

APPENDIX 4D

MOUNT GIBSON IRON LIMITED 31 DECEMBER 2017 HALF-YEAR FINANCIAL STATEMENTS

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

Current Reporting Period: Half-Year ended 31 December 2017
Previous Corresponding Period: Half-Year ended 31 December 2016

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Consolidated Entity	Movement	A\$ million
Revenue from ordinary activities	Down 3% to	\$96.4
Profit/(Loss) from continuing operations before tax	Up 307% to	\$80.2
Net profit/(loss) after tax attributable to members of the Company	Up 249% to	\$80.0

DIVIDENDS

No interim dividend has been declared.

NET TANGIBLE ASSET BACKING

Consolidated Entity	Unit	31 December 2017	31 December 2016
Net tangible assets	<i>A\$ mill</i>	\$477.0	\$415.1
Fully paid ordinary shares on issue at balance date	<i>#</i>	1,096,562,516	1,096,562,516
Net tangible asset backing per issued ordinary share as at balance date	<i>c/share</i>	43.5	37.9

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

None.

STATUS OF AUDIT

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

NOTICE

It is recommended that the Half-Year Report be read in conjunction with Mount Gibson's Annual Financial Report for the year ended 30 June 2017 and any public announcements made by Mount Gibson during and after the half-year year ended 31 December 2017 in accordance with the continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules.



**MOUNT GIBSON IRON LIMITED
AND CONTROLLED ENTITIES**

ABN 87 008 670 817

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2017

Financial Report

For the half-year ended 31 December 2017

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Directors' Report

Your Directors submit their report for the half-year ended 31 December 2017 for the Group incorporating Mount Gibson Iron Limited ("Company" or "Mount Gibson") and the entities that it controlled during the half-year ("Group").

CURRENCY

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

DIRECTORS

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

Lee Seng Hui	<i>Chairman, Non-Executive Director</i>
Alan Jones	<i>Independent Non-Executive Director</i>
Li Shaofeng	<i>Non-Executive Director</i>
Russell Barwick	<i>Independent Non-Executive Director</i>
Simon Bird	<i>Lead Independent Non-Executive Director</i>
Paul Douglas	<i>Independent Non-Executive Director</i>
Kin Chan	<i>Independent Non-Executive Director (resigned 5 January 2018)</i>
Andrew Ferguson	<i>Alternate Director to Lee Seng Hui</i>

Jim Beyer is the Chief Executive Officer. David Stokes is the Company Secretary.

CORPORATE INFORMATION

Corporate Structure

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

Nature of Operations and Principal Activities

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

- mining of hematite iron ore in the Iron Hill deposit at the Extension Hill mine site in the Mid-West region of Western Australia, and haulage of the ore via road and rail for export from the Geraldton Port; and
- reconstruction of the Koolan Island Main Pit seawall, in the Kimberley region of Western Australia, with ore sales targeted to resume in early 2019.

OPERATING AND FINANCIAL REVIEW

Overview of the Half-Year Period

The Group's financial performance for the half-year ended 31 December 2017 was steady reflecting the ramp-up of mining in the Iron Hill deposit at Extension Hill, expenditure on the high grade Koolan Island Restart Project, and the payment of a 2.0 cents per share fully franked dividend for the 2016/17 financial year. The Group recorded a net profit after tax of \$80,006,000 comprising underlying earnings of \$15,719,000 and proceeds from the settlement of the Koolan Island business interruption insurance claim of \$64,287,000.

At the beginning of the half-year, the Platts Index for delivery of 62% Fe iron ore fines to northern China was approximately US\$65 per dry metric tonne ("dmt") and, after trading within a band of US\$58-79/dmt, finished the period at just over US\$74/dmt, with an average for the half-year of US\$68/dmt. Over the same period, the A\$/US\$ exchange rate traded between A\$1.00/US\$0.75 and US\$0.81, with an average of the half-year of US\$0.78. However, although the high grade benchmark iron ore price (for 62% Fe fines material) remained at solid levels, market prices for lower and medium grade iron ore were adversely impacted by significantly increased discounts against the Platts 62% Fe benchmark index, a situation which many commentators are now describing as a permanent structural change to global iron ore pricing.

Group ore sales for the half-year totalled 1.7 million wet metric tonnes ("Mwmt") and sales revenue totalled \$90,183,000 from sales of high grade Iron Hill ore and stockpiled low grade Extension Hill material, plus realised foreign exchange hedging gains. Mount Gibson achieved an average realised price for standard iron ore fines product for the half-year of US\$29/dmt Free On Board ("FOB") after grade and provisional pricing adjustments and penalties for impurities, compared with an average of US\$44/dmt in the 2016/17 financial year and US\$43/dmt in the prior corresponding December 2016 half-year period. The weighted average realised price received (including realised foreign exchange hedging gains) for all products sold was \$54/wmt FOB in the half-year period compared with \$55/wmt FOB in the 2016/17 financial year and \$57/wmt in the December 2016 half-year.

Cash reserves, including term deposits and tradeable investments, increased by \$30,669,000 over the half-year to a total of \$477,448,000 as at 31 December 2017.

Mount Gibson Iron Limited

31 December 2017 Half-Year Financial Report

Operating Results for the Half-Year Period

The summarised operating results for the Group for the half-year ended 31 December 2017 are tabulated below.

