



# Mount Gibson Iron Limited

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## ASX ANNOUNCEMENT

**ASX Code : MGX**

3 June 2019

### Koolan Island Offtake Agreement

Mount Gibson Iron Limited (**Mount Gibson**) advises that it has approved Shougang Concord International Enterprises Company Limited (**Shougang Concord**) and SCIT Trading Limited (**SCIT**) novating their respective interests as guarantor and buyer under their existing Koolan Island offtake agreement to HKSE-listed entity Newton Resources Ltd (**Newton**) and its subsidiary Ace Profit Investment Limited (**Ace**).

Shougang Concord is a substantial shareholder in Shougang Fushan Resources Group Limited, an entity which currently holds an indirect 14.5% shareholding in Mount Gibson. Under the existing Koolan Island offtake arrangements, Shougang Concord and SCIT hold a longstanding life-of-mine offtake agreement to purchase 80% of available iron ore production from Koolan Island.

Shougang Concord has advised that its controlling shareholder Shougang Group Co Ltd (**Shougang Group**), a Chinese State Owned Entity, has undertaken a strategic review of its iron ore business interests and is restructuring those interests through Newton. We understand that Newton is expanding its iron ore business team as part of the restructure. Shougang Group currently holds a shareholding of approximately 27.5% in Newton.

Under the proposal, Newton will act as guarantor under the Koolan offtake, and Ace as buyer. Newton is principally engaged in the supply and trading of iron ores, iron concentrates, coals and stone products. Newton is seeking to expand its iron ore trading business via existing relationships with steel mills on the Chinese mainland, and has previously purchased iron ore from Mount Gibson's Mid-West operations. In addition to Newton's guarantee, Ace's obligations as buyer are further supported by a US\$75 million guarantee provided by VMS Investment Group Limited, a prominent Hong Kong-based private investment entity with a shareholding of approximately 28.7% in Newton.

Novation agreements and guarantee documents have been negotiated and executed, and the Koolan offtake agreement updated to reflect the new entities involved, references to relevant high grade (+65% Fe) iron ore market indices, and other minor changes to improve the operational efficiency of the offtake for both buyer and seller. The novation and guarantee arrangements remain conditional upon Newton and Shougang Concord shareholder approval (if required) and a legal opinion confirming valid execution of documentation.

Mount Gibson looks forward to continuing its relationship with the Shougang Group and building its offtake relationship with Newton and Ace going forward.

For further information:

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