on the Hong Kong Stock Exchange. He is also the Chairman and a Non-Executive Director of Tian An China Investments Company Limited, and a Non-Executive Director of APAC Resources Limited, one of Mount Gibson's substantial shareholders. Mr Lee has not served as a director of any other ASX or Hong Kong listed companies during the past three years.

**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 Committee. Mr Bird is a Chartered Accountant, Fellow of CPA Australia and Fellow of the Australian Institute of Company Directors. Mr Bird has over 35 years of international corporate experience, including holding the positions of Finance Director with Xpansiv Limited, 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 ASX-listed Tubi Group and a former Director of CPA Australia Limited. Mr Bird is a non-executive Chairman of ASX-listed Maronan Metals Limited and former Director of ASX-listed Pacific American Holdings Limited.

**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.

**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 over 45 years of technical, operational, managerial and corporate experience in international mining companies covering various commodities. He has worked for Bougainville Copper Limited (CRA), Pancontinental Mining Ltd (Jabiluka Uranium) and CSR Limited (coal). He has spent 16 years with Placer Dome Asia Pacific in key development, operational and corporate roles in numerous countries culminating in his appointment as Managing Director of Placer Niugini Ltd. He then served as Managing Director of Newcrest Mining Limited (2000 to 2001). For the four years to the end of 2006, Mr Barwick was the Chief Operating Officer of Wheaton River Minerals Ltd and Goldcorp Inc., based in Vancouver, Canada. He was subsequently the Chief Executive Officer of Canada-based Gammon Gold Inc. before returning to Australia in 2008. His extensive geographic and corporate mining experience ranges from: Latin America, North America, Europe, Africa and Asia Pacific. He is currently the Chairman of ASX-listed Red Metal Ltd, a non-executive director of ASX-listed Lithium Power International and Chairman of its unlisted associate Minera Salar Blanco S.A. (Chile) and former non-executive director of Regis Resources Ltd.

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

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

**Ding Rucai**
*Non-Executive Director*

Mr Ding was appointed to the Board on 12 December 2019. Mr Ding is the Chairman and executive director of Hong Kong listed Shougang Fushan Resources Group Limited (**Shougang Fushan**). Shougang Fushan is Mount Gibson's second largest shareholder. Shougang Fushan also hold a significant share interest in APAC Resources Limited, Mount Gibson's largest shareholder. Mr. Ding is also a director of Shougang Holding (Hong Kong) Limited, a company wholly owned by Shougang Group Co., Ltd. A senior engineer with a doctoral degree in ferrous metallurgy from the University of Science and Technology Beijing, Mr Ding has more than 30 years' experience in the steel and coal resources industry, having held a variety of senior management and executive roles since joining the Shougang organisation in 1989.

**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.

## COMPANY SECRETARY

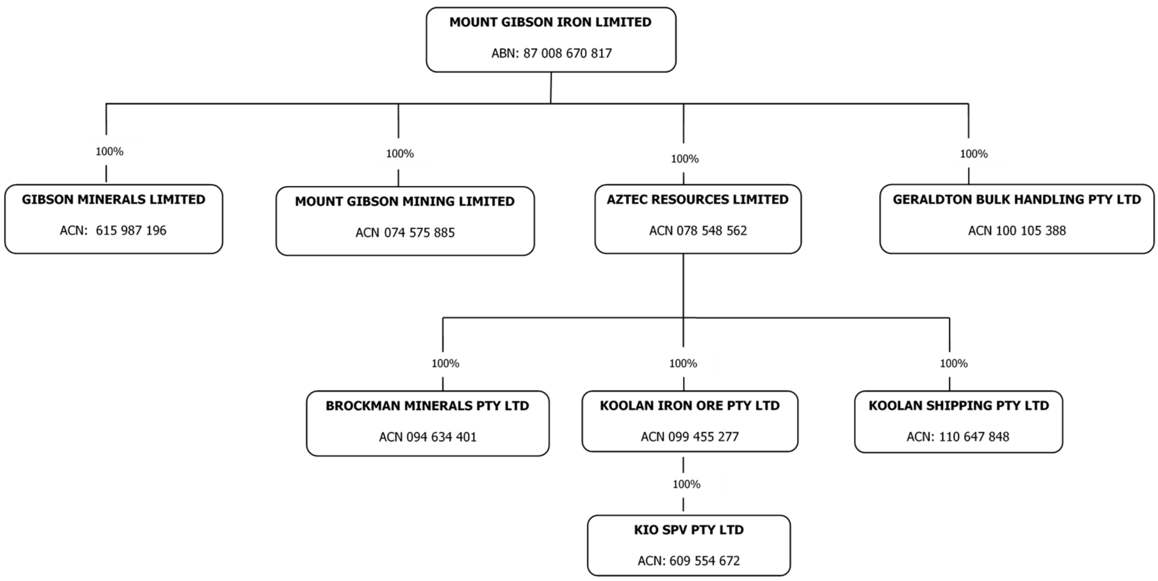
**David Stokes** B.Bus, LLB, ACIS
*Company Secretary & General Counsel*

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 2023 was as follows:



### Nature of Operations and Principal Activities

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

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

### Employees

The Group employed 371 employees (excluding contractors) as at 30 June 2023 (2022: 337 employees).

## OPERATING AND FINANCIAL REVIEW

### Introduction

The Board presents the 2022/23 Operating and Financial Review which has been prepared to provide shareholders with a clear and concise overview of Mount Gibson's operations, financial position and business strategies. This review also provides a summary of the impact of key events which occurred in 2022/23 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 2023 and has been prepared in accordance with Regulatory Guidance 247 published by the Australian Securities and Investments Commission (**ASIC**).

### Overview of the 2022/23 Financial Year

The Group recorded a profit before impairment and tax of $105,858,000. After pre-tax impairment expenses totalling $75,405,000, the Group recorded a net profit after tax of $5,179,000 for the year ended 30 June 2023, compared with a net loss after tax of $174,116,000 in the prior financial year. On a pre-tax basis, the Group realised a profit before tax of $30,453,000 for the year compared with a loss before tax of $248,241,000 in the prior year.

During the financial year ended 30 June 2023, the Company's primary focus was on improved operational performance at Koolan Island, to establish consistent high grade iron ore sales and cashflow generation for the remaining mine-life. The Mid-West operations remained on care and maintenance, other than third party use of the Geraldton Port storage facilities, while the Company considered a range of potential options to realise value from these assets which has led to an agreement with Fenix Resources Limited (**Fenix**) for sale of the Mid-West assets, as detailed in the Subsequent Events section of this report.

At Koolan Island, mining of high grade iron ore averaging 65% Fe was maintained consistent with the mine plan throughout the year, uninterrupted by a processing plant fire incident on 12 August 2022 which damaged the product sizing screenhouse and severely restricted crushing capacity. Over 4.0 million wet metric tonnes (**Mwmt**) of ore was mined from Main Pit during the year, a substantial proportion of which was stockpiled for processing once fire repairs were complete and full crushing capacity was restored. At year end, these stockpiles totalled approximately 1.1 Mwmt with an estimated value in excess of $150 million at prevailing market prices once processed. Fire repairs were completed in early April 2023, and crushing capacity ramped up rapidly supplemented by the mobilisation of a mobile crushing contractor to site. This facilitated a rapid sales ramp up and a very strong operational and financial improvement in the June half-year.

Group ore sales totalled 3.03 Mwmt for the financial year, all from Koolan Island, exceeding the Company's revised post-fire guidance of 2.9 Mwmt, heavily weighted to the June 2023 quarter which accounted for sales of 1.25 Mwmt. Ore sales revenue totalled $450,586,000 Free On Board (**FOB**), at an average realised price of US$103 per dry metric tonne (**dmt**) FOB, reflecting the average shipped iron grade of 65.3% Fe for the year. This compared with group sales of 1.65 Mwmt in the prior year, which included 0.3 Mwmt of medium grade ore from the Shine mine in the Mid-West, resulting in group sales revenue of $131,083,000 FOB at an average realised price of US$80/dmt FOB.

Iron ore prices were substantially weaker and extremely volatile over the course of the year, reflective of global economic uncertainty, notably with regard to China's economic outlook and the Ukraine-Russia conflict. The benchmark Platts 62% Fe CFR price (including shipping freight) started the year at US$120/dmt and ended the year at US$112/dmt, after dipping below US$80/dmt in October 2022 and touching US$133/dmt in March 2023, to average US$110/dmt for the year. The Platts 65% Fe Index price, to which Koolan Island sales are linked, averaged US$124/dmt (including shipping freight) compared with US$162/dmt in the prior year, reflecting an average grade-adjusted premium over the 62% Fe Index price of 7% compared with 13% in the prior year. The lower average iron ore prices were partly offset by the weaker Australian dollar, which averaged US$0.673 for the year compared with US$0.72 in the preceding year.

The total cost of sales for the year was $338,394,000 on a FOB basis including royalties, equating to $98/wmt FOB.

Total cash reserves, comprising cash and cash equivalents, term deposits and subordinated notes and financial assets held for trading increased by $36,842,000 over the year to a total of $162,415,000 as at 30 June 2023, reflecting in particular the improved sales performance in the last quarter of the financial year.

**Operating Results for the Financial Year**

The summarised operating results for the Group for the year ended 30 June 2023 are tabulated below:

| Year ended: | | 30 June 2023 | 30 June 2022 | 30 June 2021 | 30 June 2020 | 30 June 2019 |
|---|---|---|---|---|---|---|
| Net profit/(loss) before tax | *$'000* | **30,453** | **(248,241)** | **92,133** | **120,717** | **70,462** |
| Taxation (expense)/benefit | *$'000* | (25,274) | 74,125 | (28,127) | (36,519) | 62,907 |
| Net profit/(loss) after tax | *$'000* | **5,179** | **(174,116)** | **64,006** | **84,198** | **133,369** |
| Earnings/(loss) per share | *cents/share* | 0.43 | (14.55) | 5.46 | 7.35 | 11.98 |

Consolidated quarterly operating and sales statistics for the 2022/23 financial year are tabulated below:

| Consolidated Group | Unit | Sept Quarter 2022 | Dec Quarter 2022 | Mar Quarter 2023 | Jun Quarter 2023 | Year 2022/23 | Year 2021/22 |
|---|---|---|---|---|---|---|---|
| **Mining & Crushing** | | | | | | | |
| Total waste mined | *kwmt* | 3,647 | 3,015 | 1,257 | 968 | **8,886** | **18,789** |
| Total ore mined | *kwmt* | 915 | 1,005 | 954 | 1,121 | **3,996** | **1,808** |
| Total ore crushed | *kwmt* | 607 | 936 | 950 | 1,109 | **3,603** | **1,857** |
| **Shipping/Sales** | | | | | | | |
| Standard Lump | *kwmt* | - | - | - | - | **-** | **178** |
| Standard Fines | *kwmt* | 451 | 665 | 664 | 1,249 | **3,028** | **1,088** |
| Low grade Fines | *kwmt* | - | - | - | - | **-** | **380** |
| **Total** | *kwmt* | **451** | **665** | **664** | **1,249** | **3,028** | **1,646** |
| **Average Platts 62% Fe CFR price** | *US$/dmt* | **103** | **99** | **126** | **111** | **110** | **138** |
| **Average Platts 65% Fe CFR price** | *US$/dmt* | **115** | **111** | **140** | **124** | **123** | **162** |
| **MGX FOB average realised fines price – Koolan** | *US$/dmt* | **96** | **92** | **121** | **103** | **103** | **90** |

kwmt = thousand wet metric tonnes

US$/dmt = USD per dry metric tonne

CFR = cost and shipping freight included; FOB = free on board (i.e. cost and shipping freight excluded).
Realised FOB prices are shown after shipping freight and specification adjustments/penalties and before provisional pricing adjustments from prior periods.

For the purpose of wet to dry tonnage conversion, moisture content typically averages approximately 2-3% for Koolan Island fines.

Minor discrepancies may appear due to rounding.

**Koolan Island**

The Koolan Island mine is located in the Buccaneer Archipelago, approximately 140km north of Derby, in the Kimberley region of Western Australia. Significant operational progress continued to be achieved at Koolan Island during the year as the benefits of completion of the major bulk waste stripping and upper footwall ground support programs took effect, particularly once repairs were completed in the processing plant damaged by fire in August 2022. The focus of activity was on substantially increasing high-grade ore production and sales to maximise cashflow over the remainder of the mine-life.

As indicated, following completion of the major bulk waste stripping program in the prior year, mining of high grade iron ore averaging 65% Fe rapidly increased and was maintained in line with the mine plan throughout the year, uninterrupted by the significantly restricted processing capacity resulting from the processing plant fire in August 2022. Consequently, approximately 4.0 Mwmt of ore was mined from Main Pit during the year, a substantial proportion of which was stockpiled for processing once fire repairs were complete and full crushing capacity was restored. At year end, these stockpiles totalled approximately 1.1 Mwmt with an estimated value in excess of $150 million at prevailing market prices once processed.

Significantly, the waste-to-ore stripping ratio declined very substantially as planned, averaging 1.1:1 in the June 2023 half year compared with 3.5:1 in the December 2022 half year. The stripping ratio averaged 2.2:1 for the full year and is expected to average approximately 1.2:1 over the remaining mine-life. The stripping ratio is a key driver of operating costs at Koolan Island.

Processing capacity was significantly limited in the December half-year by the fire in the product sizing screen area of the processing plant in mid-August 2022. No personnel were injured, and interim modifications to the unaffected primary sections of the processing plant enabled processing and shipping at reduced rates to be achieved while repairs were completed.

After temporary delays related to record mainland flooding in the Kimberley region in early 2023, fire repairs were completed in early April 2023 and crushing capacity ramped up, supplemented by the mobilisation of a mobile crushing contractor to site. This facilitated a rapid sales increase and a strong operational and financial improvement in the June half-year. Ore processing, including rehandle, subsequently totalled 3.6 Mwmt for the year, of which 1.1 Mwmt was processed in the June 2023 quarter.

During the December half-year, shipping rates were adversely impacted by the processing plant limitations. Thereafter, from early 2023, sales increased once the processing plant fire repairs were completed. Sales totalled 3.03 Mwmt averaging 65.3% Fe for the year, of which 1.25 Mwmt was shipped in the June quarter. Seventeen shipments were completed in the quarter, including a "post-restart" record of seven shipments in the month of June.

As indicated in the Company's June Quarterly Report, in the coming FY2023/24 financial year, Mount Gibson is targeting 5-6 shipments per month during the dry season period (September, December and June quarters) and at least 4 shipments per month in the Kimberley wet season period (March quarter). Shipments from Koolan Island are undertaken in Panamax vessels which typically carry cargoes totalling 70,000 - 80,000 tonnes of iron ore. These shipping rates are sufficient for Mount Gibson to target annual sales of circa 4 Mwmt per year going forward.

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

Koolan Island generated a profit before interest and tax of $44,118,000 in the year, a significant improvement compared with the loss of $190,920,000 recorded in the prior year.

The operating cash inflow from the Koolan Island operation for the year was $95,252,000, also a significant improvement on the previous year's outflow of $188,190,000. The result for 2022/23 was also after the continued strategy of mining in accordance with the existing plan to build substantial high grade iron ore inventories. As noted, the mined ore stockpiles totalled 1.1 Mwmt at year end.

Revenues for the year totalled $450,586,000, with the key outflow items being cash operating costs ($227,668,000), royalties ($42,526,000), crusher repair and interim processing arrangement costs ($20,740,000), advanced waste stripping investment ($11,020,000) and sustaining and project capital costs ($53,380,000). Ore sales revenue reflected an average realised price of US$103/dmt FOB for the year.

Koolan Island's unit cash costs were $77/wmt sold FOB in the year before inventory build, major project costs and royalties, which reflect the significantly reduced waste stripping activity and increased shipping volumes in the year. This was a significant reduction compared with the average unit cost of $119/wmt FOB achieved the prior year, and are expected to reduce further in line with increased sales and lower average strip ratio. Shipping freight rates for journeys from Koolan Island to northern China also further declined to an average of US$14/tonne in the year, compared with an average of US$20/tonne in the preceding year.

Production and shipping statistics for Koolan Island for the 2022/23 financial year are tabulated below:

| **Koolan Island**<br><br>**Production Summary** | **Unit** | **Sept Quarter 2022 '000** | **Dec Quarter 2022 '000** | **Mar Quarter 2023 '000** | **Jun Quarter 2023 '000** | **Year 2022/23 '000** | **Year 2021/22 '000** | ***% Incr/ (Decr)*** |
|---|---|---|---|---|---|---|---|---|
| **Mining** | | | | | | | | |
| Waste mined | *wmt* | 3,647 | 3,015 | 1,257 | 968 | **8,886** | **15,950** | *(44)* |
| Standard Ore mined | *wmt* | 915 | 1,005 | 954 | 1,121 | **3,996** | **1,491** | *168* |
| Total material movement | *wmt* | **4,562** | **4,020** | **2,211** | **2,089** | **12,882** | **17,441** | *(26)* |
| **Crushing** | | | | | | | | |
| Fines | *wmt* | 607 | 936 | 950 | 1,109 | **3,603** | **1,516** | *138* |
| | *wmt* | **607** | **936** | **950** | **1,109** | **3,603** | **1,516** | *138* |
| **Shipping** | | | | | | | | |
| Fines | *wmt* | 451 | 665 | 664 | 1,249 | **3,028** | **1,351** | *124* |
| | *wmt* | **451** | **665** | **664** | **1,249** | **3,028** | **1,351** | *124* |

Minor discrepancies may appear due to rounding.

Mount Gibson maintains relevant property damage and business interruption insurance cover for the Koolan Island operations and by year-end had received progress payments totalling $7,720,000 from insurers in respect of interim property damage claims. The final property damage claim is now being assembled, together with an assessment as to a potential business interruption claim resulting from the fire. However, the timing, likelihood and potential quantum of such a claim, if any, remains uncertain.

**Mid-West Operations**

The current Mid-West operations comprise care and maintenance of the suspended Shine iron ore mine, rehabilitation activities at the Extension Hill site and operation of the Company's bulk storage and export facilities at the port of Geraldton to facilitate the storage and shipment of third-party iron ore.

The Mid-West operations incurred a profit before interest and tax of $6,500,000 for the year, reflecting expenses totalling $5,921,000 and income of $12,421,000 from the ongoing Mid-West rail credit refund and third-party usage of ore storage facilities at Geraldton Port to facilitate the export of its iron ore.

*Extension Hill Rail Refund/Credit*

Following achievement of a contractual rail volume threshold at Extension Hill during the 2017/18 financial year, the Group has an entitlement to receive a partial refund of historical rail access charges from the Mid-West rail leaseholder, Arc Infrastructure, based upon the future usage by third parties of specific segments of the Perenjori to Geraldton railway line. This entitlement commenced upon termination of the Group's then existing rail agreements in early 2019, and is calculated at various volume-related rates, and capped at a total of approximately $35 million (subject to indexation) and a time limit expiring in 2031. Receipt of this potential future refund is not certain and is fully dependent on the volumes railed by third parties on the specified rail segments. The entitlement is currently accruing as a receivable at a rate of approximately $2 million per quarter, with payments due every six months. The total amount received during the year was $9,181,000, taking cumulative total proceeds received since the first payment to $33,461,000.

*Mid-West Transaction*

At the end of June, Mount Gibson announced it had reached agreement to divest certain of its Mid-West iron ore mining and infrastructure assets to fellow Mid-West iron ore producer Fenix Resources Limited (**Fenix**) for total consideration of at least $25 million, comprising $10 million cash, 60 million Fenix shares and 25 million Fenix options (exercisable in two tranches of 12.5 million options at $0.25 and $0.30 each respectively within five years of settlement).

Mount Gibson will hold approximately 8.6% of Fenix, making it Fenix's single largest shareholder. Mount Gibson will also have the right, but not the obligation, to nominate a non-executive director to the Fenix Board should its equity interest increase to at least 10%.

The assets being sold to Fenix comprise Mount Gibson's two bulk materials storage sheds at Geraldton Port, rail sidings at Perenjori and Mullewa, various items of plant and equipment, and Mount Gibson's iron ore mining rights and other obligations at the currently suspended Shine iron ore mine near Yalgoo and the closed hematite iron ore mine at Extension Hill near Perenjori.

The transaction is structured as an asset sale and purchase, with Fenix acquiring land and tenement titles, mining rights, and plant and equipment, along with the rehabilitation and other contractual obligations associated with these assets. The rehabilitation obligations which will be assumed by Fenix across the assets being divested are currently provisioned on Mount Gibson's books for $8,229,000.