Consolidated Group		31 December 2017 \$'000	31 December 2016 \$'000
Net profit before tax from continuing and discontinued operations	<i>\$'000</i>	80,006	21,454
Taxation benefit	<i>\$'000</i>	-	1,481
Net profit after tax attributable to members of the Company	<i>\$'000</i>	80,006	22,935
Earnings per share	<i>cents/share</i>	7.33	2.10

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

Consolidated Group	Unit	Sept Quarter 2017	Dec Quarter 2017	Dec Half-Year 2017	Dec Half-Year 2016
Mining and crushing					
Total waste mined	<i>kwmt</i>	420	514	934	356
Total ore mined [#]	<i>kwmt</i>	1,104	1,112	2,216	1,069
Total ore crushed	<i>kwmt</i>	821	742	1,562	1,501
Shipping/sales					
Standard DSO Lump	<i>kwmt</i>	294	481	775	779
Standard DSO Fines	<i>kwmt</i>	366	300	665	589
Low grade DSO	<i>kwmt</i>	181	60	241	414
Total	<i>kwmt</i>	841	841	1,681	1,783
Average Platts 62% Fe CFR northern China price	<i>US\$/dmt</i>	71	66	68	65
MGX Free on Board (FOB) average realised fines price[^]	<i>US\$/dmt</i>	34	24	29	43
kwmt = thousand wet metric tonnes US\$/dmt = USD per dry metric tonne # Includes low-grade ore at Extension Hill grading 50-55% Fe that is considered to be saleable. This material is being stockpiled for future sale but continues to be treated as waste for accounting purposes. ^ Reflects the realised fines price for standard DSO fines ore only, after adjustments for shipping freight, grade, provisional invoicing adjustments and penalties for impurities. Minor discrepancies may appear due to rounding.					

Extension Hill Hematite Operations

The Extension Hill mine achieved another sound operational performance in the December half-year. Shipments from Geraldton Port totalled 1,681,000 wmt, comprising 775,000 wmt of lump ore, 665,000 wmt of fines ore and 241,000 wmt of low grade lump material from existing Extension Hill stockpiles.

The mine generated earnings before interest and tax of \$17,123,000 reflecting the ramp-up of mining in the Iron Hill open pit and the ongoing focus on cost control and efficiency improvements.

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

At the end of the half-year, approximately 88,000 wmt of crushed high grade product was stockpiled at the mine. Stockpiles of uncrushed high grade material totalled 479,000 wmt and stockpiles of uncrushed lower grade material totalled 2.7 Mwmt grading 50-55% Fe. Crushed ore stockpiles at the Perenjori rail siding totalled approximately 236,000 wmt of high grade ore.

The average grade of Iron Hill high grade lump ore sold during the half-year was 61.5% Fe, and the average grade of the Iron Hill high grade fines ore sold in the period was 59.5% Fe.

Mount Gibson Iron Limited

31 December 2017 Half-Year Financial Report

Production and shipping statistics for the December 2017 half-year are tabulated below:

Extension Hill Production Summary	Unit	Sept Quarter 2017 '000	Dec Quarter 2017 '000	Dec Half-Year 2017 '000	Dec Half-Year 2016 '000	% incr / (decr)
Mining						
Waste mined	<i>wmt</i>	420	514	934	356	162
Standard ore mined	<i>wmt</i>	879	961	1,840	840	119
Low grade ore mined*	<i>wmt</i>	225	151	375	228	64
Total ore mined	<i>wmt</i>	1,104	1,112	2,216	1,069	107
Crushing						
Lump	<i>wmt</i>	448	386	834	890	(6)
Fines	<i>wmt</i>	372	356	728	611	19
		821	742	1,562	1,501	4
Transported to Perenjori Railhead						
Lump	<i>wmt</i>	440	392	832	839	(1)
Fines	<i>wmt</i>	339	350	689	612	13
		779	742	1,521	1,451	5
Transported to Geraldton Port						
Lump	<i>wmt</i>	464	515	979	857	14
Fines	<i>wmt</i>	287	371	658	544	21
		751	886	1,637	1,401	17
Shipping/Sales						
Lump	<i>wmt</i>	294	481	775	779	(1)
Fines	<i>wmt</i>	366	300	665	589	13
Low grade lump	<i>wmt</i>	181	60	241	118	104
		841	841	1,681	1,486	13

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

Minor discrepancies may appear due to rounding.

Koolan Island Hematite Operations

With the commencement of material siteworks for the Koolan Island Restart Project in June, construction activity steadily increased during the half-year with the project approximately 28% complete as at 31 December 2017.

After successful completion of the starter embankment in the September quarter, activity in the December quarter was focused on the initial stage of the seepage barrier construction. Prior to the end of the half-year period, the last of the vertical drains were completed along with the installation of in-ground monitoring instrumentation.

Cash expenditure on the project in the half-year totalled \$30,771,000. In addition, non-cash expenditure including depreciation and amortisation charges were also capitalised.

Initial stages of seepage barrier construction typically require extensive on-site trialling and optimisation to adapt to actual ground conditions. Panel dig rates, while slow initially, have been increasing satisfactorily as the construction approach has been adapted.

First ore sales continue to be targeted for the March 2019 quarter.

Financial Position

The Group's cash, term deposit and tradeable investment balances totalled \$477,448,000 as at 31 December 2017, an increase of \$30,669,000 from the balance of \$446,779,000 as at 30 June 2017. The key components of the increase included underlying operating cashflows of \$14,452,000, settlement proceeds of \$64,287,000 from the business interruption component of the Koolan Island insurance claim, interest income of \$6,817,000, the purchase of plant and equipment for \$2,019,000, Koolan Island Restart Project expenditure of \$30,771,000 and payment of a \$21,859,000 fully franked dividend to shareholders.

