



Mount Gibson Iron Limited

ABN 87 008 670 817



Level 1, 2 Kings Park Road
West Perth 6005, Western Australia
PO Box 55, West Perth WA 6872
Telephone: 61-8-9426-7500
Facsimile: 61-8-9485 2305
E-mail: admin@mtgibsoniron.com.au

VIA: WWW.ASXONLINE.COM

ASX Code: MGX

ASX ANNOUNCEMENT

20 April 2018

High grade Koolan Island Ore Reserves increased by over 50% to 21Mt at 65.5% Fe

Highlights

- Main Deposit Ore Reserves increased to **21.0 Million tonnes grading 65.5% Fe** and extending the mine life to over **5 years** (previously 12.8Mt @ 66.0% Fe and life of 3.5 years).
- Reflects confirmation of additional 8Mt of Ore Reserves from Main Pit.
- Pre-tax **Net Present Value** increases by 137% to **\$252 million[#]**, with an estimated pre-tax **Internal Rate of Return of 37%**.
- The estimate assumes a revised high grade premium of 10% (65%Fe v 62%Fe), a conservative assumption compared with the current market high grade premium of approximately 21%.
- At the current 62%Fe CFR spot price of approximately **US\$65/dmt** and high grade premium, the pre-tax NPV increases to **\$536 million** and the IRR increases to **63%**.
- Peak cash draw of approximately \$175 million, up from the original base case of \$145 million, to allow mining access to the additional Ore Reserves and the purchase of additional mining fleet.
- Projected life of mine all-in cash costs of **\$48/wmt** Free on Board (FOB)*, or **\$41/wmt FOB** excluding development capital and final closure costs.
- Estimated breakeven 62%Fe CFR price reduced by US\$6/dmt to **US\$40/dmt** (life of mine).
- First ore sales on track to commence in the March 2019 quarter.

All figures are expressed in Australian dollars unless stated otherwise.

[#] Based on a discount rate of 10% (nominal) and a Platts 62% Fe CFR price of US\$55/dmt at A\$1.00/US\$0.75.

* All-in cash costs are reported FOB and include royalties and capital expenditure, corporate cost allocations and closure costs.

Comment

Mount Gibson Chief Executive Officer Jim Beyer said "It is a great outcome that the team can confirm such a significant increase in Ore Reserves and mine life of one of the world's premier high grade iron ore production opportunities. This upgrade dramatically increases the value of the project to Mount Gibson's shareholders on even the most conservative pricing and exchange rate assumptions.

"The expected average grade of Koolan iron ore of 65.5% Fe provides significant upside to prices above those used in our base case assumption. For example, at the current spot price of approximately US\$65/dmt (Platts 62% Fe CFR) and high grade premium, the pre-tax NPV increases to over \$500 million.

"This highlights the value that comes from re-establishing Mount Gibson as one of the world's premier producers of high grade hematite at a time of rapidly growing demand for premium quality iron ores that is driving substantial premiums for high grade ores.

"Importantly, it also provides a strong platform for further value creation. Our substantial cash reserves and anticipated cashflow from Koolan Island will give us the capacity to undertake this investment without any need to take on debt for the project and be well positioned for other opportunities which may arise."

For further information:

Jim Beyer
Chief Executive Officer
Mount Gibson Iron Limited
+61-8-9426-7500

John Phaceas
Empeiros Advisory
+61-8-9426-7500
+61-(0)411-449-621

Mount Gibson will host an analysts/institutions teleconference at **1.00pm AEST (11.00am WST) on 20 April 2018**. Investors may listen in to the teleconference by dialing **1800 857 029** immediately prior to the scheduled start time and entering the access code **18314558#** at the prompts. A recording of the teleconference will also be available via the Mount Gibson website after completion of the teleconference. In case of difficulties, operator assistance can be reached by calling 1800 857 079 (Australian callers) or +61 3 8788 6028 (overseas callers).