Mount Gibson will retain its mining and exploration interests in the historic Tallering Peak mining area, to the north of which it continues to explore prospective ground for base metals mineralisation, together with its Fields Find interest. Mount Gibson will also retain its rights to the historical rail credit refund resulting from third party use of certain parts of the Mid-West rail network.

The combination of Mount Gibson's remaining Mid-West iron ore and port assets within Fenix's vertically integrated mining and bulk road haulage business creates an innovative mining and logistics business that will have increased annual production for the benefit of shareholders of both companies, and support the ongoing development of mining production and bulk mineral exports in the Mid-West region.

The transaction represented an opportunity for Mount Gibson to realise value for assets which were not reflected in the Company's share price and to participate via a direct equity interest in an exciting and expanded high-grade Mid-West iron ore and bulk materials logistics business.

Completion of the transaction was subject to satisfaction of consents and conditions in respect of third-party interests, the timing of which remained uncertain at balance date. Subsequently on 21 July 2023, the required third-party consents and conditions were satisfied and the transaction was completed. The total consideration received was $29.5 million, based on valuations of the Fenix shares and options at completion date.

Full details of the consideration and conditions are detailed in the Company's market announcement dated 29 June 2023.

**Financial Position**

The Group's cash and cash equivalents, term deposits and subordinated notes and financial assets held for trading totalled $162,415,000 at 30 June 2023, an increase of $36,842,000 from the balance at 30 June 2022 of $125,573,000.

The key components of the movement are tabulated below and reflect the following business activities during the year:

- *Koolan Island* - Significant progress was achieved with regard to increasing high grade ore production whilst reducing the waste-to-ore strip ratio following effective completion of the bulk stripping phase and remedial upper footwall ground support work in Main Pit. A fire in the processing plant in August 2022 restricted ore sales in the first 9 months of the year and resulted in additional costs related to the processing plant repairs and interim processing arrangements. Simultaneously, significant working capital investment was undertaken to maintain ore production at planned rates and build substantial ore stockpiles for processing as crushing capacity was regained. Sales and cashflow increased significantly after plant repairs were completed in early April 2023.
- *Corporate and Other* – Key expenditure related to corporate, administration, rehabilitation (for closed sites) and exploration activities, net of interest income and the historical Mid-West rail credit.

| **Cashflow Summary** | **Koolan Island $'000** | **Mid-West (Shine) $'000** | **Corporate & Other $'000** | **Total $'000** |
|---|---|---|---|---|
| Operating cashflow before capital expenditure | 180,392 | (2,386) | (6,183) | 171,823 |
| Project expenditure: | | | | |
| Koolan Island crusher repairs and interim processing arrangements | (20,740) | - | - | (20,740) |
| Capital expenditure: | | | | |
| Advanced waste stripping (capitalised deferred stripping costs) | (11,020) | - | - | (11,020) |
| Mine development (including ground support activities) | (31,434) | - | - | (31,434) |
| Sustaining capital, equipment purchase, exploration and other | (21,946) | - | (2,266) | (24,212) |
| | **95,252** | **(2,386)** | **(8,449)** | **84,417** |
| Realised net hedging loss | | | | (719) |
| Other financing activities and net working capital movements | | | | (46,856) |
| Total movement in cash and investment reserves in the period | | | | **36,842** |

Minor discrepancies may appear due to rounding.

Mount Gibson does not have bank borrowings and has an undrawn $75 million revolving credit facility available.

As at balance date, the Company's current assets totalled $283,149,000 and its current liabilities totalled $75,819,000. Accordingly, as at the date of this report, the Group has sufficient funds in addition to access to further equity and debt funding to maintain its existing operations and to advance its growth objectives.

### Derivatives

As at 30 June 2023, the Group held foreign exchange collar option contracts covering the conversion of US$68,000,000 into Australian dollars over the period July 2023 to December 2023 with an average cap price of A$1.00/US$0.6976 and an average floor price of A$1.00/US$0.6343. These collar contracts had a marked-to-market unrealised net loss at balance date of A$148,000.

### Impairment

As disclosed in the Company's financials for the year ended 30 June 2023, an impairment expense has been recorded as a result of recent weaker iron ore prices impacting the recoverable value of the Koolan Island non-current assets. The Group has recorded a total impairment expense of $75,405,000 before tax comprising impairments of deferred stripping costs ($36,309,000), other mine properties ($25,788,000), property, plant and equipment ($12,203,000) and right-of-use assets ($1,105,000).

### Exploration and Business Development

Mount Gibson continues to seek and review potential development and investment opportunities consistent with the Company's objective to extend and grow its business into new operations. This strategy has targeted opportunities in the bulk commodities and base metals sectors primarily in Australia. Equity positions with a combined market value of approximately $3 million are held in a number of junior resource development companies where it is considered that future financing or strategic opportunities may arise.

The Company also continues to assess regional exploration opportunities for base metals deposits particularly in the Mid-West region, where it has entered into a farm-in agreement covering prospective exploration tenure at the Butcher's Track prospect north of the Company's Tallering Peak mine site, approximately 160km northeast of Geraldton. During the year the Company completed preliminary drilling programs at prospects near Tallering Peak and Butcher's Track to confirm geological settings and test identified electromagnetic anomalies. Assessment and planning to determine the next stage of activity is underway.

### Likely Developments and Expected Results

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

The Board's corporate objective is to grow the Company's cash reserves and continue to pursue an appropriate balance between the retention and utilisation of cash reserves for value-accretive investments. The Board has determined the following key business objectives for the 2023/24 financial year:

- **Safety and Environment** – continue the ongoing safety improvement focus on the Company's worksites, the high standard of environmental and rehabilitation activities, and the pursuit of appropriate carbon reduction initiatives.
- **Koolan Island** – increase the mining and export of high grade iron ore to maximise sales and cashflow of the operation.
- **Cost reductions** – continue to drive for sustainable productivity and cost improvements across all business units.
- **Treasury management** – responsibly manage the Group's cash and financial reserves.
- **Growth** – accelerate the search for resource acquisition and growth opportunities.

*Group Sales Guidance*

Mount Gibson is targeting total iron ore sales of 3.8-4.2 Mwmt of high-grade ore from its Koolan Island operation in the 2023/24 financial year, at a unit cash operating cost of $65-70/wmt before royalties.

## DIVIDENDS

There were no dividends paid during the year ended 30 June 2023 (2022: $23,760,000).

The Company has not declared a dividend for the year ended 30 June 2023.

## SIGNIFICANT EVENTS AFTER BALANCE DATE

On 28 June 2023, Mount Gibson entered into a Sale and Purchase Agreement (Mid-West Project) with Fenix Resources Limited to divest certain of its Mid-West iron ore mining and infrastructure assets for total consideration of at least $25 million, comprising $10 million cash, 60 million Fenix shares and 25 million Fenix options (exercisable in two tranches of 12.5 million options at $0.25 and $0.30 each respectively within five years of settlement). Completion of the transaction was subject to satisfaction of consents and conditions in respect of third-party interests, the timing of which remained uncertain at balance date. Subsequently on 21 July 2023, the required third-party consents and conditions were satisfied and the transaction was completed. The total consideration received was $29.5 million, based on valuations of the Fenix shares and options at completion date, resulting in a profit on sale of $36.5 million before tax.

Other than 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.

## 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 its Directors. These deeds provide access to documentation and indemnification against liability for loss suffered, as a result of any act or omission, to the extent permitted by the *Corporations Act 2001*, from conduct of the Group's business.

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

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

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

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

## SHARE OPTIONS, PERFORMANCE RIGHTS AND RESTRICTED SHARES

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

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

On 1 September 2022, the Company issued 3,851,300 restricted shares as part of its Executive Loan Share Plan and subsequently, 970,900 of these restricted shares were forfeited upon the resignation of Mr Mark Mitchell, in addition to the forfeiture of 517,600 restricted shares issued in the prior year which did not vest. There were 8,677,600 restricted shares on issue at balance date. During the year, there were no restricted shares vested in accordance with their issue conditions. As at the date of this report, there were no restricted shares issued under the Executive Loan Share Plan after balance date.

Refer to the Remuneration Report for further details of shares outstanding.

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

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

| | Ordinary Shares | Options over Shares | Performance Rights over Shares |
|---|---|---|---|
| SH Lee(i) | - | - | - |
| A Jones | - | - | - |
| R Barwick | - | - | - |
| S Bird | 51,899 | - | - |
| P Dougas | 796,602 | - | - |
| R Ding | - | - | - |
| 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 452,767,297 ordinary shares in the Company through his association with Allied Group Limited, a substantial shareholder of the Company – refer ASX announcement dated 7 October 2021.

## 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** | 5 | 4 | 4 | 4 | 1 |
| SH Lee | 5 | 2 | 2 | - | - |
| A Jones | 4 | 4 | 4 | - | 1 |
| R Barwick | 4 | - | 3 | 4 | - |
| S Bird | 5 | 4 | - | 3 | 1 |
| P Dougas | 5 | - | - | 4 | 1 |
| R Ding | 5 | - | - | - | - |
| 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 the Department of Mines, Industry Regulation and Safety (**DMIRS**), the Department of Water & Environmental Regulation (**DWER**), the Department of Biodiversity Conservation and Attractions and the Department of Health. In addition, plans associated with specific species have been approved by the Federal Department of Agriculture, Water and Environment.

DWER has granted approval and licensing of works to allow construction and operation of facilities on "prescribed" premises and DMIRS has granted approval for Mining Proposals at each of the mines.

The Group holds various environmental licences and authorities, issued under both State and Federal laws, to regulate its mining and exploration activities in Australia. Along with Regulations, these licences include conditions in relation to specifying limits on emissions into the environment, rehabilitation of areas disturbed during the course of mining and exploration activities, consumption of water, tenement conditions associated with exploration and mining, and the storage of hazardous substances. The Group examines its performance through detailed monitoring and reports against these approval conditions regularly to government. No notices of non-compliance, letters of warning nor any other materially adverse findings was tabled by any regulatory authority in relation to the Group's operations.

The Group continues to report under the National Greenhouse and Energy Reporting (NGER) Act 2009. Diesel consumption is the Group's single largest source of greenhouse gas emissions as its combusted in vehicles and power generators.

## 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 20 which forms part of this Report.

## NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services (where provided) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. There were no non-audit services provided by EY during the financial year ended 30 June 2023.

## REMUNERATION REPORT (AUDITED)

### Introduction

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 and its subsidiaries.

The 2022 Remuneration report was approved by 91% of shareholders voting at the Annual General Meeting of Shareholders held on 9 November 2022. For 2023, the Board has adopted a similar approach to the 2022 Remuneration Report relating to disclosure of STI and LTI metrics and vesting as detailed below.

For completeness, as provided in the 2022 Remuneration Report, the Board considers it is appropriate that the loans supporting the award of the LTI shares are limited recourse loans with the recipient's liability restricted to the issue price of the shares (adjusted for dividends and other security issues in accordance with the terms of the LTI scheme) rather than full recourse. A full recourse loan structure effectively acts as a margin loan rather than a reward linked to share price performance. The Board considers that from a risk/reward perspective, limited recourse loans are to be preferred given the scheme is intended to act as an incentive to drive executive and Company performance rather than create the risk of a substantial financial burden for the executive. In a declining market scenario, the overhang of this type of financial burden is not consistent with good governance as it gives rise to potential conflicts of interests in terms of future decision making and acceptable levels of risk.

### 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 is responsible for overseeing the 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 $559,921 were paid/payable in the 2022/23 financial year.

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

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

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

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

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

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

**Senior Executives' Remuneration**

***Objective***

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

- reward senior executives for Company and individual performance contributing towards key Company objectives;
- align the interests of senior executives with those of shareholders;
- link reward with the strategic goals and performance of the Company;
- be appropriately structured given the presently limited remaining mine life of the Company's key operating asset; and
- ensure total remuneration is competitive by market standards.

***Use of Remuneration Consultants***

The NRGC from time to time seeks advice from independent remuneration consultants regarding senior executives' remuneration structures and levels. Such consultants are engaged by, and report directly to, the NRGC, and are required to confirm in writing their independence from the Group's senior and other executives. No remuneration consultants were engaged during the year.

***Fixed Remuneration***

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

- cash remuneration;
- statutory superannuation;
- employee death, disability and salary continuance insurances;
- 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 own remuneration and recommendations for other senior executives' 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, which includes conducting a comparative analysis. The Company seeks to position the overall fixed remuneration for senior management at around the 50th (median) percentile level when compared to its peers for equivalent positions.

***Variable Remuneration***

***Short-term Incentives (STI)***

Senior executives may receive variable remuneration in the form of STI of up to 50% of their annual fixed remuneration package (comprising salary and statutory superannuation). STI payments are based on the Board's assessment of the executive's performance towards achieving key Company objectives over the relevant period.

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. The total potential STI available for award is ultimately at the Board's discretion. Payments are made in cash after the reporting date. Where an executive resigns during or after the relevant financial year, it remains at the discretion of the Board as to whether any of the STI is payable for the relevant financial year. However, STI's are generally not paid upon resignation of an executive unless there are exceptional circumstances.

The focus for the 2022/23 financial year was on the Company's operational safety and environmental performance and on achieving the annual budget outcomes related to sales and costs. The executive STI targets have been selected with the objective of achieving the Company's operational performance and financial outcomes.

The Board assessed the Company's and senior executives' performances based on the actual results achieved to the end of May 2023 and forecasts for the month of June 2023. The Board also exercised its discretion taking into account the individual efforts of senior executives over the period.

The outcomes of the target reviews for the 2022/23 financial year are summarised in the following table:

| **Area** | **Description/KPI** | ***Weighting*** | ***Actual Achievements*** |
|---|---|---|---|
| 1. Safety | Safety performance – TRIFR, site culture/observations & COVID-19 practices | 15% | • Substantially improved safety performance and no life-threatening injuries incurred.<br>• Group TRIFR (injuries per 1 million manhours, rolling 12 month basis) reducing by more than half to 5.2 as at 31 May 2023 from 10.7 at 30 June 2022, and 13.8 at 30 June 2021.<br>• Continued steady improvement in Koolan workforce wellbeing and safety culture. Efforts and initiatives underway to reduce the total number of injuries and near-miss incidents.<br>• Good reporting regime across all sites.<br>• Record of 5,000 days (13.7 years) LTI-free recently achieved within the Geraldton Port operations.<br>• Ongoing controls and monitoring to minimise the residual impacts of COVID-19 incidences.<br>• Acknowledgment and thanks from safety agencies (WA Department of Fire and Emergency Services and the Royal Flying Doctor Service), local government shires and communities for the assistance provided in a number of tourist safety incidents and the January 2023 Kimberley flooding events. |
| 2. Environment | No critical incidents, compliance (minimal reported issues) & innovations | 10% | • No critical incidents and minimal reported issues.<br>• Disciplined compliance and timely reporting, with good regulatory agency relationships fostered.<br>• Improved dewatering systems at Koolan Island, with reduced occurrences of suspended solids in allowable water discharges, and all (minor) fuel and oil spillages constrained and properly managed.<br>• The recently completed annual survey of Northern Quolls on Koolan is indicating a significant growth in population numbers.<br>• Research undertaken with Government agencies for local fauna (e.g. Koolan quolls and cane toad preparation) and flora (e.g. Extension Hill and Iron Hill native species propagation). Continued development assistance and early adoption of satellite imagery for vegetation health. |
| 3. Sales volumes | By reference to budgeted levels – wmt shipped | 10% | • Not achieved.<br>• The Koolan processing plant fire impacted production, but performance from that point has achieved forecast.<br>• Forecast 2022/23 Koolan total shipments of 3.0 Mwmt versus budget of 4.0 Mwmt.<br>• The processing plant repair project was managed to budget (estimated project cost of $11 million versus estimates of $12-15 million), with the time delays arising from the January Kimberley floods managed by maximising use of the scalping circuit of the main plant, and stockpiling the scalped oversize for later contract crushing. |
| 4. Cash costs | By reference to budgeted levels - $/tonne moved, $/wmt sold | 10% | • Partial achievement.<br>• Koolan YTD unit cash mining/admin/logistics costs are in line with budget at A$15.45 per total tonne moved versus budget of A$15.23 per total tonne moved.<br>• Koolan unit cash operating costs (excl. royalties) per tonne sold are above budget given the lower exported volumes. |
| 5. NPAT/ Cashflow | By reference to budgeted levels | 10% | • Not achieved.<br>• But a strong recovery is underway in the June 2023 quarter.<br>• Primary reasons for under-budget performance relate to the impacts of the August 2022 processing plant fire and the January 2023 Kimberley mainland flooding events. The shipping recovery is underway. |

| Area | Description/KPI | *Weighting* | *Actual Achievements* |
|---|---|---|---|
| 6. Growth | Acquisition reviews, equity investments, resource & reserve growth, and exploration activities | 15% | • Ore reserves maintained net of depletion, with the Mangrove and Acacia East satellite deposits at Koolan under evaluation. Additional potential exists in Koolan Main Pit deeper cuts which are not reflected in the ore reserve estimate.<br>• Mid-West infrastructure revenue activities have contributed to holding costs, and a divestment of the Mid-West assets was announced in June 2023 and completed in July 2023.<br>• Equity holdings in various junior mine development companies.<br>• Active acquisition review program continued with efforts focused on base metals opportunities in Australia.<br>• Significantly more focus on M&A activities is now occurring as the Koolan Island operation generates strong cashflows.<br>• Exploration activities commenced in the Mid-West, with drilling programs in process at the Tallering Peak base metals prospects and at the Butcher's Track farm-in areas further north. The aim in 2023/24 is to expand exploration activity. |
| 7. Personal Performance | Personal leadership, communications and technical performance | 30% | • This is effectively a Board discretion item.<br>• The CEO and executive team have taken on additional responsibilities and work since the departure (and non-replacement) of the COO in early February 2023.<br>• The 2022/23 financial year was adversely impacted by the fire in the product screen area of the Koolan processing plant in August 2022. Work since that time has focused on continuing the mining improvements and ore movement rates, operating the main plant to maximum capacity utilising the front end jaw crusher and scalping screen, and in recent months recovering to accelerate shipments and recoup some of the budget shipment shortfall.<br>• The insurance claim for the processing plant fire is progressing with the insurer group. |

For the 2022/23 financial year, a total STI cash incentive of $505,821 was awarded to Key Management Personnel, representing total STI cash incentives available to Mr Kerr (70% of entitlement), Ms Dobson (60% of entitlement) and Mr Stokes (50% of entitlement). The amount of the STI is included in the Company's financials for the year and will be paid in September 2023.

For the coming 2023/24 financial year, the Board will follow the STI key performance indicators as set out in the table above and continue to refine these measures with management in assessing the STI award of each executive.

***Long-term Incentives (LTI)***

The Company's 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. Historically the key performance metric for LSP shares vesting has been linked to share price performance based on a 5 day volume-weighted average price (VWAP) calculation after the first 12 months of issue and within the following 4 year period.

At the time of grant, 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 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. The Board considers that from a risk/reward perspective, non-recourse loans are to be preferred to recourse loans given the scheme is intended to act as an incentive to drive executive performance rather than create a structure that in a declining market imposes a financial burden on the executive and giving rise to a conflict of interests.

Where an executive resigns prior to the vesting of the LSP shares, it remains at the discretion of the Board as to whether any of the LSP shares remain on issue. To date, if an employee resigns prior to vesting, the LSP shares are forfeited and sold or reallocated into future LSP or Dividend Reinvestment Plan share issues.

Under the LTI scheme the Board retains the absolute discretion as to how a participant's unvested LTI shares may be dealt with (if at all) if there has been a change in control event. This could include waiving vesting requirements but would ultimately depend upon circumstances relevant to the Board at that time.

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 other than the associated ASX listing fees.

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

Since the 2021/2022 financial year LSP shares have been issued such that they have a two-year vesting period, versus the previous one year vesting period, during which the relevant executive must remain continuously employed by the Group.

On 1 September 2022, the Company issued 3,851,000 shares under the LSP. In accordance with the terms of the LSP, the shares were issued at a share price of $0.436 per share and pursuant to the vesting conditions, these shares do not vest unless a share price target of a 10% premium to the issue price is met between 1 September 2023 and 1 September 2027 and the participants remain continuously employed by the Group until at least 1 September 2024. On 3 February 2023, 1,488,500 shares under the LSP were forfeited upon the resignation of Mr Mitchell, the former Chief Operating Officer.