As at the balance date, the Group's current assets totalled \$513,859,000 and its current liabilities totalled \$44,883,000. Accordingly, as at the date of this report, the Group has sufficient funds as well as access to further equity and debt sources to operate and sell iron ore from its operations and to advance its growth objectives.

Derivatives

As at 31 December 2017, the Group held foreign exchange collar option contracts covering the conversion of US\$20,000,000 into Australian dollars over the coming half year with an average cap price of A\$1.00/US\$0.7870 and an average floor price of A\$1.00/US\$0.7541.

During the period, the Group entered into forward sales contracts covering three shipments of 50,000 tonnes of iron ore each, with maturity dates spread over the period October to December 2017. The average price for 62% Fe fines (CFR) at each maturity date was between US\$72 and US\$75 per tonne, with each contract maturing for positive cash settlement proceeds.

Koolan Island Seawall Insurance Claim

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

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

Iron Hill Offtake Agreement

On 21 December 2017, the Company announced it had entered a second offtake agreement with SCIT Trading Limited ("SCIT"), a wholly-owned subsidiary of China's Shougang Concord International Enterprises Company Limited ("Shougang Concord"), for the sale of iron ore from Iron Hill.

The new offtake agreement, which is in addition to SCIT's existing offtake agreement to purchase approximately one quarter of the annual Iron Hill production, will increase the total production committed to SCIT under both contracts to approximately 82% of available lump and 83% of fines ore up until 8 July 2018 when the existing offtake is expected to end. Assuming SCIT does not exercise its right to extend the existing offtake agreement, then the rate of supply under the second offtake will immediately adjust to 75% of available lump and fines ore.

Terms of the new offtake agreement include market reflective pricing referenced to relevant S&P Global Platts pricing indices, and market-typical lump premium and impurity penalties, on a Cost and Freight (CFR) basis for delivery in China. The new SCIT agreement remains conditional upon approval by Mount Gibson's shareholders unrelated to SCIT and Shougang Concord, for which a shareholder meeting is expected to be held in the March 2018 quarter. Further information will be provided in the Notice of Meeting in due course.

Likely Developments and Expected Results

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

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

The Board's corporate objective is to grow the Company's cash reserves and continue to pursue an appropriate balance between the retention and utilisation of cash reserves for value-accretive investments. The Board has determined the following key business objectives for the 2017/18 financial year:

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

Extension Hill Outlook

Following the receipt of environmental and development approvals in the 2016/17 year, site activities are now focused on the ramp-up in mining volumes from the Iron Hill deposit with mining expected to complete in late 2018. Ore sales of high grade material are anticipated to finish shortly afterwards, and sales of stockpiled lower grade material may be undertaken on an opportunistic basis if and when economic conditions justify.

The all-in site cash cost is expected to average in the range \$42-46/wmt sold. Site cash costs are reported on a free-on-board (FOB) basis and include royalties and capital expenditure, but are before corporate costs.

Mount Gibson Iron Limited

31 December 2017 Half-Year Financial Report

Koolan Island Outlook

Activity at Koolan Island is focused on the rebuild of the Main Pit seawall and the recommencement of commercial production, with first ore sales targeted for the March 2019 quarter. As reported, seawall reconstruction and pit dewatering costs are estimated at \$97,000,000 with the estimated peak cash draw of \$145,000,000. The mine is expected to have an initial mine life of 3.5 years. A potential pit extension is under evaluation to convert an additional 7Mt of Mineral Resources at the eastern end of the Main Pit into Ore Reserve status.

Life of mine all-in cash costs are projected at \$53/wmt FOB, including development capital expenditure and final closure costs, resulting in an estimated breakeven Platts 62% Fe price of US\$46/dmt including capital and closure costs.

Group Sales Guidance and Cash Costs Guidance

Mount Gibson expects its annual sales for the 2017/18 financial year to be between 3.5 and 3.8 Mwmt of iron ore at an average all-in group cash cost of \$45-50/wmt. All-in group cash costs are reported FOB and include cash operating expenditure, royalties, sustaining capital expenditure and corporate costs, and exclude Koolan Island project capital expenditure.

DIVIDENDS

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

An interim dividend for the half-year ended 31 December 2017 has not been declared.

SIGNIFICANT EVENTS AFTER BALANCE DATE

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

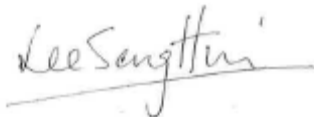
ROUNDING

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

AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the Directors.



Lee Seng Hui
Chairman
12 February 2018

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

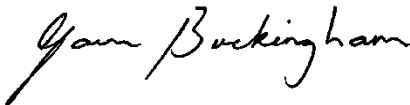
As lead auditor for the review of Mount Gibson Iron Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Ernst & Young



