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ASX ANNOUNCEMENT

ASX Code : MGX

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Iron Hill Receives Ministerial Approval

Mount Gibson Iron Limited (**Mount Gibson**) is pleased to advise that Western Australia's Minister for the Environment has given approval for the company's proposed development of the Iron Hill iron ore mine in the State's Mid West region.

Upon receipt of final regulatory approvals Mount Gibson intends to proceed to development at Iron Hill as soon as possible in order to commence production in the first half of 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.

As previously indicated, Mount Gibson is expecting full year ore sales of 2.8 – 3.1 million tonnes in the 2016-17 financial year, comprising a mix of run-of-mine material from the Extension Hill and Iron Hill deposits, supplemented by opportunistic sales from existing low grade stockpiles.

Mount Gibson Chief Executive Officer Jim Beyer said: "We welcome this important environmental approval of the Iron Hill mine, which takes us one step closer to commencing mine development in early 2017."

Mount Gibson will provide further updates as appropriate.

For further information:

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¹ Refer ASX release dated 31 August 2016.

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.