A summary of the historical status of LSP share awards as at 30 June 2023 is provided in the table below:

| Financial Year | Award Shares | Vesting Metrics | Term | Status | Forfeited |
|---|---|---|---|---|---|
| **2022/23** | 3,851,000 | 10% Share Price Increase above $0.436 and minimum 24 months continuous employment | 1 September 2022 – 31 August 2027 | Unvested | 970,900 |
| **2021/22** | 2,063,100 | 10% Share Price Increase above $0.931 and minimum 24 months continuous employment | 1 July 2021 – 30 June 2026 | Unvested | 517,600 |
| **2020/21** | 2,986,400 | 10% Share Price Increase above $0.617 and minimum 12 months continuous employment | 1 July 2020 – 30 June 2025 | Vested | - |
| **2019/20** | 1,705,800 | 10% Share Price Increase above $1.03 and minimum 12 months continuous employment | 1 July 2019 – 30 June 2024 | Unvested | 440,500 |
| **2018/19** | 2,998,351 | 10% Share Price Increase above $0.443 and minimum 12 months continuous employment | 1 July 2018 – 30 June 2023 | Vested | 1,074,623 |
| **2017/18** | No award | - | - | - | - |
| **2016/17** | 4,749,456 | 10% Share Price Increase above $0.316 and minimum 12 months continuous employment | 1 July 2016 – 30 June 2021 | Vested | - |

Note: "10% Share Price Increase" means a 10% share price increase from date of grant - based on a 5 day VWAP – any time after the first 12 months of the Term.

For the coming 2023/24 financial year, invitations to participants in the LSP awards will likely be made in September 2023. Invitations will be based on similar vesting conditions to the 2022/2023 award, namely a share price target of a 10% premium to the issue price and the participant remaining continuously employed by the Group to 1 July 2025. Any dividends accruing during vesting periods and upon vesting will be used, net of tax on the dividend, to pay down the 5-year non-recourse LSP loan. The actual issue price and number of shares issued to participants under the LSP will ultimately be determined based on the 5 trading day VWAP prior to issue. The financial impact is yet to be determined at the date of this report.

**Employment Contracts**

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

*Peter Kerr*

The key terms of his contract include:

- Commenced as Chief Financial Officer on 19 September 2012 and subsequently appointed as Chief Executive Officer 1 October 2018 with no set term;
- Annual Salary Package increase by minimum of CPI from 1 July every year;
- STI Bonus of up to one half of Annual Salary Package;
- LTI Bonus of up to one third of Annual Salary Package; and
- If the Company wishes to terminate the contract other than if Mr Kerr is guilty of any grave misconduct, serious or persistent breach of the terms of the contract or wilful neglect in the discharge of his duties, the Company is obliged to pay out 12 months Annual Salary Package plus any other accrued entitlements and bonuses. If Mr Kerr wishes to terminate the contract, he must provide six months' notice.

*David Stokes*

The key terms of his contract include:

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

*Gillian Dobson*

The key terms of her contract include:

- Commenced as Group Commercial Manager on 23 April 2013 and subsequently appointed as Chief Financial Officer on 1 October 2018 with no set term;
- Annual Salary Package increase by minimum of CPI from 1 July every year;
- STI Bonus of up to one half of Annual Salary Package;
- LTI Bonus of up to one third of Annual Salary Package; and
- If the Company wishes to terminate the contract other than if Ms Dobson is guilty of any grave misconduct, serious or persistent breach of the terms of the contract or wilful neglect in the discharge of his duties, the Company is obliged to pay out six months Annual Salary Package plus any other accrued entitlements and bonuses. If Ms Dobson wishes to terminate the contract, she must provide three months' notice.

**Details of directors and key management personnel disclosed in this report**

*[i] Directors*

| | |
|---|---|
| SH Lee | Chairman |
| A Jones | Non-Executive Director |
| R Barwick | Non-Executive Director |
| S Bird | Lead Non-Executive Director |
| P Dougas | Non-Executive Director |
| R Ding | Non-Executive Director |
| A Ferguson | Alternate Director to Mr Lee |

*[ii] Key Management Personnel*

| | |
|---|---|
| P Kerr | Chief Executive Officer |
| D Stokes | Company Secretary and General Counsel |
| G Dobson | Chief Financial Officer |
| M Mitchell | Chief Operating Officer (*resigned 3 February 2023*) |

All directors and key management personnel have held the above positions for the period from 1 July 2022 to the date of this report unless otherwise stated.

**Remuneration of Key Management Personnel for the year ended 30 June 2023**

| | Short Term | | | | Post Employment | Long Term | Share Based Payment | | |
|---|---|---|---|---|---|---|---|---|---|
| **30 June 2023** | **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(f)** |
| ***Directors*** | | | | | | | | | |
| SH Lee | 104,680 | - | - | - | 10,991 | - | - | **115,671** | - |
| A Jones | 103,653 | - | - | - | 10,884 | - | - | **114,537** | - |
| R Barwick | 100,000 | 3,764 | - | - | 10,500 | - | - | **114,264** | - |
| S Bird | 106,849 | - | - | - | 11,219 | - | - | **118,068** | - |
| P Dougas | 97,381 | - | - | - | - | - | - | **97,381** | - |
| R Ding | - | - | - | - | - | - | - | **-** | - |
| A Ferguson (Alt) | - | - | - | - | - | - | - | **-** | - |
| **Sub-total** | **512,563** | **3,764** | **-** | **-** | **43,594** | **-** | **-** | **559,921** | |
| ***Other KMP*** | | | | | | | | | |
| P Kerr | 722,500 | 17,319 | 263,688 | 18,274 | 27,500 | 38,655 | 204,406 | **1,292,342** | 36 |
| D Stokes | 366,486 | 13,226 | 101,700 | 7,048 | 34,481 | 19,115 | 113,513 | **655,569** | 33 |
| G Dobson | 438,499 | 11,815 | 140,433 | 14,598 | 27,500 | 25,423 | 121,370 | **779,638** | 34 |
| M Mitchell (i) | 289,013 | 16,687 | - | - | 27,500 | - | (79,193) | **254,007** | - |
| **Sub-total** | **1,816,498** | **59,047** | **505,821** | **39,920** | **116,981** | **83,193** | **360,096** | **2,981,556** | |
| **Totals** | **2,329,061** | **62,811** | **505,821** | **39,920** | **160,575** | **83,193** | **360,096** | **3,541,477** | |

(i) Mr Mitchell resigned on 3 February 2023.

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

(b) Cash incentives represent the cash value of the executives' short-term incentive awards for the 2022/23 year. Refer to "Short-term Incentives" section above.

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

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

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

(f) Performance related remuneration reflects the proportion of the total remuneration relating to cash incentives (STI) and share based payments (LTI).

**Options**

There were no options granted to Directors or Executives during the year ended 30 June 2023 and there were no options outstanding as at 30 June 2023. Other than those issued under the LSP and accounted for as in-substance options, there were no shares issued on the exercise of options during the year ended 30 June 2023 (2022: nil).

### Shares

On 1 September 2022, a total of 3,851,300 restricted shares were granted under the LSP. The award has been accounted for as an in-substance option award with the fair value assessed at grant date as $0.169 per LSP share. On 3 February 2023, 970,900 of these LSP shares were forfeited upon the resignation of Mr Mark Mitchell, in addition to the forfeiture of 517,600 LSP shares issued in the prior year which did not vest. Refer section above titled "Long-term Incentives" for details of the shares issued under the LSP.

| | Grant Date | LSP Shares Granted (#) | LSP Shares Forfeited (#) | Fair Value at Grant Date[1] ($/LSP share) | Value of LSP Shares Granted ($) | Exercise Price ($) | Vesting Date & Condit-ions | Expiry Date | LSP Shares Vested in Year (#) | Value of LSP Shares Vested in Year[3] ($) |
|---|---|---|---|---|---|---|---|---|---|---|
| P Kerr | 1-Sep-22 | 1,340,800 | - | $0.169 | 226,595 | $0.44 | Note 2 | 1-Sep-27 | - | - |
| D Stokes | 1-Sep-22 | 739,000 | - | $0.169 | 124,891 | $0.44 | Note 2 | 1-Sep-27 | - | - |
| G Dobson | 1-Sep-22 | 800,600 | - | $0.169 | 135,301 | $0.44 | Note 2 | 1-Sep-27 | - | - |
| M Mitchell[4] | 1-Sep-22 | 970,900 | (970,900) | $0.169 | - | - | - | | - | - |
| **Total** | | **3,851,300** | **(970,900)** | | **486,787** | | | | **-** | **-** |

1. Determined at the time of grant per AASB 2, refer note 27(d) in the financial statements.
2. In order for the LSP shares to vest, participants must remain continuously employed by the Group to 1 September 2024 and the Company's share price, as measured by a rolling 5-day volume weighted average price of the Company's shares traded on the ASX, must on 1 September 2023 or at any time prior to expiry, be above a 10% premium to the issue price of the LSP shares.
3. Determined at the time of exercise at the intrinsic value of the LSP share.
4. Mr Mitchell resigned on 3 February 2023.

During the year ended 30 June 2023, 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 2023. At 30 June 2023, there were no Performance Rights on issue. There were no shares issued on the exercise of Performance Rights during the year ended 30 June 2023 (2022: nil).

### Share and right holdings of Key Management Personnel as at 30 June 2023

| | Balance 1 July 2022 Ord | Granted as Remuneration Ord | Forfeited Ord | Net Change Other Ord | Balance 30 June 2023 Ord |
|---|---|---|---|---|---|
| ***Directors*** | | | | | |
| SH Lee[(i)] | - | - | - | - | - |
| A Jones | 300,000 | - | - | (300,000) | - |
| R Barwick | - | - | - | - | - |
| S Bird | 51,899 | - | - | - | 51,899 |
| P Dougas | 796,602 | - | - | - | 796,602 |
| R Ding | - | - | - | - | - |
| A Ferguson (Alt. for Mr Lee) | - | - | - | - | - |
| ***Other KMP***[(ii)] | | | | | |
| P Kerr | 3,430,003 | 1,340,800 | - | - | 4,770,803 |
| D Stokes | 1,900,035 | 739,000 | - | - | 2,639,035 |
| G Dobson | 1,376,700 | 800,600 | - | - | 2,177,300 |
| M Mitchell [(iii)] | 1,289,400 | 970,900 | (1,488,500) | (771,800) | - |
| **Total** | **9,144,639** | **3,851,300** | **(1,488,500)** | **(1,071,800)** | **10,435,639** |

(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 452,767,297 ordinary shares in the Company through his association with Allied Group Limited, a substantial shareholder of the Company – refer ASX announcement dated 7 October 2021.

(ii) The closing balance at 30 June 2023 for Other KMP includes 8,677,600 LSP shares (in-substance options) held by Mr. Kerr (3,646,300 LSP shares), Mr. Stokes (2,082,200 LSP shares), Ms. Dobson (2,177,300 LSP shares) and Mr. Mitchell (771,800 LSP shares), 2,986,400 of which had vested as at balance date.

(iii) Mr Mitchell resigned on 3 February 2023 and ceased being a KMP on that date.

**Remuneration of Key Management Personnel for the year ended 30 June 2022**

| | Short Term | | | | Post Employment | Long Term | Share Based Payment | | |
|---|---|---|---|---|---|---|---|---|---|
| 30 June 2022 | 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[(f)] |
| ***Directors*** | | | | | | | | | |
| SH Lee | 104,680 | - | - | - | 10,468 | - | - | **115,148** | - |
| A Jones | 110,959 | - | - | - | 11,151 | - | - | **122,110** | - |
| R Barwick | 100,000 | - | - | - | 10,000 | - | - | **110,000** | - |
| S Bird | 117,808 | - | - | - | 11,836 | - | - | **129,644** | - |
| P Dougas | 96,941 | - | - | - | - | - | - | **96,941** | - |
| R Ding | - | - | - | - | - | - | - | **-** | - |
| A Ferguson (Alt) | - | - | - | - | - | - | - | **-** | - |
| **Sub-total** | **530,388** | **-** | **-** | **-** | **43,455** | **-** | **-** | **573,843** | |
| ***Other KMP*** | | | | | | | | | |
| P Kerr | 652,299 | 17,507 | 203,900 | 23,769 | 27,500 | 13,609 | 109,992 | **1,048,576** | 30 |
| D Stokes | 340,600 | 13,298 | 93,700 | 14,410 | 34,060 | 6,684 | 61,475 | **564,227** | 28 |
| G Dobson | 378,400 | 12,116 | 101,500 | 7,096 | 27,500 | 7,328 | 64,994 | **598,934** | 28 |
| M Mitchell | 464,750 | 15,763 | 98,500 | - | 27,500 | 1,349 | 79,193 | **687,055** | 26 |
| **Sub-total** | **1,836,049** | **58,684** | **497,600** | **45,275** | **116,560** | **28,970** | **315,654** | **2,898,792** | |
| **Totals** | **2,366,437** | **58,684** | **497,600** | **45,275** | **160,015** | **28,970** | **315,654** | **3,472,635** | |

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

(b) Cash incentives represent the cash value of the executives' short-term incentive awards for the 2021/22 year. Refer to "Short-term Incentives" section above.

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

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

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

(f) Performance related remuneration reflects the proportion of the total remuneration relating to cash incentives (STI) and share based payments (LTI).

(g) Mr Mitchell resigned 23 Februray 2023.

**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 2023 and 30 June 2022.

**Company Performance**

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

| | | 30 June 2023 | 30 June 2022 | 30 June 2021 | 30 June 2020 | 30 June 2019 |
|---|---|---|---|---|---|---|
| Net profit/(loss) after tax | ***$'000*** | 5,179 | (174,116) | 64,006 | 84,198 | 133,369 |
| Earnings/(loss) per share | ***$/share*** | 0.0043 | (0.1455) | 0.0546 | 0.0735 | 0.1198 |
| Closing share price | ***$*** | 0.44 | 0.54 | 0.95 | 0.61 | 1.02 |

End of remuneration report.

Signed in accordance with a resolution of the Directors.

**LEE SENG HUI**
**Chairman**

Date: 22 August 2023

**Competent Person Statements**

*Exploration Results*
The information in this report that relates to Exploration Results including sampling techniques and data management 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 relevant to the style of mineralisation and type of deposits 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 this report of the matters based on his information in the form and context in which it appears.

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

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

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

As lead auditor for the audit of the financial report of Mount Gibson Iron Limited for the financial year ended 30 June 2023, 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;

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

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

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

Ernst & Young

Ernst & Young

JKNewton

J K Newton
Partner
22 August 2023

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

# Consolidated Income Statement

## For the year ended 30 June 2023

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| Revenue | 3[a] | 450,586 | 140,701 |
| Interest revenue | 3[b] | 2,028 | 1,972 |
| **TOTAL REVENUE** | | **452,614** | **142,673** |
| Cost of sales | 4[a] | (338,394) | (215,483) |
| **GROSS PROFIT/(LOSS)** | | **114,220** | **(72,810)** |
| Other income | 3[c] | 27,115 | 19,095 |
| Impairment of property, plant and equipment | 18 | (12,203) | (20,912) |
| Impairment of right-of-use assets | 18 | (1,105) | (555) |
| Impairment of mine properties | 18 | (62,097) | (163,166) |
| Net foreign exchange loss | 4[c] | (87) | - |
| Net marked-to-market gain/(loss) | 4[d] | (2,171) | 9,933 |
| Repair and restoration costs – Koolan Island | | (10,504) | - |
| Administration and other expenses | | (16,590) | (18,096) |
| **PROFIT/(LOSS) BEFORE TAX AND FINANCE COSTS** | | **36,578** | **(246,511)** |
| Finance costs | 4[b] | (6,125) | (1,730) |
| **PROFIT/(LOSS) BEFORE TAX** | | **30,453** | **(248,241)** |
| Tax (expense)/benefit | 5 | (25,274) | 74,125 |
| **PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY** | | **5,179** | **(174,116)** |
| | | | |
| Earnings/(loss) per share (cents per share) | | | |
| • basic earnings/(loss) per share | 28 | 0.43 | (14.55) |
| • diluted earnings/(loss) per share | 28 | 0.43 | (14.55) |

# Consolidated Statement of Comprehensive Income

## For the year ended 30 June 2023

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **PROFIT/(LOSS) FOR THE PERIOD AFTER TAX** | **5,179** | **(174,116)** |
| **OTHER COMPREHENSIVE LOSS** | | |
| **Items that may be subsequently reclassified to profit or loss** | | |
| Change in fair value of cash flow hedges | (218) | - |
| Change in fair value of debt instruments classified as financial assets designated at fair value through other comprehensive income (OCI) | 92 | (932) |
| Deferred income tax | 37 | 280 |
| **OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX** | **(89)** | **(652)** |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR** | **5,090** | **(174,768)** |

# Consolidated Balance Sheet

**As at 30 June 2023**

| | Notes | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 6 | 55,038 | 77,579 |
| Term deposits and subordinated notes | 7 | 103,950 | 23,907 |
| Financial assets held for trading | 8 | 3,427 | 24,087 |
| Derivative financial assets | 11 | 196 | 9 |
| Trade and other receivables | 9 | 6,879 | 6,853 |
| Inventories | 10 | 105,417 | 31,459 |
| Prepayments | | 6,184 | 5,689 |
| Assets associated with disposal group classified as held for sale | 12 | 2,058 | - |
| Tax receivable | | - | 8,767 |
| **Total Current Assets** | | **283,149** | **178,350** |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 14 | 51,380 | 56,966 |
| Right-of-use assets | 15 | 24,232 | 9,552 |
| Deferred exploration and evaluation costs | 16 | 1,946 | - |
| Mine properties | 17 | 260,138 | 372,393 |
| Prepayments | | 165 | 606 |
| Deferred tax assets | 5 | 55,933 | 72,407 |
| **Total Non-Current Assets** | | **393,794** | **511,924** |
| **TOTAL ASSETS** | | **676,943** | **690,274** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 19 | 47,614 | 87,500 |
| Employee benefits | | 6,946 | 6,247 |
| Interest-bearing loans and borrowings | 20 | 11,194 | 8,152 |
| Derivative financial liabilities | 21 | 344 | 209 |
| Provisions | 22 | 596 | 4,768 |
| Liabilities associated with disposal group classified as held for sale | 12 | 9,125 | - |
| **Total Current Liabilities** | | **75,819** | **106,876** |
| **Non-Current Liabilities** | | | |
| Employee benefits | | 452 | 175 |
| Interest-bearing loans and borrowings | 20 | 11,851 | 3,723 |
| Provisions | 22 | 49,590 | 46,396 |
| **Total Non-Current Liabilities** | | **61,893** | **50,294** |
| **TOTAL LIABILITIES** | | **137,712** | **157,170** |
| **NET ASSETS** | | **539,231** | **533,104** |
| **EQUITY** | | | |
| Issued capital | 23 | 633,102 | 632,425 |
| Accumulated losses | 25 | (1,019,098) | (1,024,277) |
| Reserves | 24 | 925,227 | 924,956 |
| **TOTAL EQUITY** | | **539,231** | **533,104** |

# Consolidated Cash Flow Statement

## For the year ended 30 June 2023

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | 420,049 | 174,537 |
| Proceeds from rail credit | | 9,181 | 8,360 |
| Proceeds from insurance | | 7,853 | - |
| Payments to suppliers and employees | | (304,231) | (153,085) |
| Interest paid | | (2,762) | (443) |
| Income tax paid | | - | (8,767) |
| **NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES** | 6[b] | **130,090** | **20,602** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest received | | 1,723 | 2,220 |
| Proceeds from sale of property, plant and equipment | | 4,838 | 2,376 |
| Purchase of property, plant and equipment | | (26,470) | (35,591) |
| Proceeds from/(payment for) term deposits | | (96,450) | 111,000 |
| Proceeds from sale of subordinated notes | | 16,310 | 62,760 |
| Proceeds from sale of financial assets held for trading | | 20,191 | 34,995 |
| Payment for financial assets held for trading | | (1,861) | (6,000) |
| Proceeds from sale of derivative financial assets | | - | 13,301 |
| Settlement of derivative financial liabilities | | - | (10,612) |
| Payment for deferred exploration and evaluation expenditure | | (2,059) | (770) |
| Payment for mine development | | (45,503) | (181,582) |
| **NET CASH FLOWS (USED IN) INVESTING ACTIVITIES** | | **(129,281)** | **(7,903)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of ordinary shares | | 677 | - |
| Repayment of insurance premium funding facility | | (12,296) | (7,263) |
| Repayment of lease liabilities | | (10,852) | (11,520) |
| Proceeds from loan facility | | 25,000 | - |
| Repayment of loan facility | | (25,000) | - |
| Payment of borrowing costs | | (1,189) | (957) |
| Dividends paid | | - | (12,158) |
| **NET CASH FLOWS (USED IN) FINANCING ACTIVITIES** | | **(23,660)** | **(31,898)** |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | (22,851) | (19,199) |
| Net foreign exchange difference | | 310 | 1,495 |
| Cash and cash equivalents at beginning of year | | 77,579 | 95,283 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 6[a] | **55,038** | **77,579** |

# Consolidated Statement of Changes in Equity

## For the year ended 30 June 2023

| | *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** | **Equity Reserves** | |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **At 1 July 2021** | **620,948** | **(850,161)** | **21,877** | **588** | **929,654** | **(3,192)** | **719,714** |
| Loss for the period | - | (174,116) | - | - | - | - | **(174,116)** |
| Other comprehensive loss | - | - | - | (652) | - | - | **(652)** |
| **Total comprehensive loss for the year** | **-** | **(174,116)** | **-** | **(652)** | **-** | **-** | **(174,768)** |
| Transactions with owners in their capacity as owners | | | | | | | |
| Dividends paid | - | - | - | - | (23,760) | - | **(23,760)** |
| After tax dividends netted off against loan-funded shares | - | - | - | - | 125 | - | **125** |
| Shares issued under DRP | 11,477 | - | - | - | - | - | **11,477** |
| Share-based payments | - | - | 316 | - | - | - | **316** |
| **At 30 June 2022** | **632,425** | **(1,024,277)** | **22,193** | **(64)** | **906,019** | **(3,192)** | **533,104** |
| | | | | | | | |
| **At 1 July 2022** | **632,425** | **(1,024,277)** | **22,193** | **(64)** | **906,019** | **(3,192)** | **533,104** |
| Profit for the period | - | 5,179 | - | - | - | - | **5,179** |
| Other comprehensive loss | - | - | - | (89) | - | - | **(89)** |
| **Total comprehensive loss for the year** | **-** | **5,179** | **-** | **(89)** | **-** | **-** | **5,090** |
| Transactions with owners in their capacity as owners | | | | | | | |
| Exercise of shares vested under LSP | 677 | - | - | - | - | - | **677** |
| Share-based payments | - | - | 360 | - | - | - | **360** |
| **At 30 June 2023** | **633,102** | **(1,019,098)** | **22,553** | **(153)** | **906,019** | **(3,192)** | **539,231** |

# Notes to the Consolidated Financial Report

**For the year ended 30 June 2023**

## 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 2023, were authorised for issue in accordance with a resolution of the Directors on 22 August 2023.