Gavin Buckingham
Partner
12 February 2018

Interim Consolidated Income Statement

For the half-year ended 31 December

	Notes	31 December 2017	31 December 2016
		\$'000	\$'000
CONTINUING OPERATIONS			
Sale of goods	3[a]	90,183	93,810
Interest revenue		6,238	6,032
TOTAL REVENUE		96,421	99,842
Cost of sales	4[a]	(73,299)	(75,620)
GROSS PROFIT		23,122	24,222
Other income	3[b]	64,888	4,497
Administration and other expenses	4[c]	(7,468)	(8,399)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX AND FINANCE COSTS		80,542	20,320
Finance costs	4[b]	(305)	(597)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		80,237	19,723
Tax benefit	5	-	1,481
PROFIT AFTER TAX FROM CONTINUING OPERATIONS		80,237	21,204
DISCONTINUED OPERATIONS			
Profit/(loss) after tax for the period from discontinued operations	17	(231)	1,731
PROFIT FOR THE PERIOD AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY		80,006	22,935
Earnings per share (cents per share)			
▪ basic earnings per share		7.33	2.10
▪ diluted earnings per share		7.30	2.10
Earnings per share (cents per share) for continuing operations			
▪ basic earnings per share		7.35	1.94
▪ diluted earnings per share		7.32	1.94

Interim Consolidated Statement of Comprehensive Income

For the half-year ended 31 December

	31 December 2017	31 December 2016
	\$'000	\$'000
PROFIT FOR THE PERIOD AFTER TAX	80,006	22,935
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be subsequently reclassified to profit or loss:		
Change in fair value of cash flow hedges	(59)	423
Reclassification adjustments for losses on cash flow hedges transferred to the Income Statement	(92)	(423)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(151)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	79,855	22,935

Interim Consolidated Balance Sheet

	Notes	31 December 2017 \$'000	30 June 2017 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	78,515	48,756
Term deposits and subordinated notes	7	366,000	365,500
Financial assets held for trading	8	32,933	32,523
Trade and other receivables		6,998	9,528
Inventories	9	21,010	20,736
Prepayments		8,230	1,953
Derivative financial assets		173	341
TOTAL CURRENT ASSETS		513,859	479,337
NON-CURRENT ASSETS			
Property, plant and equipment	10	5,033	5,919
Mine properties	11	42,560	10,891
TOTAL NON-CURRENT ASSETS		47,593	16,810
TOTAL ASSETS		561,452	496,147
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		38,442	31,477
Employee benefits		3,012	2,966
Provisions		3,429	3,651
TOTAL CURRENT LIABILITIES		44,883	38,094
NON-CURRENT LIABILITIES			
Employee benefits		432	334
Provisions		39,158	38,736
TOTAL NON-CURRENT LIABILITIES		39,590	39,070
TOTAL LIABILITIES		84,473	77,164
NET ASSETS		476,979	418,983
EQUITY			
Issued capital	14	568,328	568,328
Accumulated losses		(1,073,031)	(1,131,178)
Reserves		981,682	981,833
TOTAL EQUITY		476,979	418,983

Interim Consolidated Statement of Cash Flows

For the half-year ended 31 December

	Notes	31 December 2017 \$'000	31 December 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		95,156	96,690
Payments to suppliers and employees		(80,581)	(89,620)
Proceeds from business interruption insurance		64,287	-
Interest paid		(123)	(98)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		78,739	6,972
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		6,817	5,271
Proceeds from sale of property, plant and equipment		128	2,221
Purchase of property, plant and equipment		(2,019)	(1,426)
Payment for term deposits		(500)	(46,499)
Proceeds from sale of financial assets held for trading		5,554	4,196
Payment for financial assets held for trading		(5,476)	(14,848)
Payment for deferred exploration and evaluation expenditure		(303)	(469)
Payment for mine development		(31,038)	-
Proceeds from seawall property insurance		-	34,558
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(26,837)	(16,996)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		-	(421)
Borrowing costs		(108)	(145)
Dividends paid		(21,859)	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(21,967)	(566)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		29,935	(10,590)
Net foreign exchange difference		(176)	190
Cash and cash equivalents at beginning of period		48,756	43,316
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6[a]	78,515	32,916

Interim Consolidated Statement of Changes in Equity

For the half-year ended 31 December

	<i>Attributable to Equity Holders of the Parent</i>						Total Equity \$'000
	Issued Capital \$'000	Accumulated Losses \$'000	Share Based Payments Reserve \$'000	Net Unrealised Gains / (Losses) Reserve \$'000	Dividend Distribution Reserve \$'000	Other Reserves \$'000	
At 1 July 2016	568,328	(1,157,500)	20,037	-	964,262	(3,192)	391,935
Profit for the period	-	22,935	-	-	-	-	22,935
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	22,935	-	-	-	-	22,935
Transactions with owners in their capacity as owners							
- Dividends paid	-	-	-	-	-	-	-
Share-based payments	-	-	247	-	-	-	247
At 31 December 2016	568,328	(1,134,565)	20,284	-	964,262	(3,192)	415,117
At 1 July 2017	568,328	(1,131,178)	20,531	232	964,262	(3,192)	418,983
Profit for the period	-	80,006	-	-	-	-	80,006
Other comprehensive income	-	-	-	(151)	-	-	(151)
Total comprehensive income for the period	-	80,006	-	(151)	-	-	79,855
Transactions with owners in their capacity as owners							
- Dividends paid	-	(21,859)	-	-	-	-	(21,859)
Share-based payments	-	-	-	-	-	-	-
At 31 December 2017	568,328	(1,073,031)	20,531	81	964,262	(3,192)	476,979

Notes to the Half-Year Financial Report

For the half-year ended 31 December 2017

1. Corporate Information

The consolidated financial report of the Group, comprising the Company and the entities that it controlled during the half-year ended 31 December 2017, was authorised for issue in accordance with a resolution of the Directors on 12 February 2018.

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

The nature of operations and principal activities of the Group are the mining of hematite iron ore deposits at Extension Hill, the sale of iron ore products, redevelopment of the Koolan Island iron ore mine, and the exploration and development of hematite deposits in Western Australia.