Overview

Mount Gibson Iron Limited (**Mount Gibson**) is pleased to announce Ore Reserves at the high-grade Koolan Island Restart Project in Western Australia have been increased by 64% to **21.0 Million tonnes grading an average of 65.5% Fe**. This upgrade has increased the expected mine life to over **5 years**, compared with the original life of 3.5 years based on the initial Ore Reserves of 12.8Mt grading 66.0% Fe (refer Table 1 and ASX release dated 27 April 2017).

The Reserves increase is the result of geotechnical evaluation to confirm a viable method to safely access approximately 8Mt of high grade iron ore at the eastern end of Main Pit previously classified as Indicated Mineral Resources. This will involve building a ramp to mine out a 10-15m wide bench of relatively unstable rock stretching approximately 400m along the footwall at the eastern end of the Main Pit (refer Figures 2 and 3).

The estimated pre-tax **Net Present Value (NPV)** has increased by \$146 million to **\$252 million**, compared with the original estimated NPV of \$106 million, assuming an average Platts 62% Fe CFR price of US\$55/dmt and an exchange rate of A\$1.00/US\$0.75. The estimated **Internal Rate of Return (IRR)** increases to **37%** before tax, with a payback period of 36 months from the commencement of sales.

The higher NPV and IRR estimates incorporate a conservative increase in the assumed high grade premium from 4% to 10% (per unit of contained iron, or dry metric tonne unit, dmtu) for ores grading 65% Fe, reflecting Mount Gibson's view of the sustainability of the pricing differential for ores grading above and below 62% Fe.

This compares with the currently prevailing market premium of 21%. Applying the 10% premium to the 13Mt base case, the pre-tax NPV of the original project increases by \$37 million to \$143 million and the IRR increases to 40%, with a reduced payback period of 26 months (from 41 months).

This uplift also highlights the significant upside of Koolan Island to higher prices. Based on the current CFR spot price for 62% Fe iron ore of approximately US\$65/dmt and current high grade premium of 21%, the pre-tax **NPV** and **IRR** increase to **\$536 million** and **63%** respectively.

Seawall construction remains on track with the original project schedule to achieve first ore sales in the March 2019 quarter. The overall Project was 57% complete at the end of March 2018.

The plan includes the purchase of one additional excavator and four additional trucks required initially to place an access ramp that will allow for removal of the unstable bench and so avoid any substantive delays to the start of sales. The extra equipment will then allow improvements in future mining rates and continuity. This additional equipment capital investment has an estimated marginal return of over 100% while also allowing flexibility for further optimisation opportunities. Peak cash draw consequently increases from the initial \$145 million to approximately \$175 million. Options to reduce this, including the potential to lease the new equipment, are also being assessed.

When iron ore sales commence, Koolan Island will be the highest grade producer of direct shipping grade hematite in Australia, capitalising on the very significant premium afforded to high grade iron ore products, and insulating Mount Gibson against the discounts applying to ores grading below 62% Fe. These discounts and premiums are expected to pinch and swell over time, however Mount Gibson considers that the change in pricing differentials appears to be largely structural in nature and is therefore likely to persist over the medium and longer term. This view is reflected in the decision to lift the modelled high grade premium from 4% to 10% noting that over the last 12 months the average has been approximately 20%.

Development Plan

Mount Gibson announced development approval of the Koolan Island Restart Project on 27 April 2017, based on initial Ore Reserves totaling 12.8Mt grading 66.0% Fe, with an anticipated production life of 3.5 years. At that time, the Company also reported the potential to convert additional Indicated Resources at the eastern end of the Main Pit to Ore Reserves, subject to further geotechnical and mine modelling work.

This work has now been successfully completed. Proved and Probable Ore Reserves have consequently increased by approximately 8Mt to a total of **21.0Mt grading 65.5% Fe** with a very low level of impurities and extending the anticipated mine life to over **5 years** (refer to Table 1). The Mineral Resource at Koolan Island Main deposit has not been re-interpreted or re-estimated since 30 June 2016.

