



Mount Gibson Iron Limited

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ASX ANNOUNCEMENT

ASX Code : **MGX**

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Mount Gibson Iron to proceed with Iron Hill mine development

Key Points*

- Iron Hill mine to proceed following receipt of final statutory approvals
- Total Iron Hill life-of-mine sales estimated at **5.5–6.0 million wet metric tonnes (Mwmt)** over the current and forthcoming year through to the expected end of production in late 2018
- Life-of-mine site cash costs estimated at **\$46-48/wmt FOB****
- Iron Hill to utilise Extension Hill workforce of approximately 160 staff and contractors along with existing camp/processing/transport infrastructure, and extends life of Mid-West operations until late 2018
- First ore sales targeted for **May 2017**
- Iron Hill to contribute ore sales of approximately **0.4–0.5 Mwmt** in FY2016-17
- Mount Gibson ore sales guidance consequently increased to **3.2–3.5 Mwmt** for FY2016-17, at reduced average all in group cash cost of **\$47-51/wmt FOB[^]**

* All figures in Australian dollars unless stated otherwise.

**Site cash costs are reported FOB and include royalties and capex, but are before corporate costs.

[^]All-in group cash costs are reported FOB and include cash opex, royalties, capex and corporate costs.

Mount Gibson Iron Limited (**Mount Gibson**) is pleased to advise that it has commenced development of its Iron Hill iron ore mine in Western Australia's Mid-West region following receipt of final statutory approvals.

Iron Hill is located 3km south of the Company's recently depleted Extension Hill open pit. This close proximity enables the utilisation of Extension Hill's substantial existing workshops, processing facilities, camp and transport infrastructure, as well as the Extension Hill workforce comprising approximately 160 employees and contractors.

As a result, negligible capital is required to be spent, and first product sales are targeted to commence in May 2017. Life-of-mine site cash costs are also anticipated to be similar to operations at Extension Hill at approximately **\$46-48/wmt** Free on Board (**FOB**).

Based on this development schedule, the Company expects Iron Hill to contribute product sales of approximately **0.4-0.5 Mwmt** in FY2016-17. Total life-of-mine product sales of **5.5-6.0 Mwmt** are expected from Iron Hill through to late 2018 when production is expected to be complete. As previously reported, Mount Gibson has entered into offtake agreements with respect to approximately 70% of the first year of planned production from Iron Hill.¹ Production and cost estimates reflect the Iron Hill mine plan and the

¹ Refer ASX releases dated 24 November 2016, 25 November 2016 and 23 December 2016.

Company's five year operating experience at the nearby Extension Hill pit, including current mining, processing and transport costs.

Consequently, Mount Gibson increases its group ore sales guidance for the 2016-17 financial year **to 3.2-3.5 Mwmt** at average all-in group cash cost² of **\$47-51/wmt FOB** (previously 2.8-3.1 Mwmt at \$48-52/wmt FOB). Sales for FY2016-17 will comprise approximately 2.4 Mwmt of standard direct shipping grade material from Extension Hill and Iron Hill, with the remainder comprising low-margin sales from existing low grade stockpiles.

Mount Gibson Chief Executive Officer Jim Beyer said: "We are very pleased to gain the final approvals required for Iron Hill, which are the successful culmination of a huge effort by our permitting team since the initial application was made over two years ago. Obtaining these approvals in a large part reflects our proven record of, and ongoing commitment to, responsible resources development in the state's Mid-West and Kimberley regions.

"We now look forward to rapidly developing this attractive high value, low-capital production opportunity, thereby extending the life of our Mid-West business. It is also very pleasing to be able to deliver additional value for our shareholders while continuing to provide much needed economic activity in the Mid-West region by way of direct employment and the engagement of local business."

Iron Hill has a Total Mineral Resource of 8.8Mt @ 58.3% Fe³.

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Competent Persons attribution:

The information in this report that relates to 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 and a member of the Australian Institute of Geoscientists. Ms Haren was previously a full-time employee of, and is now a consultant to, Mount Gibson Iron Limited, and 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.

² All-in group cash costs are reported FOB and include cash opex, royalties, capex and corporate costs.

³ Refer Annual Statement of Mineral Resources and Ore Reserves released on 31 August 2016.