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

The nature of operations and principal activities of the Group are the mining and export of hematite iron ore from Koolan Island in the Kimberley region of Western Australia, 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 complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for derivative financial instruments and certain financial assets that have been measured at fair value.

The Group has adopted all Accounting Standards and Interpretations mandatory to annual periods beginning on or before 1 July 2022. Adoption of these standards and interpretations did not have a material effect on the financial position or performance of the Group at the date of initial application. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2022, except for the adoption of new standards and interpretations as of 1 July 2022.

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

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

**(c) Basis of consolidation**

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Report (continued)

## 2. Other Significant Accounting Policies

**(a) Foreign currency**

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

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

**(b) Other taxes**

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

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

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

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

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

**(c) Other accounting policies**

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

**(d) Key accounting judgements, estimates and assumptions**

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

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

*Determination of mineral resources and ore reserves*

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

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

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

# Notes to the Consolidated Financial Report (continued)

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **3. Revenue and Other Income** | | | |
| **[a] Revenue** | | | |
| Revenue from contracts with customers – sale of iron ore | | 452,685 | 176,496 |
| Revenue from contracts with customers – freight/shipping services | | - | 9,618 |
| | | 452,685 | 186,114 |
| Other revenue: | | | |
| Quotation period price adjustments – relating to prior year shipments | | (513) | (13,061) |
| Quotation period price adjustments – relating to current year shipments | | (867) | (31,221) |
| Realised loss on foreign exchange hedging contracts | | (719) | (1,131) |
| | | 450,586 | 140,701 |
| **[b] Interest revenue** | | | |
| Interest revenue – calculated using the effective interest method | | 411 | 118 |
| Interest revenue – other | | 1,617 | 1,854 |
| | | 2,028 | 1,972 |
| **[c] Other income** | | | |
| Net unrealised gain on foreign exchange balances | | 321 | 1,519 |
| Net realised gain on foreign exchange transactions | | - | 1,026 |
| Net gain on disposal of property, plant and equipment | | 3,058 | 963 |
| Net realised gain on financial assets held for trading | | - | 2,682 |
| Rail credit income | [i] | 9,517 | 8,233 |
| Insurance proceeds – property damage (crusher incident) | | 7,720 | - |
| Insurance proceeds - other | | 133 | 1,096 |
| Storage fee income | | 2,904 | 3,341 |
| Other income | | 3,462 | 235 |
| | | 27,115 | 19,095 |

[i] The Group has an entitlement to receive a partial refund of historical rail access charges from the Mid-West rail leaseholder, Arc Infrastructure, based upon the future usage by certain third parties of specific segments of the Perenjori to Geraldton railway line. This entitlement commenced upon termination of the Group's then existing rail agreements in early 2019, and is calculated at various volume-related rates, and capped at a total of approximately $35 million (subject to indexation) and a time limit expiring in 2031. Receipt of this potential future refund is not certain and is fully dependent on the volumes railed by third parties on the specified rail segments. As at 30 June 2023, total proceeds received since first payment was $33,461,000.

# Notes to the Consolidated Financial Report (continued)

**Recognition and measurement**

**Revenue from contracts with customers**

The Group generates a significant proportion of revenue from the sale of iron ore. In some instances, the Group provides freight/shipping services. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer and at the amount that reflects the consideration which the Group expects to receive in exchange for those goods or services.

The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

*Iron ore sales*

Each iron ore shipment is governed by a sales contract with the customer, including spot sales agreements and long-term offtake agreements. For the Group's iron ore sales not sold under Cost and Freight (**CFR**) Incoterms, the performance obligation is the delivery of the iron ore. From time to time, some of the Group's iron ore sales may be sold under CFR Incoterms, whereby the Group is also responsible for providing freight/shipping services. In these situations, the freight/shipping service represents a separate performance obligation.

Revenue from iron ore sales is recognised when control of the iron ore passes to the customer, which generally occurs at a point in time when the iron ore is physically transferred onto a vessel. This is the point where title passes to the customer together with significant risks and rewards of ownership.

All or substantially all of the Group's sales are provisionally priced, where the final price is referenced to a future market-based (Platts) index price. Adjustment to the sales price occurs based on movements in the index price up to the end of the quotational period (**QP**). These are referred to as provisional pricing arrangements and are such that the selling price for the iron ore is determined on a specified future date after shipment to the customer. Adjustments to the sales price therefore occur up until the end of the QP. The period between provisional pricing and the end of the QP is generally between two and three months. Revenue is measured at the amount to which the Group expects to be entitled at the end of the QP, being the estimated forward price at the date the revenue is recognised. For those arrangements subject to CFR shipping terms, a portion of the transaction price is allocated to the separate freight/shipping services provided. For provisional pricing arrangements, any future changes that occur over the QP are embedded within trade receivables. Given the exposure to the commodity price, these provisionally priced trade receivables are measured at fair value through profit or loss (see note 9). Subsequent changes in the fair value of provisionally priced trade receivables are recognised in revenue but are presented separately to revenue from contracts with customers.

Changes in fair value over the term of the provisionally priced trade receivable are estimated by reference to movements in the index price as well as taking into account relevant other fair value consideration including interest rate and credit risk adjustments.

*Freight/shipping services*

For CFR arrangements, the Group is responsible for providing freight/shipping services (as principal) after the date that the Group transfers control of the iron ore to its customers. The Group, therefore, has a separate performance obligation for freight/shipping services which is provided solely to facilitate the sale of the commodities it produces.

The transaction price (as determined above) is allocated to the iron ore and freight/shipping services using the relative stand-alone selling price method. Under these arrangements, revenue is recognised over time using an output basis to measure progress towards complete satisfaction of the service as this best represents the Group's performance. This is on the basis that the customer simultaneously receives and consumes the benefits provided by the Group as the services are being provided. The costs associated with the freight/shipping services are also recognised over the same time period as shipping occurs.

**Interest Revenue**

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

**Key estimates and judgments**

For the Group's CFR customers, the Group is responsible for providing freight/shipping services. While the Group does not actually provide nor operate the vessels, the Group has determined that it is principal in these arrangements because it has concluded it controls the specified services before they are provided to the customer. The terms of the Group's contract with the service provider gives the Group the ability to direct the service provider to provide the specified services on the Group's behalf.

The Group has also concluded that revenue for freight/shipping services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the freight/shipping services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it is performed. The Group determined that the output method is the best method for measuring progress of the freight/shipping services because there is a direct relationship between the Group's effort and the transfer of service to the customer. The Group recognises revenue on the basis of the time elapsed relative to the total expected time to complete the service.

# Notes to the Consolidated Financial Report (continued)

| | | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|---|
| **4.** | **Expenses** | | | |
| **[a]** | **Cost of sales** | | | |
| | Mining and site administration costs | | 210,692 | 214,179 |
| | Depreciation of property, plant and equipment – mining and site administration | | 6,770 | 13,951 |
| | Depreciation of right-of-use assets – mining and site administration | | 8,635 | 8,776 |
| | Capitalised deferred stripping costs | 17 | (11,020) | (131,775) |
| | Amortisation of capitalised deferred stripping costs | 17 | 61,807 | 27,799 |
| | Amortisation of mine properties | 17 | 37,689 | 17,487 |
| | Pre-production expenditure capitalised | | - | (438) |
| | Crushing costs | | 41,324 | 16,708 |
| | Depreciation of property, plant and equipment – crushing | | 5,662 | 3,434 |
| | Depreciation of right-of-use assets – crushing | | 1,213 | 1,989 |
| | Transport costs | | 164 | 14,410 |
| | Port costs | | 6,319 | 9,807 |
| | Depreciation of property, plant and equipment – port | | 145 | 155 |
| | Depreciation of right-of-use assets - port | | 208 | 416 |
| | Royalties | | 42,308 | 14,803 |
| | Consumables stock write-down | | 1,703 | 1,177 |
| | Net ore inventory movement | | (71,331) | (23,209) |
| | Net movement in net realisable value on ore inventories | 10[i] | (3,048) | 16,235 |
| | Rehabilitation revised estimate adjustments | 22 | (846) | (39) |
| | Cost of sales – Free on Board (FOB) basis | | 338,394 | 205,865 |
| | | | | |
| | Shipping freight | | | 9,618 |
| | Cost of sales – Cost and Freight (CFR) basis | | | 215,483 |
| **[b]** | **Finance costs** | | | |
| | Finance charges on banking facilities | | 3,158 | 937 |
| | Finance charges on lease liabilities | | 1,185 | 304 |
| | | | 4,343 | 1,241 |
| | Non-cash interest accretion on rehabilitation provision | 22 | 1,782 | 489 |
| | | | 6,125 | 1,730 |
| **[c]** | **Net foreign exchange loss** | | | |
| | Net realised loss on foreign exchange transactions | | 87 | - |
| | | | 87 | - |
| **[d]** | **Net marked-to-market (gain)/loss** | | | |
| | Net marked-to-market (gain)/loss on commodity derivatives | | - | (16,747) |
| | Unrealised marked-to-market (gain)/loss on foreign exchange derivatives | | (271) | (507) |
| | Unrealised marked-to-market (gain)/loss on financial assets held for trading | | 2,442 | 7,321 |
| | | | 2,171 | (9,933) |
| **[e]** | **Administration and other expenses include:** | | | |
| | Depreciation of property, plant and equipment | | 166 | 167 |
| | Depreciation of right-of-use assets | | 492 | 492 |
| | Share-based payments expense | 27(a) | 360 | 316 |
| | Insurance premiums | | 1,890 | 1,728 |
| | Net realised loss on sale of financial assets | | 89 | - |
| | Exploration expenses | 16 | 112 | 770 |
| **[f]** | **Cost of sales and Administration and other expenses above include:** | | | |
| | Salaries, wages expense and other employee benefits | | 66,321 | 63,292 |
| | Lease expense – short-term | | 7,165 | 7,197 |
| | Lease expense – low value assets | | 166 | 558 |
| | Lease expense – variable | | 3,009 | 2,470 |

# Notes to the Consolidated Financial Report (continued)

**Recognition and measurement**

**Employee benefits expense**

*Wages, salaries, sick leave and other employee benefits*

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

*Redundancy*

Provision is made for redundancy payments where positions have been identified as excess to requirements, the Group has communicated a detailed and formal plan and a reliable estimate of the amount payable can be determined.

*Annual leave and long service leave*

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

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

*Share-Based Payment Plans*

The policy relating to share-based payments is set out in note 27.

*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.

**Short-term leases and leases of low-value assets**

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

**Depreciation and amortisation**

Refer to notes 14 and 17 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 18 for further details on impairment.

# Notes to the Consolidated Financial Report (continued)

## 5. Taxation

Major components of tax expense/(benefit) for the years ended 30 June 2023 and 2022 are:

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Income Statement** | | |
| *Current tax* | | |
| Current income tax charge/income | 8,763 | (4) |
| *Deferred tax* | | |
| Relating to origination and reversal of temporary differences: | | |
| Deferred tax relating to movement in temporary differences | 16,511 | (74,121) |
| Tax expense/(benefit) reported in Income Statement | **25,274** | **(74,125)** |
| **Statement of Changes in Equity** | | |
| *Deferred income tax* | | |
| Remeasurement of financial assets designated at fair value through OCI | (37) | (280) |
| Deferred income tax expense reported in equity | (37) | (280) |

**Reconciliation of tax expense/(benefit)**

A reconciliation of tax expense/(benefit) applicable to accounting profit/(loss) before tax at the statutory income tax rate to tax expense at the Group's effective tax rate for the years ended 30 June 2023 and 2022 is as follows:

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Accounting profit/(loss) before tax | 30,453 | (248,241) |
| • At the statutory income tax rate of 30% (2022: 30%) | 9,136 | (74,472) |
| • Expenditure not allowed for income tax purposes | 397 | 350 |
| • Unrecognised deferred tax assets | 15,972 | - |
| • Adjustments in respect of current income tax of previous year | (226) | - |
| • Other | (5) | (3) |
| Tax expense/(benefit) reported in Income Statement | **25,274** | **(74,125)** |

# 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 | |
|---|---|---|---|---|---|---|
| | **2023 $'000** | **2022 $'000** | **2023 $'000** | **2022 $'000** | **2023 $'000** | **2022 $'000** |
| **CONSOLIDATED** | | | | | | |
| Accrued liabilities | (4,190) | (15,705) | - | - | (4,190) | (15,705) |
| Capital raising costs | (11) | (9) | - | - | (11) | (9) |
| Deferred income | (2,261) | (1,169) | - | - | (2,261) | (1,169) |
| Donations | (105) | (90) | - | - | (105) | (90) |
| Derivatives | - | - | 112 | 609 | 112 | 609 |
| Financial assets designated at fair value through OCI | (66) | (29) | - | - | (66) | (29) |
| Inventory | (1,670) | (2,325) | - | - | (1,670) | (2,325) |
| Prepaid expenditure | - | - | 197 | 143 | 197 | 143 |
| Fixed assets, mine properties and exploration expenditure | - | - | 47,684 | 69,116 | 47,684 | 69,116 |
| Provisions | (20,124) | (18,012) | - | - | (20,124) | (18,012) |
| Borrowing cost | (558) | (282) | - | - | (558) | (282) |
| Research and development carried forward tax offset | (1,063) | (1,063) | - | - | (1,063) | (1,063) |
| Tax losses | (89,850) | (103,591) | - | - | (89,850) | (103,591) |
| Tax (assets)/liabilities | (119,898) | (142,275) | 47,993 | 69,868 | (71,905) | (72,407) |
| Derecognition of deferred tax assets | 15,972 | - | - | - | 15,972 | - |
| **Net tax (assets)/liabilities** | **(103,926)** | **(142,275)** | **47,993** | **69,868** | **(55,933)** | **(72,407)** |

| | **Balance 1 July 2022 $'000** | **Recognised in Income $'000** | **Recognised in Equity $'000** | **Balance 30 June 2023 $'000** |
|---|---|---|---|---|
| Movement in temporary differences during the financial year ended 30 June 2023 | | | | |
| Accrued liabilities | (15,705) | 11,515 | - | (4,190) |
| Capital raising costs | (9) | (2) | - | (11) |
| Deferred income | (1,169) | (1,092) | - | (2,261) |
| Donations | (90) | (15) | - | (105) |
| Derivatives | 609 | (497) | - | 112 |
| Financial assets designated at fair value through OCI | (29) | - | (37) | (66) |
| Inventory | (2,325) | 655 | - | (1,670) |
| Prepaid expenditure | 143 | 54 | - | 197 |
| Fixed assets, mine properties and exploration expenditure | 69,116 | (21,432) | - | 47,684 |
| Provisions | (18,012) | (2,112) | - | (20,124) |
| Borrowing cost | (282) | (276) | - | (558) |
| Research and development carried forward tax offset | (1,063) | - | - | (1,063) |
| Tax losses | (103,591) | 13,741 | - | (89,850) |
| Derecognition of deferred tax assets | - | 15,972 | | 15,972 |
| | **(72,407)** | **16,511** | **(37)** | **(55,933)** |

Deferred tax assets that have not been recognised in respect of tax losses at 30 June 2023 are $15,972,000 (2022: $nil).

# Notes to the Consolidated Financial Report (continued)

## 5. Taxation (Continued)

| | Balance 1 July 2021 $'000 | Recognised in Income $'000 | Recognised in Equity $'000 | Balance 30 June 2022 $'000 |
|---|---|---|---|---|
| Movement in temporary differences during the financial year ended 30 June 2022 | | | | |
| Accrued liabilities | (8,912) | (6,793) | - | (15,705) |
| Capital raising costs | (41) | 32 | - | (9) |
| Deferred income | 1,028 | (2,197) | - | (1,169) |
| Donations | (53) | (37) | - | (90) |
| Derivatives | (8,154) | 8,763 | - | 609 |
| Financial assets designated at fair value through OCI | 251 | | (280) | (29) |
| Inventory | 1,451 | (3,776) | - | (2,325) |
| Prepaid expenditure | 104 | 39 | - | 143 |
| Fixed assets, mine properties and exploration expenditure | 85,287 | (16,171) | - | 69,116 |
| Provisions | (15,987) | (2,025) | - | (18,012) |
| Borrowing cost | (107) | (175) | - | (282) |
| Research and development carried forward tax offset | (1,063) | - | - | (1,063) |
| Tax losses | (51,810) | (51,781) | - | (103,591) |
| | **1,994** | **(74,121)** | **(280)** | **(72,407)** |

# Notes to the Consolidated Financial Report (continued)

## 5. Taxation (Continued)

**Recognition and measurement**

**Income Tax**

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

Deferred income tax liabilities are recognised for all taxable differences:

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

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

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

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

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

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

**Tax consolidation**

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

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

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

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

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

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

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

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

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

**Key estimate: recoverability of potential deferred tax assets**

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

Management has derocognised tax losses to the extent that they may not be utilised and determined that the deferred tax asset held at 30 June 2023 will be utilised within the next three years.

# Notes to the Consolidated Financial Report (continued)

| | 2023 $'000 | 2022 $'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:

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Cash at bank and on hand | 23,038 | 77,579 |
| Short-term deposits | 32,000 | - |
| | **55,038** | **77,579** |

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/(loss) after tax to the net cash flows from operations

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Net profit/(loss) after tax | 5,179 | (174,116) |
| *Adjustments to reconcile profit/(loss) after tax to net cash flows:* | | |
| Depreciation of property, plant and equipment | 12,743 | 17,707 |
| Depreciation of right-of-use assets | 10,548 | 11,673 |
| Amortisation of capitalised deferred stripping costs | 61,807 | 27,799 |
| Amortisation of other mine properties | 37,689 | 17,487 |
| Impairment of property, plant and equipment | 12,203 | 20,912 |
| Impairment of right-of-use assets | 1,105 | 555 |
| Impairment of mine properties | 62,097 | 163,166 |
| Net gain on disposal of property, plant and equipment | (3,058) | (963) |
| Interest revenue | (2,028) | (1,972) |
| Exploration expenses written off | 112 | 770 |
| Share based payments | 360 | 316 |
| Borrowing costs | 1,189 | 957 |
| Interest accretion on rehabilitation provision | 1,782 | 489 |
| Net ore inventory movement | (71,331) | (23,209) |
| Rehabilitation provision revised estimate adjustment | (846) | (39) |
| Insurance premium funding | 11,622 | 9,100 |
| Write down to net realisable value on consumables inventories | 1,703 | 1,177 |
| (Reversal of)/write down to net realisable value on ore inventories | (3,048) | 16,235 |
| Unrealised (gain) on foreign exchange balances | (321) | (1,519) |
| Unrealised marked-to-market (gain) on foreign exchange derivatives | (271) | (507) |
| Unrealised marked-to-market (gain) on commodity derivatives | - | (16,747) |
| Unrealised marked-to-market loss on financial assets held for trading | 2,442 | 7,321 |
| Realised (gain)/loss on sale of financial assets held for trading | 89 | (2,682) |
| *Changes in assets and liabilities:* | | |
| Decrease in trade and other receivables | 2,272 | 1,529 |
| (Increase)/decrease in inventory | (1,448) | 869 |
| (Increase) in prepayments | (49) | (5,990) |
| (Increase)/decrease in deferred tax assets | 25,274 | (72,407) |
| Increase/(decrease) in trade and other payables | (38,135) | 24,122 |
| Increase in employee benefits | 976 | 670 |
| (Decrease) in other provisions | (567) | (386) |
| (Decrease) in deferred tax liabilities | - | (1,715) |
| **Net Cash Flow from Operating Activities** | **130,090** | **20,602** |

### [c] Non-cash financing activities

There were $27,687,000 of non-cash financing activities relating to leases of right-of-use assets during the year ended 30 June 2023 (2022: $10,578,000).

