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ASX ANNOUNCEMENT

ASX Code : **MGX**

24 November 2016

Mount Gibson signs iron ore offtake agreement for Iron Hill Deposit

Mount Gibson Iron Limited ("**Mount Gibson**") is pleased to advise that it has entered into an offtake agreement with Chinese customer Sinogiant Steel Holdings Group Limited ("**Sinogiant**") for the purchase of approximately one quarter of the first year's available annual production planned from the Company's Iron Hill iron ore deposit, near the existing Extension Hill mine in the Mid West of Western Australia.

Sinogiant is one of China's largest private metallurgical companies with two steel mills in Hebei Province with a total annual steel production capacity of 10.5 million tonnes per year. Sinogiant is an existing buyer of iron ore from Mount Gibson's Extension Hill mine.

Terms of the 12 month offtake agreement include market reflective pricing referenced to the Platt's 62% Fe Index price, and market-typical lump premium and impurity penalties, on a Cost and Freight (CFR) basis. The agreement covers a percentage of available production from the Iron Hill deposit.

Mount Gibson is in advanced discussions with other prospective customers with a view to securing total offtake commitments for up to 80% of available annual production from Iron Hill deposit. Consistent with existing sale arrangements for Extension Hill, Mount Gibson intends to market the uncommitted proportion directly to spot customers on a cargo by cargo basis.

The agreement remains conditional upon regulatory approvals and project completion being achieved by 30 June 2017.

As previously indicated, subject to receipt of final regulatory approvals, Mount Gibson aims to start development of the Iron Hill deposit in time to commence sales when remaining stockpiles of standard hematite from the Extension Hill open pit are exhausted in the first half of calendar 2017.

Iron Hill represents a low-capital cost production extension opportunity for the Company's Mid West business. Development capital costs are expected to total \$2-3 million, given Iron Hill's location just 3km south of the recently depleted Extension Hill open pit, and utilisation of the Company's existing mine facilities and logistics arrangements. All-in cash costs are expected to be consistent with Extension Hill. Iron Hill has total Indicated and Inferred Mineral Resources of 8.8 Million tonnes grading 58.3% Fe¹.

Mount Gibson's guidance for 2016-17 is for total ore sales of 2.8 – 3.1 million tonnes, including approximately 2.0 million tonnes of standard material from the recently depleted Extension Hill pit. The remainder will comprise sales from existing low grade stockpiles at Extension Hill and standard ore sales from the Iron Hill deposit, with the mix dependent on market conditions and the timing of final approvals for Iron Hill.

¹ Refer ASX release dated 31 August 2016.

Mount Gibson Chief Executive Officer Jim Beyer said: "A significant number of prospective customers have expressed interest in product from the Iron Hill deposit, underlining both the high quality of Iron Hill material and the depth of Mount Gibson's relationships in China.

"It is therefore very pleasing to enter into an agreement such as this with Sinogiant, which has been a regular and reliable spot customer of Mount Gibson for an extended period."

For further information:

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Competent Person attribution

The information in this report relating to the Mineral Resources for the Iron Hill Deposit 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. Ms Haren was a full-time employee of, and is now 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. The Mineral Resource estimates comply with recommendations in the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2012) by the Joint Ore Reserves Committee (JORC). Therefore they are suitable for public reporting.