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

2. Basis of Preparation and Accounting Policies

(a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2017 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The half-year financial report:

- does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report;
- should be read in conjunction with the Annual Financial Report of Mount Gibson Iron Limited for the year ended 30 June 2017. It is also recommended that the half-year financial report be considered together with any public announcements made by Mount Gibson during and subsequent to the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and Australian Securities Exchange Listing Rules;
- has been prepared on a historical cost basis, except for derivatives and assets held for trading financial instruments that have been measured at fair value; and
- is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under Australian Securities and Investment Commission ("**ASIC**") Instrument 2016/191. The Company is an entity to which the instrument applies.

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

(b) Significant accounting policies

Since 1 July 2017, the Group has adopted all Accounting Standards and Interpretations mandatory to annual periods beginning on or after 1 July 2017. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group. 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 2017.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In view of the current state of operations, the Group has yet to fully assess the full impact of the below accounting standards, when applied in future periods:

- AASB 9 *Financial Instruments* brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. This standard does not apply mandatorily before 1 January 2018 and the application date for the Group is 1 July 2018. The Group continues to assess the impacts of AASB 9 and has formed the initial view that there will be no material differences in the carrying amounts of financial assets and financial liabilities when it is first adopted for the year ending 30 June 2019.
- AASB 15 *Revenue from Contracts with Customers* changes the timing (and in some case, the quantum) of revenue recognised from customers. The standard does not apply mandatorily before 1 January 2018 and the application date for the Group is 1 July 2018. The Group continues to assess the impacts of AASB 15 and has formed an initial view that the new standard may operate to require the deferral of certain revenues apportioned to the remaining sea voyages of vessels "in transit" to their destination ports as at balance date where iron ore cargoes are discharged and sales revenues fully earned. Based on the limited number of vessels expected to be in transit at any balance date (as at 31 December 2017 the Group had only two vessels in transit), the new standard is considered unlikely to have a material impact on the Group's financial results when it is first adopted for the year ending 30 June 2019.
- AASB 16 *Leases* eliminates the distinction between operating and finance leases, and brings all leases (other than short term leases) onto the balance sheet. The standard does not apply mandatorily before 1 January 2019. The Group has yet to fully assess the impact on the Group's financial results when it is first adopted for the year ending 30 June 2020.

(c) Key accounting estimates, judgments and assumptions

Estimates, judgments and assumptions used in developing and applying the Group's accounting policies are continually evaluated and are based on experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The significant estimates, judgments and assumptions are consistent with those applied by the Group in its annual consolidated financial statements for the year ended 30 June 2017.

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	Notes	31 December 2017 \$'000	31 December 2016 \$'000
3. Revenue and Other Income			
[a] Revenue			
Sale of ore – continuing operations		87,937	93,641
Realised gain on foreign exchange hedges and commodity forward sales contracts		2,246	169
		90,183	93,810
[b] Other income			
Net realised gain on foreign exchange transactions		227	458
Net gain on disposal of property, plant and equipment		128	1,856
Net gain on sale of financial assets held for trading		40	38
Net unrealised gain on foreign exchange balances		-	191
Insurance proceeds – business interruption insurance claim		64,287	-
Insurance proceeds - other		4	-
Other income		202	1,954
		64,888	4,497
4. Expenses			
[a] Cost of sales – continuing operations			
Mining and administration costs		16,986	15,303
Depreciation – mining and administration		366	2,283
Amortisation of mine properties	11[a]	2,147	-
Crushing costs		2,595	2,090
Depreciation – crushing		17	744
Transport costs		36,651	36,566
Depreciation – transport		297	180
Port costs		7,722	8,622
Depreciation – port		61	52
Royalties		6,614	6,989
Net ore inventory movement		(157)	2,791
		73,299	75,620
[b] Finance costs			
Finance charges on banking facilities		199	265
Non-cash interest accretion on rehabilitation provision		106	332
		305	597
[c] Administration and other expenses include:			
Depreciation		177	324
Share-based payments expense		-	247
Net unrealised loss on foreign exchange balances		176	-
Koolan seawall insurance claim and related site works expenses		360	224
Impairment reversal of debtors		(114)	465
Impairment write-back on consumables inventories		(238)	(101)
Impairment (write-back)/impairment of deferred acquisition, exploration and evaluation		(65)	619
Koolan restart feasibility study		-	1,213
Business development expenses		1,436	526
Foreign exchange derivatives marked-to-market loss		17	423
Financial assets held for trading marked-to-market (gain)/loss		(447)	309
Iron ore derivatives marked-to-market gain		-	(1,311)
[d] Cost of sales & Administration and other expenses include:			
Salaries, wages expense and other employee benefits		11,175	10,961
Operating lease rental – minimum lease payments		1,671	776

Mount Gibson Iron Limited
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31 December 2017 \$'000	31 December 2016 \$'000
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5. Taxation

Reconciliation of tax benefit

A reconciliation of tax benefit/(expense) applicable to accounting profit/(loss) before tax at the statutory income tax rate to tax expense at the Group's effective tax rate for the period ended 31 December 2017 and 2016 is as follows:

Accounting profit/(loss) before tax	80,006	21,454
• At the statutory income tax rate of 30% (2016: 30%)	24,002	6,436
• Expenditure not allowed for income tax purposes	(2)	145
• Adjustments in respect of current income tax of previous year	-	(1,481)
• Recognition of previously unrecognised deferred tax assets	(24,040)	(7,403)
• Other	40	822
Tax benefit	-	(1,481)
Effective tax rate	-	(6.9%)
Tax benefit reported in Income Statement	-	(1,481)

Unrecognised deferred tax assets (calculated at 30%)

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

• Tax losses	47,365	68,385
• Non-current assets	42,751	46,916
	90,116	115,301

The Company has \$49,843,000 of franking credits available as at 31 December 2017 (31 December 2016 : \$60,774,000). The movement from the prior comparative period is related primarily to the payment in October 2017 of a fully franked dividend of \$21,859,000.