# Notes to the Consolidated Financial Report (continued)

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|

## 7. Term Deposits and Subordinated Notes

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **Current** | | | |
| Term deposits – financial assets at amortised cost | [i] | 103,950 | 7,500 |
| Subordinated notes – financial assets at fair value through OCI | [ii] | - | 16,407 |
| | | **103,950** | **23,907** |

[i] Term deposits are made for varying periods of between three and twelve months depending on the cash requirements of the Group and earn interest at market term deposit rates. Term deposits are held with various financial institutions with short term credit ratings of A-1 or better (Standard & Poors). As these instruments have maturity dates of less than twelve months, the Group has assessed the credit risk on these financial assets using life-time expected credit losses. In this regard, the Group has concluded that the probability of default on the term deposits is relatively low. Accordingly, no impairment allowance has been recognised for expected credit losses on the term deposits.

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

**Recognition and measurement**

See note 36 for the accounting policy for financial assets classified as financial assets at amortised cost and financial assets at fair value through Other Comprehensive Income (**OCI**).

## 8. Financial Assets Held for Trading

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Current** | | |
| Tradeable corporate bonds at fair value through profit or loss | 153 | 18,609 |
| Quoted share investments at fair value through profit or loss | 3,274 | 5,478 |
| | **3,427** | **24,087** |

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

**Recognition and measurement**

See note 36 for the accounting policy for financial assets classified as financial assets at fair value through profit and loss.

## 9. Trade and Other Receivables

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **Current** | | | |
| Trade debtors – at amortised cost | [a][i] | 508 | 1,807 |
| Expected credit loss | | - | (42) |
| | | 508 | 1,765 |
| Trade debtors – at fair value through profit or loss | [a][i] | 18 | - |
| Sundry debtors | [a][ii] | 4,182 | 3,141 |
| Other receivables | | 2,171 | 1,947 |
| | | **6,879** | **6,853** |

# Notes to the Consolidated Financial Report (continued)

**[a] Terms and conditions**

Terms and conditions relating to the above financial instruments:

[i] Generally, on presentation of ship loading documents and the provisional invoice, the customer settles 95% of the provisional sales invoice value within 10 days and the remaining 5% is settled within 30 days of presentation of the final invoice. The vast majority of sales are invoiced and received in US dollars (US$). The balance of other trade debtors is invoiced and received in Australian dollars (A$).

[ii] Sundry debtors are non-interest bearing and have payment terms of between 30 and 90 days. There is an insignificant probability of default as sundry debtors are short term, have no history of default and customers have passed the Group's internal credit assessment.

**Recognition and measurement**

See note 36 for the accounting policy for financial assets.

## 10. Inventories

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| Consumables – at cost | | 23,336 | 24,943 |
| Write down to net realisable value (**NRV**) | | (4,358) | (5,544) |
| Consumables at lower of cost and NRV | | 18,978 | 19,399 |
| | | | |
| Ore – at cost | | 95,589 | 28,295 |
| Write down to NRV | | (9,150) | (16,235) |
| Ore at lower of cost and NRV | | 86,439 | 12,060 |
| Total inventories at lower of cost and NRV | | **105,417** | **31,459** |

[i] At 30 June 2023, the Group assessed the carrying values of ore inventories stockpiled at Koolan Island 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.

Based on these assumptions, the following write-back/(write down) of ore inventories was recorded during the financial period:

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Mid-West | - | (4,037) |
| Koolan Island | 3,048 | (12,198) |
| **Total write-back/(write down) to NRV** | **3,048** | **(16,235)** |

**Recognition and measurement**

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

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

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

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

**Key estimate**

Consumables are written down to net realisable value if considered damaged or, have become wholly or partially obsolete. A new assessment is made of the write down in each subsequent period.

# Notes to the Consolidated Financial Report (continued)

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **11. Derivative Financial Assets** | | | |
| **Current** | | | |
| Foreign currency option contracts | 36[b][i] | 196 | 9 |
| | | **196** | **9** |
| **12. Disposal Group Classified As Held for Sale** | | | |
| **Current Assets** | | | |
| Inventories | | 167 | - |
| Property, plant and equipment | 14 | 1,891 | - |
| | | **2,058** | **-** |
| **Current Liabilities** | | | |
| Interest-bearing loans and borrowings | | 896 | |
| Provision for decommissioning rehabilitation | 22 | 8,229 | - |
| | | **9,125** | **-** |

Pursuant to a Sale and Purchase Agreement (Mid-West Project) dated 28 June 2028, Mount Gibson has agreed to the sale of certain of its Mid-West iron ore mining and infrastructure assets and associated liabilities to Fenix Resources Limited (**Fenix**), subject to satisfaction of consents and conditions in respect of third-party interests which have subsequently been satisfied post balance date. Fenix will acquire land and tenement titles, mining rights, inventories and plant and equipment, along with the associated rehabilitation liability, which is currently provisioned in Mount Gibson's books for $8,229,000, and other contractual obligations related to these assets. The consideration comprises $10,000,000 cash, 60,000,000 Fenix shares and 25,000,000 Fenix options (exercisable in two tranches of 12,500,000 options at $0.25 and $0.30 each respectively within five years of settlement).

The sale was completed on 21 July 2023 for total consideration of $29,495,000, based on valuation of the Fenix shares and options at the completion date.

In accordance with AASB 5 Non-Current Assets Held for Sale and Discontinued Operations, non-current assets as held for sale have been classified as current. Assets and liabilities within the disposal group have been remeasured at the lower of their carrying amount and fair value less cost to sell.

Certain assets within the disposal group have been impaired in previous years. With respect to the plant and equipment, should these assets have not been impaired in previous years, they would have been fully depreciated by the reclassification date, therefore no reversal of impairment losses was recognised as at balance date.

Mount Gibson has assessed that the disposal in not a discontinued operation as it is not a major line of business.

**Recognition and measurement**

The group recognises assets held for sale when assets are considered immediately available for sale and the sale is highly probable.

Assets held for sale are measured at the lower of their carrying amounts and fair value less cost to sell.

Assets held for sale are not amortised or depreciated unless the group withdraws from its plan to sell.

An impairment loss is recorded if the asset's fair value less cost to sell is lower than its carrying amount.

# Notes to the Consolidated Financial Report (continued)

## 13. Interests in Subsidiaries

| Name | Country of Incorporation | Percentage of Equity Interest Held by the Group | |
|---|---|---|---|
| | | 2023 | 2022 |
| | | % | % |
| Mount Gibson Mining Limited | Australia | 100 | 100 |
| Geraldton Bulk Handling Pty Ltd | Australia | 100 | 100 |
| Gibson Minerals Limited | 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***

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Revenue | 450,586 | 140,701 |
| Interest revenue | 2,027 | 1,972 |
| **TOTAL REVENUE** | 452,613 | 142,673 |
| Cost of sales | (333,914) | (209,825) |
| **GROSS PROFIT/(LOSS)** | 118,699 | (67,152) |
| Other income | 24,174 | 13,222 |
| Expected credit loss of non-current other receivables | (3,459) | (4,912) |
| Impairment expenses | (74,538) | (184,633) |
| Repair and restoration costs – Koolan Island | (10,504) | - |
| Administration and other expenses | (16,338) | (2,584) |
| **PROFIT/(LOSS) BEFORE TAX AND FINANCE COSTS** | 38,034 | (246,059) |
| Finance costs | (6,107) | (1,704) |
| **PROFIT/(LOSS) BEFORE TAX** | 31,927 | (247,763) |
| Tax expense/(benefit) | (26,748) | 73,647 |
| **PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY** | 5,179 | (174,116) |

# Notes to the Consolidated Financial Report (continued)

***Consolidated Balance Sheet of the Closed Group***

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | | 54,498 | 76,403 |
| Term deposits and subordinated notes | | 103,950 | 23,907 |
| Financial assets held for trading | | 153 | 18,609 |
| Derivative financial assets | | 196 | 9 |
| Trade and other receivables | | 6,512 | 6,492 |
| Inventories | | 105,417 | 31,366 |
| Prepayments | | 5,923 | 5,456 |
| Assets associated with disposal group classified as held for sale | | 1,847 | - |
| Tax receivable | | - | 8,767 |
| **TOTAL CURRENT ASSETS** | | **278,496** | **171,009** |
| **NON-CURRENT ASSETS** | | | |
| Other receivables | | 9,340 | 10,541 |
| Property, plant and equipment | | 51,380 | 56,645 |
| Right-of-use assets | | 24,232 | 8,476 |
| Deferred exploration and evaluation costs | | 1,946 | - |
| Mine properties | | 260,138 | 372,393 |
| Prepayments | | 165 | 606 |
| Deferred tax assets | | 49,434 | 68,329 |
| **TOTAL NON-CURRENT ASSETS** | | **396,635** | **516,990** |
| **TOTAL ASSETS** | | **675,131** | **687,999** |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | | 46,819 | 86,626 |
| Employee benefits | | 6,604 | 5,959 |
| Interest-bearing loans and borrowings | | 11,194 | 7,737 |
| Derivative financial liabilities | | 344 | 209 |
| Provisions | | 596 | 4,768 |
| Liabilities associated with disposal group classified as held for sale | | 8,450 | - |
| **TOTAL CURRENT LIABILITIES** | | **74,007** | **105,299** |
| **NON-CURRENT LIABILITIES** | | | |
| Employee benefits | | 452 | 152 |
| Interest-bearing loans and borrowings | | 11,851 | 3,048 |
| Provisions | | 49,590 | 46,396 |
| **TOTAL NON-CURRENT LIABILITIES** | | **61,893** | **49,596** |
| **TOTAL LIABILITIES** | | **135,900** | **154,895** |
| **NET ASSETS** | | **539,231** | **533,104** |
| **EQUITY** | | | |
| Issued capital | | 633,102 | 632,425 |
| Accumulated losses | [i] | (1,019,098) | (1,024,277) |
| Reserves | | 925,227 | 924,956 |
| **TOTAL EQUITY** | | **539,231** | **533,104** |

| | | |
|---|---|---|
| [i] **Accumulated losses** | | |
| Balance at the beginning of the year | (1,024,277) | (850,161) |
| Net profit/(loss) attributable to members of the closed group | 5,179 | (174,116) |
| Balance at the end of the year | (1,019,098) | (1,024,277) |

# Notes to the Consolidated Financial Report (continued)

## 14. Property, Plant and Equipment

| | Land | | Plant and Equipment | | Buildings | | Capital Works in Progress | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Gross carrying amount at cost | - | 649 | 281,015 | 357,060 | 104,628 | 160,922 | 11,150 | 4,316 | 396,793 | 522,947 |
| Accumulated depreciation and impairment | - | (549) | (245,950) | (313,427) | (99,442) | (151,384) | (21) | (621) | (345,413) | (465,981) |
| **Net carrying amount** | **-** | **100** | **35,065** | **43,633** | **5,186** | **9,538** | **11,129** | **3,695** | **51,380** | **56,966** |
| **Reconciliation** | | | | | | | | | | |
| Carrying amount at the beginning of the year | 100 | 100 | 43,633 | 33,191 | 9,538 | 16,467 | 3,695 | 13,706 | 56,966 | 63,464 |
| Additions | 1,550 | - | 10,095 | 28,932 | 255 | 617 | 11,131 | 3,967 | 23,031 | 33,516 |
| Transfers | - | - | 3,444 | 12,568 | 232 | 789 | (3,676) | (13,357) | - | - |
| Disposals | - | - | (1,780) | (1,395) | - | - | - | - | (1,780) | (1,395) |
| Depreciation expense | - | - | (10,756) | (13,652) | (1,987) | (4,055) | - | - | (12,743) | (17,707) |
| Impairment expense (Note 18) | - | - | (9,366) | (16,011) | (2,816) | (4,280) | (21) | (621) | (12,203) | (20,912) |
| Transfer to assets associated with disposal group classified as held for sale (Note 12) | (1,650) | - | (205) | - | (36) | - | - | - | (1,891) | - |
| **Carrying amount at the end of the year** | **-** | **100** | **35,065** | **43,633** | **5,186** | **9,538** | **11,129** | **3,695** | **51,380** | **56,966** |
| Assets pledged as security | - | 100 | 35,065 | 43,633 | 5,186 | 9,538 | 11,129 | 3,695 | 51,380 | 56,966 |

Refer note 20 for details of security arrangements.

# Notes to the Consolidated Financial Report (continued)

## 14. Property, Plant and Equipment (Continued)

**Recognition and measurement**

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

**Depreciation and amortisation**

The cost of owned property, plant and equipment directly engaged in mining operations is depreciated over its expected economic life on a units-of-production method, with due regard given to the life of the related area of interest. Leased plant and equipment directly engaged in mining operations is written down to its residual value over the lesser of the 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 |
| Plant and equipment: | |
| ▪ 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 18 for further details on impairment.

**Derecognition**

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

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

**Key judgement, estimates and assumptions**

**Units of production method of depreciation and amortisation**

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

**Impairment of property, plant and equipment**

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

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

The Group's cash flows are most sensitive to movements in iron ore prices, the discount rate and key operating costs. Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment assessment or losses recognised, if any, which could in turn impact future financial results. Refer note 18 for further details on impairment.

# Notes to the Consolidated Financial Report (continued)

## 15. Right-of-use Assets

| | Leased Property | | Leased Plant and Equipment | | Total | |
|---|---|---|---|---|---|---|
| | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 |
| Gross carrying amount at cost | 2,214 | 4,897 | 32,071 | 25,447 | 34,285 | 30,344 |
| Accumulated depreciation and impairment | (1,229) | (2,345) | (8,824) | (18,447) | (10,053) | (20,792) |
| Net carrying amount | **985** | **2,552** | **23,247** | **7,000** | **24,232** | **9,552** |
| **Reconciliation** | | | | | | |
| Carrying amount at the beginning of the year | 2,552 | 4,366 | 7,000 | 13,544 | 9,552 | 17,910 |
| Additions | 238 | - | 27,670 | 10,578 | 27,908 | 10,578 |
| Disposals | - | - | (1,575) | (6,708) | (1,575) | (6,708) |
| Depreciation | (700) | (1,259) | (9,848) | (10,414) | (10,548) | (11,673) |
| Impairment expense (Note 18) | (1,105) | (555) | - | - | (1,105) | (555) |
| Carrying amount at the end of the year | 985 | 2,552 | 23,247 | 7,000 | 24,232 | 9,552 |

**Recognition and measurement**

The group recognises right-of-use assets at the commencement date of the lease (ie. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the lease asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the 'fair value less cost of disposal'. Refer note 18 for further details on impairment.

## 16. Deferred Exploration and Evaluation Costs

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| Deferred exploration and evaluation – at cost | | 1,946 | - |
| | | **1,946** | **-** |
| **Reconciliation** | | | |
| Carrying amount at beginning of the year | | - | - |
| Additions | | 2,058 | 770 |
| Exploration expenditure written off | | (112) | (770) |
| Carrying amount at the end of the year | | 1,946 | - |

**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 or sale. 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.

# Notes to the Consolidated Financial Report (continued)

| | 2023 $'000 | 2022 $'000 |
|---|---|---|

## 17. Mine Properties

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Mine properties – at cost | 1,868,706 | 1,819,368 |
| Accumulated amortisation and impairment | (1,608,568) | (1,446,975) |
| | **260,138** | **372,393** |

| Reconciliation | Koolan Island 2023 $'000 | Koolan Island 2022 $'000 | Mid-West 2023 $'000 | Mid-West 2022 $'000 | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|---|---|---|---|
| **Deferred stripping costs** | | | | | | |
| Carrying amount at the beginning of the period | 239,200 | 224,225 | - | 10,321 | 239,200 | 234,546 |
| Capitalised deferred stripping costs | 11,020 | 123,320 | - | 8,455 | 11,020 | 131,775 |
| Amortisation expensed | (61,807) | (25,998) | - | (1,801) | (61,807) | (27,799) |
| Impairment expense (Note 18) | (36,309) | (82,347) | - | (16,975) | (36,309) | (99,322) |
| Carrying amount at the end of the period | **152,104** | **239,200** | **-** | **-** | **152,104** | **239,200** |
| **Other mine properties** | | | | | | |
| Carrying amount at the beginning of the period | 133,193 | 151,332 | - | 18,105 | 133,193 | 169,437 |
| Additions | 31,435 | 44,134 | - | 2,116 | 31,435 | 46,250 |
| Mine rehabilitation – revised estimate adjustment (Note 22) | 6,883 | (1,163) | - | - | 6,883 | (1,163) |
| Amortisation expensed | (37,689) | (15,257) | - | (2,230) | (37,689) | (17,487) |
| Impairment expense (Note 18) | (25,788) | (45,853) | - | (17,991) | (25,788) | (63,844) |
| Carrying amount at the end of the period | **108,034** | **133,193** | **-** | **-** | **108,034** | **133,193** |
| **Total mine properties** | **260,138** | **372,393** | **-** | **-** | **260,138** | **372,393** |

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 20).

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

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

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

# Notes to the Consolidated Financial Report (continued)

## 17. Mine Properties (Continued)

**Other mine properties**

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

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

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Impairment expenses are recognised to the extent that the carrying amount of the mine properties asset exceeds its estimated recoverable amount. Refer to note 18 for further details on impairment.

**Key judgement and estimate**

**Determining the beginning of production**

Judgment is required to determine when capitalisation of development costs ceases and amortisation of mine assets commences upon the start of commercial production. This is based on the specific circumstances of the project, and considers when the specific asset is substantially complete and becomes 'available for use' as intended by management which includes consideration of the following factors:

- completion of reasonable testing of the mine plant and equipment;
- mineral recoveries, availability and throughput levels at or near expected levels;
- the ability to produce iron ore in saleable form (where more than an insignificant amount is produced); and
- the achievement of continuous production.

**Stripping activity assets**

Judgment is required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each orebody component. The Group considers that the ratios of the expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of orebody, to be the most suitable production measure.

In identifying and defining the orebody components, judgment is required to determine the expected volumes of waste to be stripped and ore to be mined in each of these components. These assessments are based on the information available in the mine plan which will vary between mines for various reasons, including, the geological characteristics of the orebody, the geographical location and/or financial considerations.

**Stripping ratio**

Significant judgment is required in determining the waste capitalisation ratio for each component of the mine. Factors that are considered include:

- any proposed changes in the design of the mine;
- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- identifiable components of the orebody;
- future production levels;
- impacts of regulatory obligations and taxation legislation; and
- future cash cost of production.

**Impairment of capitalised mine development expenditure**

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

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

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made. Capitalised mine development expenditure is assessed for recoverability along with property, plant and equipment as described below. Refer note 18 for further details on impairment.

# Notes to the Consolidated Financial Report (continued)

## 18. Impairment of Non-Current Assets

The Group reviews the carrying value of the assets of each Cash Generating Unit (**CGU**) at each balance date for indicators of potential impairment or reversal thereof. Where such indicators exist, the Company utilises the approaches under applicable accounting pronouncements for assessment of any impairment expenses or reversals.

As at 30 June 2023, the following were considered indicators of impairment relating to the Company's operations:

- the market capitalisation of the Group was below the book value of its net assets; and
- the benchmark price of iron ore, being the Company's sole product, decreased 7% from US$120 per dry metric tonne (dmt) of 62% Fe CFR fines as at 30 June 2022 to US$112/dmt as at 30 June 2023.

