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ASX ANNOUNCEMENT

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Mount Gibson signs second iron ore offtake agreement for Iron Hill

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

Xinyu is the purchasing agent for two mainland China steel producers, Yancheng Steel Tube Co. Ltd and Shandong Zhongfa Steel Co. Ltd., and currently handles approximately 3 million tonnes of iron ore annually.

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 is the second iron ore offtake agreement signed for the Iron Hill deposit¹, taking contracted sales volumes to approximately one half of available production in the first year of operation. As previously indicated, Mount Gibson is in advanced discussions with other prospective customers with a view to securing offtake commitments for up to 80% of available annual production from Iron Hill. 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 Xinyu 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 project in time to commence sales when remaining stockpiles of standard hematite from Extension Hill are exhausted in the first half of calendar 2017.

Mount Gibson Chief Executive Officer Jim Beyer said: "It is pleasing to have now signed agreements for approximately half of our anticipated first year production from the Iron Hill deposit, and we welcome Xinyu as a new major offtake customer."

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¹ Refer ASX release dated 24 November 2016