Mount Gibson Iron Limited
31 December 2017 Half-Year Financial Report

31 December 2017 \$'000	30 June 2017 \$'000
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6. Cash and Cash Equivalents

[a] Reconciliation of cash

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

Cash at bank and on hand	48,515	33,756
Short-term deposits	30,000	15,000
	78,515	48,756

Notes	31 December 2017 \$'000	30 June 2017 \$'000
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7. Term Deposits and Subordinated Notes

Current

Term deposit - receivables	[i]	269,000	268,500
Subordinated notes – available for sale investment	[ii]	97,000	97,000
		366,000	365,500

- [i] Term deposits are made for varying periods of between three and twelve months depending on the term cash requirements of the Group, and earn interest at market term deposit rates.
- [ii] Subordinated notes comprise tradeable floating interest rate instruments with maturities of up to ten years. These instruments are held in order to supplement the Group's treasury returns, and the Group intends and is able to realise these instruments as and when the Group's cash needs require.

31 December 2017 \$'000	30 June 2017 \$'000
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8. Financial Assets Held for Trading

Current

Tradeable corporate bonds at fair value	31,193	31,217
Share investments at fair value	1,740	1,306
	32,933	32,523

Financial assets held for trading comprise corporate bonds and equity securities which are traded in active markets. The portfolio of bond investments 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.

Mount Gibson Iron Limited
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	Notes	31 December 2017 \$'000	30 June 2017 \$'000
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9. Inventories

Consumables – at cost		12,623	12,813
Allowance for obsolescence and impairment of consumables inventories		(7,296)	(7,604)
		<u>5,327</u>	<u>5,209</u>
Ore – at cost		17,146	18,680
Allowance for impairment of ore inventories	[i]	(1,463)	(3,153)
At net realisable value		<u>15,683</u>	<u>15,527</u>
		21,010	20,736

[i] Impairment write-backs on ore inventories of \$1,691,000 were recorded during the half-year period as a result of the ore being sold in the period. This amount is included in the net ore inventory movement in note 4[a].

	31 December 2017 \$'000	30 June 2017 \$'000
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10. Property, Plant and Equipment

Property, plant and equipment – at cost	439,462	438,301
Accumulated depreciation and impairment	(434,429)	(432,382)
	<u>5,033</u>	<u>5,919</u>

[a] Reconciliation

Carrying amount at the beginning of the period	5,919	8,744
Additions	2,019	3,855
Disposals	-	(377)
Depreciation expense – continuing operations	(918)	(5,631)
Depreciation expense – discontinued operations	(12)	(43)
Depreciation capitalised	(1,975)	(629)
	<u>5,033</u>	<u>5,919</u>

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**31 December
2017
\$'000** **30 June
2017
\$'000**

11. Mine Properties

Mine development expenditure	1,582,445	1,548,630
Accumulated amortisation and impairment	(1,539,885)	(1,537,739)
	42,560	10,891

[a] Reconciliation

	Koolan Island		Extension Hill		Total	
	31-Dec-17	30-Jun-17	31-Dec-17	30-Jun-17	31-Dec-17	30-Jun-17
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred waste						
Carrying amount at the beginning of the period	-	-	-	-	-	-
Deferred waste capitalised	-	-	-	-	-	-
Amortisation expensed	-	-	-	-	-	-
Carrying amount at the end of the period	-	-	-	-	-	-
Other mine properties						
Carrying amount at the beginning of the period	4,988	-	5,903	-	10,891	-
Additions	33,549	4,988	267	411	33,816	5,399
Mine rehabilitation – revised estimate	-	-	-	2,467	-	2,467
Transferred from deferred acquisition, exploration and evaluation costs	-	-	-	3,427	-	3,427
Amortisation expensed	-	-	(2,147)	(402)	(2,147)	(402)
Carrying amount at the end of the period	38,537	4,988	4,023	5,903	42,560	10,891
Total mine properties	38,537	4,988	4,023	5,903	42,560	10,891

12. Impairment of Assets

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

As at 31 December 2017, there were no indicators of impairment present and, accordingly, no impairment expenses or reversals thereof have been recognised during the period (2016: nil).

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31 December 2017 \$'000	30 June 2017 \$'000
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13. Interest-Bearing Loans and Borrowings

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

Performance bonding facility

Used at reporting date	9,544	11,608
Unused at reporting date	10,456	8,392
Total facility	20,000	20,000

Terms and conditions relating to the above facility:

In May 2011, the Company entered into a Facility Agreement comprising a Corporate Loan facility and a Performance Bonding facility. The undrawn Corporate Loan facility was cancelled in April 2013. The Performance Bonding facility was reduced in size from \$55,000,000 to \$20,000,000 in June 2017 and extended to 30 June 2021. As at balance date, bonds and guarantees totalling \$9,544,000 were drawn under the Performance Bonding facility.