Accordingly, the Group has performed an impairment assessment on the Koolan Island and Mid-West CGUs. Based on this assessment, the following impairment amounts have been recognised in the financial report for each CGU:

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Koolan Island | 74,300 | 147,400 |
| Mid-West | 1,105 | 37,233 |
| Total loss on impairment of non-current assets | **75,405** | **184,633** |

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

| | | Koolan Island | | Mid-West | | Total | |
|---|---|---|---|---|---|---|---|
| | Notes | 2023<br>$'000 | 2022<br>$'000 | 2023<br>$'000 | 2022<br>$'000 | 2023<br>$'000 | 2022<br>$'000 |
| Deferred stripping costs | 17 | 36,309 | 82,347 | - | 16,975 | 36,309 | 99,322 |
| Other mine properties | 17 | 25,788 | 45,853 | - | 17,991 | 25,788 | 63,844 |
| Total mine properties | | 62,097 | 128,200 | - | 34,966 | 62,097 | 163,166 |
| Property, plant and equipment | 14 | 12,203 | 19,200 | - | 1,712 | 12,203 | 20,912 |
| Right-of-use assets | 15 | - | - | 1,105 | 555 | 1,105 | 555 |
| **Total impairment loss of non-current assets** | | **74,300** | **147,400** | **1,105** | **37,233** | **75,405** | **184,633** |

The Group assessed the recoverable amount of the Koolan Island CGU as at 30 June 2023 using the Fair Value Less Costs of Disposal (**FVLCD**) approach. The recoverable amount of the Koolan Island CGU at 30 June 2023 is $375,015,000 (2022: $376,052,000). 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:

- Cashflow forecasts based on historical performance and budgeted revenues and operating and capital costs over the life of mine;
- Discount rate of 12.5% (nominal, after tax);
- Iron ore price forecasts for the 62% Fe benchmark fines CFR price (northern China), expressed in real 2023 terms, of US$105.63/dmt in 2024 (falling to US$95.87/dmt in 2025, US$96.88/dmt in 2026, US$95.68/dmt in 2027 and US$80.00/dmt in 2028), at an exchange rate of A$1.00/US$0.70 in 2024 (rising to A$1.00/US$0.72 in 2025, A$1.00/US$0.74 in 2026, A$1.00/US$0.73 in 2027 and A$1.00/US$0.75 in 2028) with sensitivities undertaken for a broad range of inputs; and
- Cost inflation estimates of 3.14% in 2024, 2.72% in 2025, and 2.50% per annum and thereafter.

Koolan Island CGU's recoverable value is most sensitive to changes in iron ore prices, the A$/US$ exchange rate and mining unit costs. It is estimated that changes in these key assumptions would impact the recoverable amount of the CGU as at 30 June 2023 as follows:

| Key Assumption | Increase/(Decrease) in CGU Recoverable Amount | |
|---|---|---|
| | 1000 basis points increase in key assumptions<br>$'000 | 1000 basis points decrease in key assumptions<br>$'000 |
| Benchmark price of 62% Fe CFR fines iron ore | 109,500 | (126,500) |
| A$/US$ exchange rate | (96,000) | 102,200 |
| Mining unit cost per wmt mined | (48,500) | 44,800 |

In relation to the Mid-West CGU, the Group's assessment concluded that the carrying values of certain right-of-use assets were not supported by their recoverable value resulting in an impairment expense of $1,105,000 (2022: $555,000). This has been recognised in the income statement for the Mid-West CGU.

# Notes to the Consolidated Financial Report (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 of disposal 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 of disposal 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.

The fair value less costs of disposal is assessed as the present value of the future cash flows expected to be derived from the cash-generating unit less disposal costs using forecast iron ore prices and post-tax discount rate that reflects current market assessments.

In allocating an impairment loss, the carrying amount of an individual asset is not taken below its individual recoverable amount.

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

**Key judgement and estimates**

**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.

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.

**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.

| | Notes | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|---|
| **19. Trade and Other Payables** | | | |
| **Current** | | | |
| Trade creditors – at amortised cost | [i] | 6,729 | 24,111 |
| Accruals and other payables – at amortised cost | [i] | 40,885 | 30,960 |
| Trade payables at fair value through profit or loss | | - | 32,429 |
| | | **47,614** | **87,500** |

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

**Recognition and measurement**

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs. Trade payables, accruals and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

# Notes to the Consolidated Financial Report (continued)

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **20. Interest-Bearing Loans and Borrowings** | | | |
| **Current** | | | |
| Lease liabilities | [i],[a] | 10,031 | 6,315 |
| Insurance premium funding facility | [b] | 1,163 | 1,837 |
| | | **11,194** | **8,152** |
| **Non-Current** | | | |
| Lease liabilities | [i],[a] | 11,851 | 3,723 |
| | | **11,851** | **3,723** |

**[i] Lease liabilities**

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Minimum lease payments for right-of-use assets: | | |
| • Not later than one year | 10,998 | 6,459 |
| • Later than one year but not later than five years | 12,352 | 3,782 |
| Total minimum lease payments | 23,350 | 10,241 |
| Future finance charges | (1,468) | (203) |
| | **21,882** | **10,038** |

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

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **Performance bonding facility** | [c] | | |
| Used at reporting date | | 6,681 | 7,495 |
| Unused at reporting date | | 13,319 | 12,505 |
| | | 20,000 | 20,000 |
| **Corporate loan facility** | [c] | | |
| Used at reporting date | | - | - |
| Unused at reporting date | | 75,000 | 100,000 |
| | | 75,000 | 100,000 |

Terms and conditions relating to the above financing facilities:

**[a] Lease Facility**

The Group has lease liabilities for right-of-use assets which are repayable monthly with final instalments due in March 2026. Interest is applied at a weighted average incremental borrowing rate of 5.23% pa.

**[b] Insurance Premium Funding Facility**

Insurance premium funding arrangements have been entered into by the Group to fund and spread the cost of its annual insurance premiums. Interest is charged at 5.32% pa. The facility is repayable monthly with the final instalment due in August 2023.

**[c] Corporate Loan Facility and Performance Bonding facility**

In May 2011, the Company entered into a Facility Agreement comprising a Corporate Loan facility and a Performance Bonding facility. The undrawn Corporate Loan facility was cancelled in April 2013 and subsequently amended and reinstated on 23 December 2021 for a term of 23 months with a loan facility limit of $100,000,000. The loan facility limit reduces to $75,000,000 in June 2023 and to $50,000,000 in September 2023. On 22 December 2022, the loan facility was amended to extend the maturity date to 31 May 2024 in relation to the amount of $50,000,000. During the year, $25,000,000 of the loan facility was drawn and was fully repaid as at balance date.

The Performance Bonding facility was amended in June 2017 to reduce the amount from $55,000,000 to $20,000,000 and in June 2021 the term was extended to 30 June 2024. As at balance date, bonds and guarantees totalling $6,681,000 were drawn under the Performance Bonding facility.

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

The relevant assets of Mount Gibson Mining Limited and Geraldton Bulk Handling Pty Ltd were released from the security at completion of the Mid-West asset disposal subsequent to balance date (refer Note 12).

# Notes to the Consolidated Financial Report (continued)

**Recognition and measurement**

**Leases**

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

**Lease liabilities**

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

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

**Other loans and borrowings**

All other loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Fees paid on the establishment of loan facilities are included as part of the carrying amount of the loans and borrowings.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised.

| | Notes | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|---|
| **21. Derivative Financial Liabilities** | | | |
| **Current** | | | |
| Foreign currency option contracts | 36[b][i] | 344 | 209 |
| | | **344** | **209** |

# Notes to the Consolidated Financial Report (continued)

## 22. Provisions

| | Road Resealing | | Decommissioning Rehabilitation | | Total | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Current | 127 | 476 | 469 | 4,292 | 596 | 4,768 |
| Non-Current | - | - | 49,590 | 46,396 | 49,590 | 46,396 |
| | **127** | **476** | **50,059** | **50,688** | **50,186** | **51,164** |
| **Reconciliation** | | | | | | |
| Carrying amount at the beginning of the year | 476 | 488 | 50,688 | 51,776 | 51,164 | 52,264 |
| Provision for period | 358 | - | - | - | 358 | - |
| Amounts utilised during the period | (707) | (12) | (219) | (375) | (926) | (387) |
| Interest accretion on rehabilitation provision - expensed | - | - | 1,782 | 489 | 1,782 | 489 |
| Revised estimate adjustment – profit or loss | - | - | (846) | (39) | (846) | (39) |
| Revised estimate adjustment – mine properties asset (Note 17) | - | - | 6,883 | (1,163) | 6,883 | (1,163) |
| Liabilities associated with disposal group classified as held for sale (Note 12) | - | - | (8,229) | - | (8,229) | - |
| **Carrying amount at the end of the year** | **127** | **476** | **50,059** | **50,688** | **50,186** | **51,164** |

**Road resealing**
This provision relates to the forecast cost of roadworks associated with the completion of mining activities at Extension Hill mine site.

**Decommissioning rehabilitation**
This provision represents the present value of decommissioning and rehabilitation costs for the Tallering Peak and Koolan Island sites. The provisions for decommissioning relating to the Extension Hill and Shine sites have been classified as "Liabilities associated with disposal group classified as held for sale". The cost estimates forming the basis of the provisions (except the Tallering Peak site) were prepared as at the end of the financial year by independent consultants specialising in mine closure planning and mine rehabilitation cost estimates. The timing of decommissioning and rehabilitation expenditure is dependent on the life of the mines and on the timing of the rehabilitation requirements, which may vary in the future. Based on current estimates, the bulk of expenditure on decommissioning rehabilitation is expected to be incurred at Extension Hill within the next 1-2 years, and at Shine and Koolan Island within 4-5 years from balance date.

# Notes to the Consolidated Financial Report (continued)

| | 2023 $'000 | 2022 $'000 |
|---|---|---|

## 22. Provisions (Continued)

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| The following table summarises the decommissioning rehabilitation provision by mine site: | | |
| Tallering Peak | 469 | 488 |
| Koolan Island | 49,590 | 41,218 |
| Extension Hill | - | 5,130 |
| Shine | - | 3,852 |
| | 50,059 | 50,688 |
| Decommissioning rehabilitation provision relating to liabilities associated with disposal group classified as held for sale: | | |
| Extension Hill | 4,210 | - |
| Shine | 4,019 | - |
| | 8,229 | - |

The key assumptions underpinning the cost estimates are as follows:

| | Koolan Island | | Shine | | Extension Hill | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Inflation rate | 3.00% | 2.45% | 3.00% | 2.45% | 3.00% | 3.80% |
| Discount rate | 3.96% | 3.39% | 3.95% | 3.36% | 4.18% | 2.73% |

An increase of 1,000 basis points in the discount rate applied at 30 June 2023 would result in a decrease to the decommission rehabilitation provision and mine properties asset at Koolan Island of approximately $903,000.
A decrease of 1,000 basis points in the discount rate applied at 30 June 2023 would result in an increase to the decommissioning rehabilitation provision and mine properties asset at Koolan Island of approximately $926,000.

**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 life 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 that 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 judgment 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, inflation rates and discount 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.

| | 2023 $'000 | 2022 $'000 |
|---|---|---|

## 23. Issued Capital

**[a] Ordinary shares**

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Issued and fully paid | **633,102** | **632,425** |

| | Notes | 2023 Number of Shares | 2023 $'000 | 2022 Number of Shares | 2022 $'000 |
|---|---|---|---|---|---|
| **[b] Movement in ordinary shares on issue** | | | | | |
| Balance at the beginning of the financial year | | 1,202,329,505 | 632,425 | 1,179,741,750 | 620,948 |
| Shares issued under Dividend Reinvestment Plan | | - | - | 22,587,755 | 11,477 |
| Shares fully paid under LSP | | 1,923,728 | 677 | - | - |
| | | 1,204,253,233 | 633,102 | 1,202,329,505 | 632,425 |
| Restricted shares – reserved for Loan Share Plan: | | | | | |
| Balance at the beginning of the financial year | | 8,238,528 | - | 6,175,428 | - |
| Shares issued under LSP | [f] | 3,851,300 | - | 2,063,100 | - |
| Conversion of fully paid shares under LSP | | (1,923,728) | - | - | - |
| Shares forfeited under LSP | [f] | (1,488,500) | - | - | - |
| | | 8,677,600 | - | 8,238,528 | - |
| Balance at the end of the financial year | | 1,212,930,833 | 633,102 | 1,210,568,033 | 632,425 |
| Treasury shares: | | | | | |
| Balance at the beginning of the financial year | | - | | - | - |
| Shares forfeited under LSP, not reallotted | | 1,488,500 | | - | - |
| | | 1,488,500 | | - | - |

**[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 2023, there were no options on issue (2022: nil).

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

**[e] Performance rights**

During the year ended 30 June 2023, no Performance Rights were issued.

No Performance Rights vested during the year (2022: nil).

As at 30 June 2023, there were no Performance Rights on issue (2022: nil) – see note 27(c).

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

During the year ended 30 June 2023, 3,851,300 shares were issued under the LSP.

There were no shares vested under the LSP during the year (2022: 2,986,400).

A total of 1,488,500 shares under the LSP were forfeited upon the resignation of Mr Mitchell on 3 February 2023. These shares were recorded as treasury shares as at 30 June 2023.

**[g] Capital management**

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

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

No changes were made in the objectives, policy or processes for managing capital during the year ended 30 June 2023.

# Notes to the Consolidated Financial Report (continued)

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **24. Reserves** | | | |
| Share based payments reserve | [a] | 22,553 | 22,193 |
| Net unrealised gains reserve | [b] | (153) | (64) |
| Dividend distribution reserve | [c] | 906,019 | 906,019 |
| Equity reserves | [d] | (3,192) | (3,192) |
| | | **925,227** | **924,956** |

**[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.

| | | |
|---|---|---|
| Balance at the beginning of the year | 22,193 | 21,877 |
| Share based payments | 360 | 316 |
| Balance at the end of the year | 22,553 | 22,193 |

**[b] Net unrealised gains reserve**

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

| | | |
|---|---|---|
| Balance at the beginning of the year | (64) | 588 |
| Change in fair value of cash flow hedges | (218) | - |
| Change in fair value of debt instrument classified as financial assets designated at fair value through other comprehensive income | 92 | (932) |
| Deferred income tax on cash flow hedges | 37 | 280 |
| Balance at the end of the year | (153) | (64) |

**[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.

| | | |
|---|---|---|
| Balance at the beginning of the year | 906,019 | 929,654 |
| Dividends paid during the period | - | (23,635) |
| Balance at the end of the year | 906,019 | 906,019 |

**[d] Equity reserves**

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

| | | |
|---|---|---|
| Balance at the beginning of the year | (3,192) | (3,192) |
| Movement during the period | - | - |
| Balance at the end of the year | (3,192) | (3,192) |

# Notes to the Consolidated Financial Report (continued)

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|

## 25. Accumulated Losses

| | | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| Balance at the beginning of the year | | (1,024,277) | (850,161) |
| Net profit/(loss) attributable to members of the Company | | 5,179 | (174,116) |
| Balance at the end of the year | | **(1,019,098)** | **(1,024,277)** |

## 26. Expenditure Commitments

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **[a] Exploration expenditure commitments** | [i] | | |
| Minimum obligations not provided for in the financial report and are payable: | | | |
| • Not later than one year | | 446 | 358 |
| • Later than one year but not later than five years | | 1,398 | 1,247 |
| • Later than five years | | 1,492 | 1,626 |
| | | **3,336** | **3,231** |
| **[b] Property, plant and equipment commitments** | [ii] | | |
| Commitments contracted for at balance date but not recognised as liabilities | | | |
| • Not later than one year | | 6,176 | 25,622 |
| • Later than one year but not later than five years | | - | - |
| | | **6,176** | **25,622** |
| **[c] Contractual commitments** | [iii] | | |
| Commitments for the payment of other mining and transport contracts: | | | |
| • Not later than one year | | 11,855 | 12,741 |
| • Later than one year but not later than five years | | - | - |
| | | **11,855** | **12,741** |
| **[d] Short-term lease commitments** | [iv] | | |
| Commitments for the payment of short-term leases: | | | |
| • Not later than one year | | - | 93 |
| | | **-** | **93** |

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

[iii] Amounts disclosed as contractual commitments relate primarily to supplier arrangements at Koolan Island where financial obligations, including minimum notice periods, apply in the case of termination.

[iv] Leases of plant and equipment with lease terms of 12 months or less.

# Notes to the Consolidated Financial Report (continued)

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|

## 27. Share-Based Payment Plans

### (a) Recognised share-based payment expense

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| Expense arising from equity-settled share-based payment transactions | 4[e] | 360 | 316 |

The share-based payment plans are described below. There have been no cancellations of any of the plans during 2023 or 2022.

### (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 2023. As at balance date, no options over unissued shares were on issue.

### (c) Performance Rights Plan

The Company has established a Performance Rights Plan. Rights are granted at no cost to recipients and convert (vest) into ordinary shares on completion by the recipient of minimum periods of continuous service and the satisfaction of specified performance hurdles, including those related to the Company's Total Shareholder Return measured against a comparator group of companies over specified periods. There were no Performance Rights issued during the year and there were no Performance Rights on issue as at 30 June 2023.

### (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 1 September 2022, the Company issued 3,851,300 shares under the LSP. In accordance with the terms of the LSP, the shares were issued at a share price of $0.436 per share and pursuant to the vesting conditions, these shares do not vest unless a share price target of a 10% premium to the issue price is met between 1 September 2023 and 1 September 2027 and the participants remain continuously employed by the Group until at least 1 September 2024. The award was accounted for as an in-substance option award and the fair value at grant date assessed at $0.169 per loan-funded share. In calculating this fair value, a Monte Carlo simulation model was utilised over several thousand simulations to predict the share price at each vesting test date and whether the 10% hurdle would be satisfied, with the resultant values discounted back to the grant date. The underlying share price and the exercise price were assumed at $0.43, the period to exercise was assumed as 3.5 years (being halfway between the first possible vesting date and the expiry of the LSP shares), the risk-free rate was 3.26% based on Australian Government bond yields with three year lives, the estimated volatility was 50% based on historical share price analysis, and the dividend yield was assumed as nil.

A total of 1,488,500 previously issued shares under the LSP were forfeited upon the resignation of Mr Mitchell on 3 February 2023.

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Number of LSP Shares | WAEP[1] | Number of LSP Shares | WAEP[1] |
| Balance at beginning of the year | 8,238,528 | $0.67 | 6,175,428 | $0.60 |
| - granted during the year | 3,851,300 | $0.44 | 2,063,100 | $0.93 |
| - exercised during the year[2] | (1,923,728) | $0.35 | - | - |
| - forfeited during the year | (1,488,500) | $0.60 | - | - |
| Balance at end of the year | 8,677,600 | $0.65 | 8,238,528 | $0.67 |

[1] Weighted average exercise price at balance date after dividend adjustments.
[2] The weighted average share price at the date of exercise of these LSP shares was $0.45.

# Notes to the Consolidated Financial Report (continued)

## 27. Share-Based Payment Plans (Continued)

**Recognition and measurement**

**Share-based payment transactions**

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

**Options**

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

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

**Performance rights**

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

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

**Loan share plan**

There is a Mount Gibson Iron Limited Loan Share Plan (**LSP**). The LSP enables the Company to provide its executives with long term incentives which create a link between the delivery of value to shareholders, financial performance and rewarding and retaining the executives. This plan is accounted for as an in-substance option award.

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

**Equity-Settled Transactions Generally**

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

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

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

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

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

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

# Notes to the Consolidated Financial Report (continued)

## 28. Earnings Per Share

Basic earnings per share are 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 are 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:

| | Notes | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|---|
| Profit/(loss) used in calculating basic and diluted earnings/(loss) per share: | | | |
| Profit/(loss) attributable to ordinary equity holders of the Company | | 5,179 | (174,116) |
| | | **Number of Shares** | **Number of Shares** |
| Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share | | 1,202,968,123 | 1,196,326,732 |
| Effect of dilution | | | |
| - Restricted shares (in-substance options) | (i) | - | - |
| Weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share | | 1,202,968,123 | 1,196,326,732 |
| Earnings/(loss) per Share (cents per share): | | | |
| Basic earnings/(loss) per share | | 0.43 | (14.55) |
| Diluted earnings/(loss) per share | | 0.43 | (14.55) |

(i) 8,677,600 restricted shares that could potentially dilute basic earnings per share in the future were not included in the calculation of diluted earnings per share because they were antidilutive for the reporting period.

**Conversions, calls, subscriptions or issues after 30 June 2023**

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 2023.

**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 are calculated as net profit attributable to members of the company, adjusted for:

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

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

# Notes to the Consolidated Financial Report (continued)

| | 2023 $'000 | 2022 $'000 |
|---|---|---|

## 29. Dividends Paid and Proposed

Declared and paid during the year:

**[a] Dividends on ordinary shares:**

During the year ended 30 June 2023, no dividends were declared or paid in respect of the 2021/22 financial year.