Table 1: Koolan Island. Main Deposit Mineral Resources and Ore Reserves at 20 April 2018

Main Deposit - Mineral Resources					
<i>Mineral Resources, above 50% Fe</i>	Tonnes millions	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
Measured	2.9	60.1	13.45	0.34	0.007
Indicated	33.5	65.7	4.61	0.67	0.011
Inferred	5.4	61.4	10.96	0.77	0.010
Total	41.9	64.8	6.06	0.66	0.011
Main Deposit - Ore Reserves					
<i>Ore Reserves, above 50% Fe</i>					
Proved	0.1	63.4	7.25	1.11	0.013
Probable	20.9	65.5	4.53	0.88	0.012
Total	21.0	65.5	4.54	0.88	0.012
<i>Previous total at 30 June 2017</i>	<i>12.8</i>	<i>66.0</i>	<i>3.71</i>	<i>0.93</i>	<i>0.009</i>
<i>Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves. All tonnages have been estimated as dry tonnages.</i>					

The revised Ore Reserve estimate significantly increases the modelled NPV and IRR, and demonstrates compelling metrics based on the assumptions indicated in Table 2 below. These also highlight the Project's potential upside in the event of higher prices.

Table 2 – Indicative Financial Metrics

Koolan Island	13Mt Base Case (April 2017)	Reforecast Base Case	New 21Mt Plan	New 21Mt Plan "Spot"
62%Fe CFR Iron Ore Price & FX Assumption	US\$55/dmt & A\$1.00/US\$0.75			US\$65/dmt & A\$1.00/US\$0.78
High grade premium (on a metal unit basis, i.e. per dmtu)	4%	10%	10%	21%
Pre-Tax NPV (10% nominal)	\$106 million	\$143 million	\$252 million	\$536 million
Pre-Tax IRR	34%	40%	37%	63%
Peak Cash Draw	\$145 million	\$147 million	\$175 million	\$150 million
Payback (from first ore sales)	28 months	26 months	36 months	28 months
Life of Mine Ore	12.8Mt	12.8Mt	21.3Mt[#]	21.3Mt [#]
Economic Life	~3.5 years	~3.5 years	~5.1 years	~5.1 years
<i>#Includes approximately 0.3Mt of Inferred Resources within the pit shell, representing <1.5% of total anticipated production and which is not material to the viability of the Project.</i>				

The NPV of the Project is most sensitive to the iron ore price and the foreign exchange rate. Modelling indicates that every US\$1/dmt movement in the iron ore price impacts the pre-tax NPV by approximately \$20 million before tax. Similarly, every US\$0.01 movement in the AUD:USD exchange rate impacts pre-tax NPV by approximately \$13 million.

As noted, Mount Gibson has assumed an average high grade premium (65% Fe vs 62% Fe) of 10% per unit of contained iron to reflect the apparent structural change in market preference for higher grade products. This compares with the 4% premium assumed in the original 13Mt mine plan, and continues to remain a conservative pricing assumption given the currently prevailing market premium is over 20%.

The new mine plan upgrade does not require any change to construction of the Main Pit seawall and seepage barrier which was 57% complete at the end of March. Ore sales remain on track to commence in the March 2019 quarter.

A material change to the initial mine plan involves construction of an access ramp at the eastern end of the Main Pit to enable extraction of a less stable bench of material which extends approximately 400m along the eastern footwall (refer Figures 2 and 3).

As stated, estimated peak cash draw prior to commencement of cashflow has consequently increased by around \$30 million to a total of approximately \$175 million to enable access to the additional 8Mt of Ore Reserves in the Main Pit, and for the purchase of additional mining equipment.

Operating cash costs are forecast at **\$41 per wet metric tonne FOB**, inclusive of sustaining capital, operating costs, royalties and corporate cost allocations. Total all-in cash costs are projected to average **\$48/wmt FOB** over the life of the mine, inclusive of development capital and final closure costs (of approximately \$30.6 million).