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

Notes	31 December 2017 \$'000	30 June 2017 \$'000
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14. Issued Capital

[a] Ordinary shares

Issued and fully paid	[b]	568,328	568,328
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31 December 2017	
Number of Shares	\$'000

[b] Movement in ordinary shares on issue

Beginning of the half-year:

Unrestricted shares		1,091,813,060	568,328
Restricted shares – Loan Share Plan	[e]	4,749,456	-

		1,096,562,516	568,328
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Movement

		-	-
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End of the half- year

		1,096,562,516	568,328
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[c] Share options

As at balance date there were no options on issue.

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

[d] Performance rights

During the 6 month period to 31 December 2017, no performance rights were issued.

As at 31 December 2017, there were no performance rights on issue (30 June 2017: nil).

[e] Loan Share Plan

The Company has 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 performance conditions. The shares are issued at their market value with the recipient required to pay this market value in order to take up the share offer. The Company or any of its subsidiaries will provide a loan to fund the acquisition price. The loan is interest-free and is secured against the shares in the form of a holding lock preventing all dealing in the shares. The loan is limited recourse such that if the shares do not ultimately vest and are therefore forfeited, this is treated as full repayment of the loan balance. While the loan balance remains outstanding, any dividends paid on the shares 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.

The Company made the first issue of 4,749,456 shares under the LSP on 24 August 2016. In accordance with the terms of the LSP, the shares fully vested on 1 July 2017. The associated limited recourse loans under the LSP totalled \$1,429,000 as at 31 December 2017.

There were no shares issued under the LSP during the half-year ended 31 December 2017.

15. Dividends Paid and Proposed

During the half-year ended 31 December 2017, a final dividend of \$0.02 per share fully franked in respect of the 2016/17 financial year was paid in cash totalling \$21,859,000.

16. Operating Segments

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

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

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

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

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16. Operating Segments (Continued)

	Extension Hill		Koolan Island		Unallocated*		Consolidated	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Half-Year Ended:								
Segment revenue								
Revenue from sale of iron ore	90,183	93,810	-	-	-	-	90,183	93,810
Interest revenue	-	-	-	-	6,238	6,032	6,238	6,032
Segment revenue	90,183	93,810	-	-	6,238	6,032	96,421	99,842
Segment result								
Earnings/(loss) before impairment, interest, tax, depreciation and amortisation	18,082	24,804	-	(3,355)	63,531	2,972	81,613	24,421
Impairment (loss)/reversal	1,929	84	-	17	65	(619)	1,994	(518)
Earnings/(loss) before interest, tax, depreciation and amortisation	20,011	24,888	-	(3,338)	63,596	2,353	83,607	23,903
Depreciation and amortisation	(2,888)	(1,401)	-	(1,858)	(177)	(324)	(3,065)	(3,583)
Segment result	17,123	23,487	-	(5,196)	63,419	2,029	80,542	20,320
Finance costs							(305)	(597)
Profit before tax and discontinued operations							80,237	19,723
Items included in segment result:								
Impairment (write-backs) on consumables inventories	(238)	(84)	-	(17)	-	-	(238)	(101)
Impairment (write-backs) on ore inventories	(1,691)	-	-	-	-	-	(1,691)	-
Impairment/(write-backs) of exploration and evaluation expenditure	-	-	-	-	(65)	619	(65)	619
	(1,929)	(84)	-	(17)	(65)	619	(1,994)	518
* 'Unallocated' includes interest revenue (\$6,238,000), insurance proceeds from business interruption claim (\$64,287,000) and corporate expenses such as head office salaries and wages.								
Segment assets								
Current financial assets	22,880	9,504	5,871	2,152	455,868	444,992	484,619	456,648
Other current assets	18,535	17,289	8,781	4,249	1,924	1,151	29,240	22,689
Property, plant and equipment	2,442	2,637	2,280	2,580	311	702	5,033	5,919
Mine properties	4,023	5,903	38,537	4,988	-	-	42,560	10,891
Total assets	47,880	35,333	55,469	13,969	458,103	446,845	561,452	496,147
Segment liabilities								
Financial liabilities	26,350	19,136	8,427	4,184	3,665	8,157	38,442	31,477
Other liabilities	14,360	13,944	28,215	27,762	3,456	3,981	46,031	45,687
Total liabilities	40,710	33,080	36,642	31,946	7,121	12,138	84,473	77,164
Net assets/(liabilities)	7,170	2,253	18,827	(17,977)	450,982	434,707	476,979	418,983

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31 December 2017 \$'000	31 December 2016 \$'000
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17. Discontinued Operations

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

[a] Profit/(loss) from discontinued operations

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

Revenue	-	8,183
Cost of sales	-	(8,183)
Impairment of ore inventories	-	1,731
Gross profit	-	1,731
Other expenses	(231)	-
Profit/(loss) before tax and finance costs from discontinued operations	(231)	1,731
Finance costs	-	-
Profit/(loss) before tax from discontinued operations	(231)	1,731
Tax expense	-	-
Net profit/(loss) after tax from discontinued operations	(231)	1,731
Earnings/(loss) per share (cents per share):		
▪ basic earnings/(loss) per share	(0.02)	0.16
▪ diluted earnings/(loss) per share	(0.02)	0.16

[b] Cash flow from discontinued operations

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

Operating	(504)	2,055
Investing	-	-
Financing	-	-
Net cash inflow/(outflow) from discontinued operations	(504)	2,055

18. Financial Instruments

[a] Foreign currency risk

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

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

During the 6 month period ended 31 December 2017, there were no US dollar foreign exchange forward contract deliveries.