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

The Company has not declared a dividend for the year ended 30 June 2023.

**[c] Franked dividends:**

| | 2023 $'000 | 2022 $'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% | 1 | - |
| Franking credits that will arise from the payment of income tax payable as at the end of the financial year | - | - |
| The amount of franking credits available for future reporting periods: | **1** | **-** |
| 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 | - | - |
| | **1** | **-** |

**Tax rates**

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

## 30. Contingent Liabilities

1. The Group has a Performance Bonding facility drawn to a total of $6,681,000 as at balance date (2022: $7,495,000). The performance bonds secure the Group's obligations relating primarily to environmental matters and infrastructure assets.
2. Certain claims arising with customers, employees, consultants, and contractors have been made by or against certain controlled entities in the ordinary course of business, some of which involve litigation or arbitration. The Directors do not consider the outcome of any of these claims will have a material adverse impact on the financial position of the consolidated entity.

## 31. Key Management Personnel

**[a] Compensation of Key Management Personnel**

| | 2023 $ | 2022 $ |
|---|---|---|
| Short-term | 2,937,613 | 2,967,996 |
| Post employment | 160,575 | 160,015 |
| Long-term | 83,193 | 28,970 |
| Share-based payment | 360,096 | 315,654 |
| | **3,541,477** | **3,472,635** |

**[b] Other Transactions and Balances with Key Management Personnel**

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

# Notes to the Consolidated Financial Report (continued)

## 32. 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 Lee and Mr Ferguson were directors of APAC Resources Limited (**APAC**) which has a 37.40% beneficial shareholding in Mount Gibson Iron Limited.

During the period, a sale agreement was in place for the sale of 20% of iron ore from Koolan Island's available mined production over the life of mine to APAC.

During the financial year, the Group sold 694,582 wmt (2022: 387,784 wmt) of iron ore to APAC.

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

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **Assets and Liabilities** | | |
| *Current Assets* | | |
| Receivables – APAC | - | - |
| **Total Assets** | **-** | **-** |
| *Current Liabilities* | | |
| Payables – APAC | 450 | 7,133 |
| **Total Liabilities** | **450** | **7,133** |
| **Sales Revenue** | | |
| Sales revenue – APAC | 104,886 | 40,530 |
| **Total Sales Revenue (before shipping freight)** | **104,886** | **40,530** |

## 33. Auditor's Remuneration

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Amounts received or due and receivable by EY for: | | |
| ▪ Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities | 334,340 | 268,226 |
| ▪ Special purpose fees for auditing the statutory financial report of Gibson Minerals Limited for the years ended 30 June 2017 to 30 June 2022 | 100,000 | - |
| ▪ Other services in relation to the entity and any other entity in the consolidated entity | 4,471 | 2,359 |
| | **438,811** | **270,585** |

# Notes to the Consolidated Financial Report (continued)

## 34. 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:

- Mid-West segment – this segment includes the Shine mine site, the Extension Hill mine site and the storage shed facilities at Geraldton Port.
- Koolan Island segment – this segment includes the mining, crushing and sale of iron ore direct from the Koolan Island iron ore operation.

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

Except as noted below, the accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

For the purposes of segment reporting, revenue is disclosed net of shipping freight costs on a Free on Board (FOB) basis and includes quotation period price adjustments and realised gains and losses on foreign exchange and commodity forward sale contracts.

There have been no inter-segment revenues.

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

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

During the year ended 30 June 2023, revenue received from the sale of iron ore comprised purchases by the following (unnamed) buyers who each on a proportionate basis equated to greater than 10% of total sales for the period:

| Customer | 2023<br>$'000 |
|---|---|
| # 1 | 345,804 |
| # 2 | 104,886 |
| Other | (104) |
| | 450,586 |

During the year ended 30 June 2022, revenue received from the sale of iron ore comprised purchases by the following (unnamed) buyers who each on a proportionate basis equated to greater than 10% of total sales for the period:

| Customer | 2022<br>$'000 |
|---|---|
| # 1 | 71,929 |
| # 2 | 40,530 |
| # 3 | 22,336 |
| Other | 5,906 |
| | 140,701 |

Revenue from external customers by geographical location is based on the port of delivery. Iron ore shipments were predominantly to China during the year ended 30 June 2023.

All segment assets are located within Australia.

# Notes to the Consolidated Financial Report (continued)

## 34. Segment Information (Continued)

| | Mid-West | | Koolan Island | | Unallocated* | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 |
| **Segment revenue** | | | | | | | | |
| Revenue from sale of iron ore, net of shipping freight and realised gains/(losses) on derivatives | - | 19,337 | 450,586 | 111,746 | - | - | 450,586 | 131,083 |
| Interest revenue | - | - | - | - | 2,028 | 1,972 | 2,028 | 1,972 |
| **Segment revenue, net of shipping freight** | **-** | **19,337** | **450,586** | **111,746** | **2,028** | **1,972** | **452,614** | **133,055#** |
| **Segment result** | | | | | | | | |
| Earnings/(loss) before impairment, interest, tax, depreciation and amortisation | 8,254 | (6,257) | 238,553 | 35,697 | (13,382) | 760 | 233,425 | 30,200 |
| Write down of inventories to net realisable value (i) | (159) | (4,719) | 1,504 | (12,693) | - | - | 1,345 | (17,412) |
| Impairment expenses (ii) | (1,105) | (37,233) | (74,300) | (147,400) | - | - | (75,405) | (184,633) |
| Earnings/(loss) before interest, tax, depreciation and amortisation | 6,990 | (48,209) | 165,757 | (124,396) | (13,382) | 760 | 159,365 | (171,845) |
| Depreciation and amortisation | (490) | (7,483) | (121,639) | (66,524) | (658) | (659) | (122,787) | (74,666) |
| **Segment result** | **6,500** | **(55,692)** | **44,118** | **(190,920)** | **(14,040)** | **101** | **36,578** | **(246,511)** |
| Finance costs | | | | | | | (6,125) | (1,730) |
| **Profit/(loss) before tax** | | | | | | | **30,453** | **(248,241)** |
| (i) Write down of inventories to net realisable value: | | | | | | | | |
| Write down of consumables inventories | 159 | 682 | 1,544 | 495 | - | - | 1,703 | 1,177 |
| Write down/(reversal of write down) of ore inventories | - | 4,037 | (3,048) | 12,198 | - | - | (3,048) | 16,235 |
| | 159 | 4,719 | (1,504) | 12,693 | - | - | (1,345) | 17,412 |
| (ii) Impairment expenses (note 18): | | | | | | | | |
| Impairment of property, plant and equipment | - | 1,712 | 12,203 | 19,200 | - | - | 12,203 | 20,912 |
| Impairment of right-of-use assets | 1,105 | 555 | - | - | - | - | 1,105 | 555 |
| Impairment of mine properties | - | 34,966 | 62,097 | 128,200 | - | - | 62,097 | 163,166 |
| | 1,105 | 37,233 | 74,300 | 147,400 | - | - | 75,405 | 184,633 |

* 'Unallocated' includes interest revenue of $2,028,000 (2022: $1,972,000), net realised loss on foreign exchange transactions of $87,000 (2022: $1,026,000 gain), net marked-to-market gain on commodity derivatives of $nil (2022: $16,747,000), unrealised marked-to-market loss on financial assets held for trading of $2,442,000 (2022: $7,321,000) and corporate expenses such as head office salaries and wages.

# To reconcile segment revenue to statutory revenue, shipping freight of $nil (2022: $9,618,000) is added.

# Notes to the Consolidated Financial Report (continued)

## 34. Segment Information (Continued)

| | Mid-West | | Koolan Island | | Unallocated* | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 |
| **Segment assets** | | | | | | | | |
| Current financial assets | 3,780 | 5,034 | 18,457 | 53,833 | 147,253 | 73,568 | 169,490 | 132,435 |
| Assets associated with disposal group classified as held for sale | 2,058 | - | - | - | - | - | 2,058 | - |
| Other current assets | 502 | 1,022 | 109,090 | 33,891 | 2,009 | 11,002 | 111,601 | 45,915 |
| Property, plant and equipment | 27 | 930 | 51,118 | 55,774 | 235 | 262 | 51,380 | 56,966 |
| Right-of-use assets | - | 1,076 | 23,248 | 7,000 | 984 | 1,476 | 24,232 | 9,552 |
| Deferred exploration and evaluation costs | - | - | - | - | 1,946 | - | 1,946 | - |
| Mine properties | - | - | 260,138 | 372,393 | - | - | 260,138 | 372,393 |
| Other non-current assets | - | - | 165 | 606 | - | - | 165 | 606 |
| Deferred tax assets | - | - | - | - | 55,933 | 72,407 | 55,933 | 72,407 |
| **Total assets** | **6,367** | **8,062** | **462,216** | **523,497** | **208,360** | **158,715** | **676,943** | **690,274** |
| **Segment liabilities** | | | | | | | | |
| Financial liabilities | 1,260 | 4,311 | 64,258 | 88,814 | 5,485 | 6,459 | 71,003 | 99,584 |
| Liabilities associated with disposal group classified as held for sale | 9,125 | - | - | - | - | - | 9,125 | - |
| Other liabilities | 470 | 9,889 | 54,537 | 45,336 | 2,577 | 2,361 | 57,584 | 57,586 |
| **Total liabilities** | **10,855** | **14,200** | **118,795** | **134,150** | **8,062** | **8,820** | **137,712** | **157,170** |
| **Net assets/(liabilities)** | **(4,488)** | **(6,138)** | **343,421** | **389,347** | **200,298** | **149,895** | **539,231** | **533,104** |

* 'Unallocated' current financial assets include cash and cash equivalents of $39,396,000 (2022: $25,358,000), term deposits of $103,700,000 (2022: $7,500,000), subordinated notes of $nil (2022: $16,407,000), financial assets held for trading of $3,427,000 (2022: $24,087,000), trade debtors and other receivables of $534,000 (2022: $207,000) and derivatives of $196,000 (2022: $9,000).
'Unallocated' financial liabilities include trade and other payables of $2,923,000 (2022: $2,873,000), interest-bearing loans and borrowings of $2,218,000 (2022: $3,377,000) and derivatives of $344,000 (2022: $209,000).

# Notes to the Consolidated Financial Report (continued)

## 35. Events After the Balance Sheet Date

On 28 June 2023, Mount Gibson entered into a Sale and Purchase Agreement (Mid-West Project) with Fenix Resources Limited to divest certain of its Mid-West iron ore mining and infrastructure assets for total consideration of at least $25,000,000, comprising $10,000,000 cash, 60,000,000 Fenix shares and 25,000,000 Fenix options (exercisable in two tranches of 12,500,000 options at $0.25 and $0.30 each respectively within five years of settlement). Completion of the transaction was subject to satisfaction of consents and conditions in respect of third-party interests, the timing of which remained uncertain at balance date. Subsequently, on 21 July 2023 the required consents and conditions were satisfied and the transaction was completed. The total consideration received was $29,495,000, based on valuations of the Fenix shares and options at completion date, resulting in a profit on sale of $36.5 million before tax.

Other than 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.

## 36. Financial Instruments

### [a] Financial risk management objectives

The Group's principal financial instruments, other than derivatives, comprise bank, cash and short-term deposits, financial assets held for trading, trade and other receivables, trade and other payables, and lease liabilities.

The main purpose of these financial instruments is to manage short term cash flows for the Group's operations.

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

The Group also enters into derivatives transactions, principally forward currency contracts, and from time to time also enters into foreign currency collar options and iron ore swaps. The purpose is to manage the currency and commodity price risks arising from the Group's operations.

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

### [b] Foreign currency risk

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

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

At 30 June 2023, the notional amount of the foreign exchange hedge book totalling US$68,000,000 is made up exclusively of collar option contracts with maturity dates in the 6 months ended 27 December 2023 and with an average cap price of A$1.00/US$0.6976 and an average floor price of A$1.00/US$0.6343.

As at 30 June 2023, the net marked-to-market unrealised loss on the total outstanding US dollar foreign exchange hedge book of US$68,000,000 was $148,000. This was recognised in the profit or loss as at balance date.

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.

# Notes to the Consolidated Financial Report (continued)

## 36. Financial Instruments (Continued)

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. |

**[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:

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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: | | 6,000 | 8,571 | (166) | | 18,000 | 24,324 | (209) |
| - *call strike price* | *0.7000* | | | | *0.7400* | | | |
| - *put strike price* | *0.6750* | | | | *0.6625* | | | |
| Within one year: | | 6,000 | 8,571 | (117) | | 12,000 | 16,902 | 9 |
| - *call strike price* | *0.7000* | | | | *0.7100* | | | |
| - *put strike price* | *0.6685* | | | | *0.6649* | | | |
| Within one year: | | 6,000 | 8,571 | (15) | | - | - | - |
| *call strike price* | *0.7000* | | | | | | | |
| *put strike price* | *0.6395* | | | | | | | |
| Within one year: | | 10,000 | 14,286 | 35 | | - | - | - |
| *call strike price* | *0.7000* | | | | | | | |
| *put strike price* | *0.6104* | | | | | | | |
| Within one year: | | 24,000 | 34,286 | (46) | | - | - | - |
| *call strike price* | *0.7000* | | | | | | | |
| *put strike price* | *0.6371* | | | | | | | |
| Within one year: | | 16,000 | 23,188 | 161 | | - | - | - |
| - *call strike price* | *0.6900* | | | | | | | |
| - *put strike price* | *0.6150* | | | | | | | |
| **Total** | | **68,000** | **97,473** | **(148)** | | **30,000** | **41,226** | **(200)** |

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

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| Current assets | 11 | 196 | 9 |
| Current liabilities | 21 | (344) | (209) |
| Total collar option contracts | | (148) | (200) |

# Notes to the Consolidated Financial Report (continued)

## 36. Financial Instruments (Continued)

### [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 2023 and 30 June 2022.

| Sensitivity to a 10% change in A$ against US$ at balance date | Net Profit 2023 $'000 | Net Profit 2022 $'000 | Other Comprehensive Income 2023 $'000 | Other Comprehensive Income 2022 $'000 |
|---|---|---|---|---|
| 10% appreciation in the A$ spot rate with all other variables held constant | (759) | (1,147) | 3,769 | 1,524 |
| 10% depreciation in the A$ spot rate with all other variables held constant | 928 | 1,403 | (4,457) | (2,237) |

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.

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

| | | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **Financial Assets** | | | |
| Cash | (included within note 6) | 12,321 | 50,402 |
| Trade and other receivables | (included within note 9) | 18 | - |
| **Financial Liabilities** | | | |
| Trade and other payables | (included within note 19) | (409) | (32,369) |
| **Net exposure** | | **11,930** | **18,033** |

The net exposure in US dollars at balance date is U$7,910,000 (2022: U$12,423,000).

### [c] Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash and cash equivalents, term deposits and subordinated notes, trade debtors, financial assets at fair value through profit or loss and financial assets held for trading (tradeable corporate bonds).

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

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

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

# Notes to the Consolidated Financial Report (continued)

## 36. Financial Instruments (Continued)

| | Floating interest rate | | Fixed interest rate maturing in: 1 year or less | | Fixed interest rate maturing in: Over 1 to 5 years | | Non-interest bearing | | Total carrying amount per balance sheet | | Weighted Average Interest | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| **CONSOLIDATED** | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | % | % |
| i) ***Financial assets*** | | | | | | | | | | | | |
| Cash | 55,034 | 77,578 | - | - | - | - | 4 | 1 | **55,038** | **77,579** | 2.90 | 0.36 |
| Term deposits | - | - | 103,950 | 7,500 | - | - | - | - | **103,950** | **7,500** | 5.15 | 1.42 |
| Subordinated notes | - | 16,407 | - | - | - | - | - | - | **-** | **16,407** | - | 1.85 |
| Financial assets held for trading | - | - | 153 | 18,609 | - | - | 3,274 | 5,478 | **3,427** | **24,087** | 7.00 | 3.14 |
| Trade and other receivables | - | - | - | - | - | - | 6,879* | 6,853 | **6,879** | **6,853** | - | - |
| Derivative financial assets | - | - | - | - | - | - | 196 | 9 | **196** | **9** | - | - |
| **Total financial assets** | **55,034** | **93,985** | **104,103** | **26,109** | **-** | **-** | **10,353** | **12,341** | **169,490** | **132,435** | | |
| ii) ***Financial liabilities*** | | | | | | | | | | | | |
| Trade and other payables | - | - | - | - | - | - | 47,614 | 87,500 | **47,614** | **87,500** | - | - |
| Interest-bearing loans and borrowings | - | - | 11,194 | 8,152 | 11,851 | 3,723 | - | - | **23,045** | **11,875** | 5.25 | 2.42 |
| Derivative financial liabilities | - | - | - | - | - | - | 344 | 209 | **344** | **209** | - | - |
| **Total financial liabilities** | **-** | **-** | **11,194** | **8,152** | **11,851** | **3,723** | **47,958** | **87,709** | **71,003** | **99,584** | | |

* Includes trade receivables at fair value amounting to $18,000 that expose the Group to interest rate risk.

# Notes to the Consolidated Financial Report (continued)

## 36. Financial Instruments (Continued)

**[i] Interest rate sensitivity**

The following table details the effect on profit and other comprehensive income after tax of 25 basis points change in interest rates, in absolute terms.

| Sensitivity of 25 basis points change in interest rates | Net Profit | | Other Comprehensive Income | |
|---|---|---|---|---|
| | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 |
| • 25 basis points increase in interest rate with all other variables held constant | 277 | 81 | - | - |
| • 25 basis points decrease in interest rate with all other variables held constant | (277) | (81) | - | - |

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 majority of the Group's customers are located in China. 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 offtake contracts. 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.

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# Notes to the Consolidated Financial Report (continued)

## 36. Financial Instruments (Continued)

The Group enters into provisionally priced ore sales contracts and iron ore collar option contracts, for which price finalisation is referenced to relevant market indices at specified future dates. The open sales contracts that are subject to provisional pricing adjustments as at 30 June 2023 is $173,866,000 (2022: $97,706,000). The Group's exposure at balance date to the impact of movements in the iron ore price upon provisionally invoiced sales volumes and iron ore collar derivatives is set out below:

| Sensitivity at Balance Date | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Ore Sales Revenue: | | |
| - 10% increase in iron ore prices | 17,387 | 9,771 |
| - 10% decrease in iron ore prices | (17,387) | (9,771) |

The sensitivities have been determined as the dollar impact of a 10% increase and decrease in benchmark iron ore prices on trade receivables subject to provisional pricing and on derivative financial liabilities 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.

### [f] Liquidity risk

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

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

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

At 30 June 2023, the Group had unutilised performance bonding facilities totalling $13,319,000 (2022: $12,505,000). Refer note 20.

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 2023 | | | | | 30 June 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Less than 6 months<br>$'000 | 6 to 12 months<br>$'000 | 1 to 5 years<br>$'000 | Over 5 years<br>$'000 | Total<br>$'000 | Less than 6 months<br>$'000 | 6 to 12 months<br>$'000 | 1 to 5 years<br>$'000 | Over 5 years<br>$'000 | Total<br>$'000 |
| **Financial Liabilities** | | | | | | | | | | |
| Trade and other payables | 47,614 | - | - | - | 47,614 | 87,500 | - | - | - | 87,500 |
| Interest-bearing loans and borrowings | 7,088 | 5,079 | 12,353 | - | 24,520 | 5,998 | 2,305 | 3,782 | - | 12,085 |
| Derivatives | 344 | - | - | - | 344 | 209 | - | - | - | 209 |
| | **55,046** | **5,079** | **12,353** | **-** | **72,478** | **93,707** | **2,305** | **3,782** | **-** | **99,794** |

# Notes to the Consolidated Financial Report (continued)

## 36. Financial Instruments (Continued)

### [g] Fair value of financial assets and financial liabilities

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

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

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

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

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

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

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

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

The carrying amounts and fair values of the financial assets and financial liabilities for the Group as at 30 June 2023 and 30 June 2022 are shown below.

| | Notes | 2023 Carrying Amount $'000 | 2023 Fair Value $'000 | 2022 Carrying Amount $'000 | 2022 Fair Value $'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash | 6 | 55,038 | 55,038 | 77,579 | 77,579 |
| Term deposits | 7 | 103,950 | 103,950 | 7,500 | 7,500 |
| Subordinated notes | 7 | - | - | 16,407 | 16,407 |
| Financial assets held for trading | 8 | 3,427 | 3,427 | 24,087 | 24,087 |
| Derivatives | 11 | 196 | 196 | 9 | 9 |
| Trade debtors and other receivables | 9 | 6,879 | 6,879 | 6,853 | 6,853 |
| | | 169,490 | 169,490 | 132,435 | 132,435 |
| **Financial liabilities** | | | | | |
| Trade and other payables | 19 | 47,614 | 47,614 | 87,500 | 87,500 |
| Interest-bearing loans and borrowings | 20 | 23,045 | 23,045 | 11,875 | 11,875 |
| Derivatives | 21 | 344 | 344 | 209 | 209 |
| | | 71,003 | 71,003 | 99,584 | 99,584 |
| **Net financial assets** | | **98,487** | **98,487** | **32,851** | **32,851** |

**Recognition and measurement**

***Initial recognition and measurement***

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (**OCI**), or fair value through profit or loss.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under the revenue accounting policy (see note 3).

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (**SPPI**) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

# Notes to the Consolidated Financial Report (continued)

***Subsequent measurement***

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

***Financial assets at amortised cost (debt instruments)***

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (**EIR**) method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include term deposits, trade receivables (not subject to provisional pricing) and other receivables (see notes 7 and 9).

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading (see note 8), financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value, i.e., where they fail the SPPI test. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that do not pass the SPPI test are required to be classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

As the Group applies the SPPI test to determine the classification of financial assets, the requirements relating to the separation of embedded derivatives is no longer needed for financial assets. An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at fair value through profit or loss in its entirety. This is applicable to the Group's trade receivables subject to provisional pricing (see note 9). These receivables relate to sales contracts where the selling price is determined after delivery to the customer, based on an index price at the end of the relevant quotational period stipulated in the contract. This exposure to the market-based index price causes such trade receivables to fail the SPPI test. As a result, these receivables are measured at fair value through profit or loss from the date of recognition of the corresponding sale, with subsequent movements being recognised in other revenue (see note 3).

***Financial assets at fair value through OCI***

The Group measures debt instruments at fair value though OCI if both of the following conditions are met: -

- The financial asset is held with a business model with both the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms meet the SPPI test.

For debt instruments at fair value through OCI, interest income and impairment losses are recognised in profit and loss and computed in the same manner as for financial assets carried at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit and loss.

The Group's debt instruments at fair value through OCI includes the subordinated notes (see note 7).

***Impairment of financial assets***

The Group recognises an allowance for expected credit losses (**ECLs**) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (**12-month ECL**). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (**lifetime ECL**).

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Group applies the simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Group has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortised cost (which are due in more than 12 months), the ECL is based on the 12-month ECL when there has not been a significant increase in credit risk since origination. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date.

When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

# Notes to the Consolidated Financial Report (continued)

**Derivative financial instruments and hedging**

Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to fair value.

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

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

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

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

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

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

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

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

## 37. Parent Entity Information

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **[a] Information relating to Mount Gibson Iron Limited:** | | |
| Current assets | 6,024 | 17,378 |
| Total assets | 1,162,032 | 1,134,332 |
| Current liabilities | 781 | 477 |
| Total liabilities | 622,801 | 601,228 |
| | | |
| Issued capital | 633,102 | 632,425 |
| Issued capital – restricted shares under Loan Share Plan | 6,353 | 6,248 |
| Accumulated losses | (458,516) | (463,501) |
| Dividend distribution reserve | 335,739 | 335,739 |
| Share based payments reserve | 22,553 | 22,193 |
| Total Shareholder's Equity | 539,231 | 533,104 |
| | | |
| Net profit/(loss) after tax of the parent entity | 4,985 | (176,563) |
| Total comprehensive profit/(loss) of the parent entity | 4,985 | (176,563) |

# Notes to the Consolidated Financial Report (continued)

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

There are cross guarantees given by Mount Gibson Iron Limited in relation to the debts of its subsidiaries as described in note 13 and note 20.

The parent entity has further provided bank guarantees in respect of obligations to various authorities. Refer to note 20.

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

**[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)

## 38. New and Amended Accounting Standards and Interpretations

### A. New and amended Accounting Standards and Interpretations adopted from 1 July 2022

Since 1 July 2022, the Group has adopted all Accounting Standards and Interpretations mandatory to annual periods beginning on or before 1 July 2022. Adoption of these standards and interpretations did not have a material effect on the financial position or performance of the Group.

### B. New and amended Accounting Standards and Interpretations issued but not yet effective

Other Australian Accounting Standards and Interpretations relevant to the Group that have recently been issued or amended but are not yet effective for the Group's reporting period, have not been adopted by the Group for the period ended 30 June 2023 are outlined in the table below:

| Reference | Title | Summary | Application date of standard | Application date for Group |
|---|---|---|---|---|
| AASB 2021-5 | Amendments to AASs – Deferred Tax related to Assets and Liabilities from a Single Transaction | AASB 112 *Income Taxes* requires entities to account for income tax consequences when economic transactions take place, rather than when income tax payments or recoveries are made. Accounting for such tax consequences, means entities need to consider the differences between tax rules and accounting standards. These differences could either be:<br>► Permanent – e.g., when tax rules do not allow a certain expense to ever be deducted; or<br>► Temporary – e.g., when tax rules treat an item of income as taxable in a period later than when included in the accounting profit.<br>Deferred taxes representing amounts of income tax payable or recoverable in the future must be recognised on temporary differences unless specifically prohibited by AASB 112. One of these circumstances, known as the initial recognition exception, applies when a transaction affects neither accounting profit nor taxable profit, and is not a business combination. Views differ about applying this exception to transactions that, on initial recognition, create both an asset and liability (and could give rise to equal amounts of taxable and deductible temporary differences) such as:<br>► Recognising a right-of-use asset and a lease liability when commencing a lease.<br>► Recognising decommissioning, restoration and similar liabilities with corresponding amounts included in the cost of the related asset.<br>Some entities have previously recognised deferred tax consequences for these types of transactions, having concluded that they did not qualify for the initial recognition exception. The amendments to AASB 112 clarify that the exception would not normally apply. That is, the scope of this exception has been narrowed such that it no longer applies to transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.<br>The amendments apply from the beginning of the earliest comparative period presented to:<br>► All transactions occurring on or after that date<br>► Deferred tax balances, arising from leases and decommissioning, restoration and similar liabilities, existing at that date.<br>The cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.<br>Earlier application of the amendments is permitted. | 1 January 2023 | 1 July 2023 |

# Notes to the Consolidated Financial Report (continued)

| Reference | Title | Summary | Application date of standard | Application date for Group |
|---|---|---|---|---|
| AASB 2020-1<br><br>AASB 2022-6 | Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current<br><br>Amendments to AASs – Non-Current Liabilities with Covenants | A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 to clarify the requirements for classifying liabilities as current or non-current. Specifically:<br>► The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.<br>► Management intention or expectation does not affect classification of liabilities.<br>► In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current.<br>A consequence of the first amendment is that a liability would be classified as current if its repayment conditions failed their test at reporting date, despite those conditions only becoming effective in the 12 months after the end of the reporting period.<br>In response to this possible outcome, the AASB has proposed further amendments:<br>► Specifying that conditions with which an entity must comply after the reporting period do not affect the classification at the reporting date<br>► Adding presentation and disclosure requirements for non-current liabilities subject to conditions in the next 12 months<br>► Clarifying specific situations in which an entity does not have a right to defer settlement for at least 12 months after the reporting date<br>These amendments are applied retrospectively. Earlier application is permitted. | 1 January 2024<br><br>1 January 2024 | 1 July 2024<br><br>1 July 2024 |
| AASB 2021-2 | Amendments to AASB 108 – Definition of Accounting Estimates | An accounting policy may require items in the financial statements to be measured using information that is either directly observable or estimated. Accounting estimates use inputs and measurement techniques that require judgements and assumptions based on the latest available, reliable information.<br>The amendments to AASB 108 clarify the definition of an accounting estimate, making it easier to differentiate it from an accounting policy. The distinction is necessary as their treatment and disclosure requirements are different. Critically, a change in an accounting estimate is applied prospectively whereas a change in an accounting policy is generally applied retrospectively.<br>The new definition provides that 'Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.' The amendments explain that a change in an input or a measurement technique used to develop an accounting estimate is considered a change in an accounting estimate unless it is correcting a prior period error.<br>► For example, a change in a valuation technique used to measure the fair value of an investment property from market approach to income approach would be treated as a change in estimate rather than a change in accounting policy.<br>► In contrast, a change in an underlying measurement objective, such as changing the measurement basis of investment property from cost to fair value, would be treated as a change in accounting policy.<br>The amendments did not change the existing treatment for a situation where it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate. In such a case, the change is accounted for as a change in an accounting estimate.<br>The amendments are applied prospectively. Earlier application is permitted. | 1 January 2023 | 1 July 2023 |

# Notes to the Consolidated Financial Report (continued)

| Reference | Title | Summary | Application date of standard | Application date for Group |
|---|---|---|---|---|
| AASB 2014-10 | Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | The amendments to AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.<br>These amendments are applied prospectively. Earlier application is permitted. | 1 January 2025 | 1 July 2025 |

The Group has elected not to early adopt any of these new standards or amendments in these financial statements. The Group intends to adopt these standards when they become effective. The Group has assessed the impact of AASB 2021-5 *Amendments to AASs – Deferred Tax related to Assets and Liabilities from a Single Transaction* and determined that there is no material impact expected. An impact assessment of the other standards issued but not yet effective is yet to be performed.

# 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 2023 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 2023.

Signed in accordance with a resolution of the directors.

**LEE SENG HUI**
**Chairman**

Date: 22 August 2023

Building a better working world

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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 2023, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flows statement for the year then ended, notes to the consolidated financial report, 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 2023 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 (including Independence Standards)* (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 2023 the Group's consolidated balance sheet includes provisions of \$58.4 million (including the road resealing provision and \$8.2 million relating to liabilities associated with disposal group classified as held for sale) in respect of these obligations (refer to note 22).<br><br>We considered this to be a key audit matter because estimating the costs associated with these future activities requires judgement 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:<br><br>• Involved our climate change and sustainability services specialists to assess the competence, qualifications and objectivity of the Group's external experts whose work formed the basis of the Group's cost estimate.<br>• Tested the reasonableness of the timing of the rehabilitation cashflows and the resultant inflation and discount rate assumptions used in the Group's provision estimates, having regard to available economic data on future inflation and discount rates.<br>• Evaluated the adequacy of the Group's disclosures relating to rehabilitation obligations in the financial report 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 (CGU)**

| 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 2023 was $311.5 million. Of this total amount $311.3 million related to the Koolan Island CGU.<br><br>Management undertook an impairment trigger assessment at 30 June 2023 and concluded that an impairment trigger had occurred in respect of the Koolan Island CGU. Accordingly, management performed an impairment assessment for the Koolan Island CGU at 30 June 2023 and based on this assessment concluded that an impairment charge of $74.3 million was required (refer to note 18).<br><br>We considered this to be a key audit matter because of the significant judgement and estimation required in the determination of the recoverable amount of the Koolan Island CGU including assumptions relating to future iron ore prices, exchange rates, operating and capital costs and an appropriate discount rate to reflect the risk associated with the forecast cash flows having regard to the current status of the project. | We assessed the reasonableness of the Group's impairment assessment process and the recoverable amount of the Koolan Island CGU. Our audit procedures included the following:<br><br>• In conjunction with our valuation specialists, we evaluated the reasonability of key input assumptions and valuation methodologies used by the Group to determine recoverable amount. We assessed the key input assumptions such as forecast foreign exchange rates, forecast iron ore price assumptions and discount rate with reference to market prices (where available), market research, market practice, market indices and broker consensus.<br><br>• Tested the mathematical accuracy of the Group's discounted cash flow model used to measure recoverable amount and agreed relevant data, including assumptions on timing and future capital and operating expenditure, to the Group's feasibility studies for the Koolan Island CGU and the latest Board approved life of mine plan.<br><br>• 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 qualifications, competence and objectivity of the experts and assessed whether key capital and operating expenditure assumptions were consistent with information in Board reports and releases to the market.<br><br>• Assessed the work of the Group's experts with respect to the reserve assumptions used in the cash flow forecasts. This included understanding the Group's 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. |

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| Why significant | How our audit addressed the key audit matter |
|---|---|
| | • Assessed the impact of a range of sensitivities to the economic assumptions underpinning the Group's impairment assessment.<br>• Evaluated the adequacy of the Group's disclosures in the financial report with respect to the Group's impairment assessment and resultant impairment expense for the Koolan Island CGU. |

## 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 2023 annual report other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

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

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

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

## Responsibilities of the directors for the financial report

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

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

## Auditor's responsibilities for the audit of the financial report

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

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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, actions taken to eliminate threats or safeguards applied.

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.

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# 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 2023.

In our opinion, the Remuneration Report of Mount Gibson Iron Limited for the year ended 30 June 2023, 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

J K Newton

J K Newton
Partner
Perth
22 August 2023

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# Corporate Governance Statement

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* 4th 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 2023. The Corporate Governance Statement has been approved by the Board.

# Additional ASX Information

## (a) Distribution of equity securities

As at 12 September 2023 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 | 1,735 | 883,690 | 0.07 |
| 1,001 | - 5,000 | 3,822 | 10,734,785 | 0.88 |
| 5,001 | - 10,000 | 1,808 | 14,517,644 | 1.20 |
| 10,001 | - 100,000 | 3,086 | 98,805,744 | 8.14 |
| 100,001 | Over | 452 | 1,089,477,470 | 89.71 |
| **TOTAL** | | **10,903** | **1,214,419,333** | **100.00** |

### Unmarketable parcels

The minimum $500 parcel size at $0.4450 per share is 1124 shares. 1,938 shareholders hold unmarketable parcels comprising a total of 1,100,508 shares.

## (b) Equity security holders

As at 12 September 2023 the names of the twenty largest holders of shares are:

| | | Ordinary Shares | |
|---|---|---|---|
| | | **Number of Shares** | **% of Shares Held** |
| 1 | EVERBRIGHT SECURITIES INVESTMENT SERVICES (HK) LTD <CLIENT A/C> | 220,257,802 | 18.14 |
| 2 | APAC RESOURCES INVESTMENTS LIMITED | 209,867,038 | 17.28 |
| 3 | TRUE PLUS LIMITED | 163,866,874 | 13.49 |
| 4 | CITICORP NOMINEES PTY LIMITED | 110,669,215 | 9.11 |
| 5 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 98,913,815 | 8.14 |
| 6 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 41,273,827 | 3.40 |
| 7 | BNP PARIBAS NOMS PTY LTD <DRP> | 28,728,990 | 2.37 |
| 8 | DEBORTOLI WINES PTY LIMITED | 23,618,142 | 1.94 |
| 9 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C> | 21,204,374 | 1.75 |
| 10 | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 12,653,532 | 1.04 |
| 11 | NATIONAL NOMINEES LIMITED | 8,966,844 | 0.74 |
| 12 | MR PETER KERR | 4,770,803 | 0.39 |
| 13 | BNP PARIBAS NOMS (NZ) LTD <DRP> | 3,247,710 | 0.27 |
| 14 | MR JINGYUN OUYANG | 2,970,964 | 0.24 |
| 15 | BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C> | 2,887,691 | 0.24 |
| 16 | SAVIVE PTY LTD <SAVIVE SUPER FUND A/C> | 2,757,262 | 0.23 |
| 17 | MR DAVID STOKES | 2,639,035 | 0.22 |
| 18 | HINTON RIPLEY HOLDINGS PTY LTD | 2,340,000 | 0.19 |
| 19 | MR MARK MITCHELL | 2,260,300 | 0.19 |
| 20 | DR MARK BOFINGER | 2,183,686 | 0.18 |
| **Top 20 Holders** | | **966,077,904** | **79.55** |
| **Total Remaining Holders Balance** | | **248,341,429** | **20.45** |
| **Total Issued Ordinary Shares** | | **1,214,419,333** | **100.00** |

# Additional ASX Information *Continued*

## (c) Substantial Shareholders

The names of Substantial Shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are provided below, together with details, as at the date of the Substantial Shareholder notification:

| | Number of Shares | % of current issued share capital |
|---|---|---|
| 1. APAC Resources Limited and its subsidiaries | 452,767,297 | 37.40% |
| 2. Allied Properties Investments (1) Company Limited and its related corporate entities | 452,767,297 | 37.40% |
| 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 | 13.64% |
| 4. Shougang Fushan Resources Group Limited, True Plus Limited and its subsidiaries | 154,166,874 | 13.64% |
| Note: Substantial shareholdings 3 and 4 are not cumulative and arise through common shareholdings. | | |
| 5. Paradice Investment Management Pty Ltd | 114,552,189 | 9.433% |

## (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[1] | L70/133 | Live | 100% |
| Extension Hill[1] | G70/232 | Live | 100% |
| Extension Hill[1] | 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% |
| Tallering Peak | M70/1062-I | Live | 100% |
| Tallering Peak | M70/896-I | Live | 100% |
| Tallering Peak | E70/3732 | Live | 100% |
| Tallering Peak | E70/5298 | Live | 100% |
| Tallering Peak | L70/60 | Live | 100% |
| Tallering Peak | L70/69 | Live | 100% |
| Tallering Peak[1] | L70/73 | Live | 100% |
| Tallering Peak[1] | L70/74 | Live | 100% |
| Tallering Peak | G70/192 | Live | 100% |
| Tallering Peak[1] | G70/201 | Live | 100% |
| Tallering Peak[1] | G70/202 | Live | 100% |
| Tallering Peak[1] | G70/203 | Live | 100% |
| Tallering Peak[1] | G70/204 | Live | 100% |
| Tallering Peak[1] | G70/205 | Live | 100% |

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

| Location | Tenement | Status | Percentage Held |
|---|---|---|---|
| **MGX Has Interests In** | | | |
| Extension Hill[2] | M59/338-I | Live | |
| Extension Hill[2] | M59/339-I | Live | |
| Extension Hill[2] | M59/454-I | Live | |
| Extension Hill[2] | M59/455-I | Live | |
| Extension Hill[2] | M59/550-I | Live | |
| Extension Hill[2] | M59/526-I | Live | |
| Extension Hill[2] | M59/609-I | Live | |
| Extension Hill[2] | L59/63 | Live | |
| Extension Hill[2] | G59/30 | Live | |
| Extension Hill[2] | G59/31 | Live | |
| Extension Hill[2] | G59/45 | Live | |
| Extension Hill[2] | G59/33 | Live | |
| Extension Hill[2] | G59/34 | Live | |
| Extension Hill[2] | G59/35 | Live | |
| Extension Hill[2] | G59/36 | Live | |
| Extension Hill[2] | G59/41 | Live | |
| Fields Find[3] | E59/1268-I | Live | |
| Fields Find[3] | M59/63-I | Live | |
| Fields Find[3] | E59/1996 | Live | |
| Fields Find[3] | E59/1997 | Live | |
| Fields Find[3] | E59/2382 | Live | |
| Fields Find[3] | E59/2383 | Live | |
| Shine[4] | M59/406-I | Live | |
| Shine[4] | M59/421-I | Live | |
| Shine[4] | M59/731-I | Live | |
| Murchison[5] | E09/2266 | Live | |
| Murchison[5] | E09/2499 | Pending | |

1 Subsequent to the end of the reporting period, these tenements have been transferred to another party as part of a transaction announced 29 June 2023.

2 Tenements are held by another party. MGX held rights to Hematite, Goethite and Limonite. Subsequent to the end of the reporting period, these rights have been transferred to another party as part of a transaction announced 29 June 2023.

3 Tenements are held by another party. MGX holds rights to Iron on a portion of these tenements.

4 Tenements are held by another party. MGX held rights to Iron on a portion of these tenements. Subsequent to the end of the reporting period, these rights have been transferred to another party as part of a transaction announced 29 June 2023

5 Tenements are held by another party. MGX is in a Farm-in and JV to earn 75% of these tenements.

# Notes

# Corporate Directory

## Board of Directors

**Lee Seng Hui**
Chairman, Non-Executive Director

**Alan Jones**
Non-Executive Director

**Ding Rucai**
Non-Executive Director

**Paul Dougas**
Non-Executive Director

**Simon Bird**
Non-Executive Director

**Evian Delfabbro**
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@mgx.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 17, 221 St George's Terrace
Perth 6000, Western Australia
Telephone: 1300 787 272
Facsimile: +61 8 9323 2033

## Annual General Meeting of Shareholders

Mount Gibson will hold a hybrid AGM at 10:30am AWST (1:30pm AEDT) on Wednesday 15 November 2023. Information explaining how shareholders who are unable to attend the meeting in person may access, vote and ask questions at the meeting is provided in the Company's Notice of AGM released to the ASX in October 2023.

## 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