At 31 December 2017, the notional amount of the foreign exchange hedge book totalling US\$20,000,000 is made up exclusively of collar option contracts with maturity dates due in the 6 months ending 30 June 2018 and with an average cap price of A\$1.00/US\$0.7870 and an average floor price of A\$1.00/US\$0.7541.

As at 31 December 2017, the marked-to-market unrealised gain on the total outstanding US dollar foreign exchange hedge book of US\$20,000,000 was A\$173,000.

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

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

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

[b] Commodity price risk

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

During the period, the Group entered into forward sales agreements covering three shipments each of 50,000 tonnes of iron ore, with maturity dates spread over the period October to December 2017. The contracts were stated in US\$ per dry metric tonne and were cash settled against the average daily CFR benchmark price for 62% Fe fines ores for delivery to northern China. The average price of the forward contracts at each maturity date was between US\$72 and US\$75 per tonne. Movements in the market value of the forward sale contracts are taken to the income statement. There were no outstanding iron ore forward contracts as at 31 December 2017 however a receivable of \$43,000 was recorded at balance date in relation to the contract that matured in December 2017 which will be cash settled in January 2018.

[c] Fair value of financial assets and financial liabilities

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

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

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

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

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

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

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

The carrying amounts and fair values of the financial assets and financial liabilities for the Group as at 31 December 2017 are shown below.

	31 December 2017 Carrying Amount \$'000	31 December 2017 Fair Value \$'000	30 June 2017 Carrying Amount \$'000	30 June 2017 Fair Value \$'000
Financial assets - current				
Cash	48,515	48,515	33,756	33,756
Short-term deposits	30,000	30,000	15,000	15,000
Term deposits - receivables	269,000	269,000	268,500	268,500
Subordinated notes – available-for-sale	97,000	97,000	97,000	97,000
Financial assets held for trading	32,933	32,933	32,523	32,523
Trade debtors and other receivables	6,998	6,998	9,528	9,528
Derivatives	173	173	341	341
	484,619	484,619	456,648	456,648
Financial liabilities – current				
Trade and other payables	38,442	38,442	31,477	31,477
	38,442	38,442	31,477	31,477
Net financial assets	446,177	446,177	425,171	425,171

19. Events After Balance Sheet Date

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

20. Commitments

At 31 December 2017, the Group has commitments of:

- \$5,527,000 (31 December 2016: \$7,653,000) relating to operating leases for the provision of mobile fleet equipment and office rental;
- \$9,456,000 (31 December 2016: \$14,937,000) relating primarily to contractual commitments in respect of mining and transport that are not liabilities at the balance date; and
- \$65,000 (31 December 2016: \$58,000) relating to capital commitments for the purchase of property, plant and equipment at Extension Hill and Koolan Island.

21. Related Party Disclosures

Ultimate parent

Mount Gibson Iron Limited is the ultimate Australian parent company.

Director-related entity transactions

Sales

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

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

- The sale to SCIT of 80% of iron ore from Koolan Island's available mined production over the life of mine.
- The sale to a subsidiary of APAC of 20% of iron ore from Koolan Island's available mined production over the life of mine.
- The sale to SCIT of approximately 25% of the first year's available iron ore production from the Iron Hill deposit located at the Extension Hill minesite.
- Ad-hoc spot sales of iron ore from Extension Hill and Iron Hill.

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

- Sold 182,776 wmt (2016: nil wmt) of iron ore to APAC; and
- Sold 835,935 wmt (2016: nil wmt) of iron ore to SCIT.

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

	31 December 2017 \$'000	30 June 2017 \$'000
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Assets and Liabilities

Current Assets

Trade receivables - APAC	266	2,566
Trade receivables - SCIT	1,999	-
Total trade receivables	<u>2,265</u>	<u>2,566</u>
Total Assets	<u>2,265</u>	<u>2,566</u>

Current Liabilities

Trade payables – APAC	-	-
Trade payables - SCIT	-	-
Total trade payables	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>

	31 December 2017 \$'000	31 December 2016 \$'000
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Net Sales Revenues

Net sales revenue - APAC	6,277	-
Net sales revenue - SCIT	53,487	-
	<u>59,764</u>	<u>-</u>

22. Contingent Liabilities

1. The Group has a performance bonding facility drawn to a total of \$9,544,000 (30 June 2017: \$11,608,000). The performance bonds secure the Group's obligations relating to environmental matters and infrastructure.
2. Certain claims arising with customers, employees, consultants and contractors have been made by or against certain controlled entities in the ordinary course of business, some of which involve litigation or arbitration. The Directors do not consider the outcome of any of these claims will have a material adverse impact on the financial position of the consolidated entity.

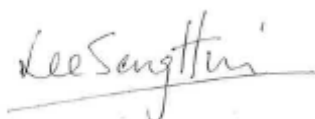
Directors' Declaration

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

In the opinion of the Directors:

- a. the financial statements and the notes of the Group for the half-year ended 31 December 2017 are in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the financial position as at 31 December 2017 and the performance of the Group for the half-year ended on that date; and
 - ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Lee Seng Hui
Chairman

12 February 2018

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

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Mount Gibson Iron Limited (the Company) and its subsidiaries (collectively the Group), which comprises the interim consolidated balance sheet as at 31 December 2017, the interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



Independence

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

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Gavin Buckingham'.

Gavin Buckingham
Partner
Perth
12 February 2018