These costs reflect unit mining cost estimates of approximately \$7 per wet metric tonne (wmt) of ore and waste mined, \$4/wmt for crushing, and port costs of \$1/wmt. Estimates are based on the Company's operating experience at Koolan Island, updated for known changes in unit rates and anticipated market conditions. The average life of mine waste to ore strip ratio is estimated at 3.2:1.

The Project is estimated to be **cash breakeven**, including all development capital and closure costs, at a Platts 62% Fe CFR iron ore price of **US\$40/wmt** based on the above assumptions and an average shipping freight cost of US\$9/wmt. This compares with the original break-even estimate of US\$46/dmt CFR. The indicative operational profile for each 12 month period following commencement of production is depicted in Table 3 below:

Table 3 – Indicative Annual Operating Schedule

Operating Year (from production commencement)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	21 Mt Total	<i>13 Mt Total</i>
Ore Mined (Mt)	2.9	1.9	5.1	7.4	4.0	-	21.3[#]	<i>12.8</i>
Waste Mined (Mt)	19.1	20.5	16.3	8.8	2.7	-	67.5	<i>38.3</i>
Total Movement (Mt)	22.0	22.4	21.4	16.3	6.7	-	88.8	<i>51.2</i>
Strip Ratio	6.6	10.8	3.2	1.2	0.7	-	3.2	<i>3.0</i>
Ore Crushed (Mt)	2.5	2.3	4.6	5.4	5.4	1.1	21.3[#]	<i>12.8</i>
Ore Shipped (Mt)	2.1	2.6	4.6	5.5	5.3	1.2	21.3[#]	<i>12.8</i>
Fe Grade (%)	65.8%	65.6%	65.0%	65.8%	65.2%	65.8%	65.5%	<i>66.1%</i>
A\$/wmt FOB cash operating cost*	76	68	41	34	28	17	41	<i>42</i>

Discrepancies may appear due to rounding.

Schedule is indicative only, and subject to ongoing optimization, actual mine performance, and prevailing market conditions.

Includes approximately 0.3Mt of Inferred Resources within the pit shell, representing <1.5% of total anticipated production and which is not material to the viability of the Project.

** Cash operating costs include operating expenditure, royalties, sustaining capital expenditure and corporate cost allocations.*

Ore Reserves – Technical Discussion

The Koolan Island mine is located in the Buccaneer Archipelago approximately 130km north of Derby in the Kimberley region of Western Australia. Koolan Island's location and site layout is depicted in Figure 1.

Figure 1: Koolan Island Location, showing site infrastructure relative to Main Pit.



Material Assumptions for Ore Reserves

The Koolan Island Restart Project is a brownfield project and was examined to a Feasibility Study level in April 2017. Material assumptions used in estimating Ore Reserves are as summarised on pages 1-4 of this release. Development commenced in May 2017.

Ore Reserve Classification

The Main Pit Ore Reserves are derived from Measured and Indicated Resources. The Mineral Resource estimate is inclusive of the Ore Reserves (refer Table 1).

The revised Ore Reserves for Main Deposit at Koolan Island, as compared to the original estimates announced on 27 April 2017, are depicted in Table 4:

Table 4 – Comparative Main Pit Ore Reserves Summary – New Mine Plan vs Original Base Case

New Mine Plan Main Deposit Ore Reserves – at 20 April 2018								
Cut-off Grade	Reserve Classification	Million Tonnes	Fe	SiO ₂	Al ₂ O ₃	P	S	LOI
50% Fe	Proved	0.1	63.4	7.25	1.11	0.013	0.008	0.50
50% Fe	Probable	20.9	65.5	4.53	0.88	0.012	0.004	0.37
50% Fe	Proved + Probable	21.0	65.5	4.54	0.88	0.012	0.004	0.37
Base Case Main Deposit Ore Reserves – at 26 April 2017								
Cut-off Grade	Reserve Classification	Million Tonnes	Fe	SiO ₂	Al ₂ O ₃	P	S	LOI
50% Fe	Proved	0.04	63.5	6.68	1.31	0.014	0.008	0.57
50% Fe	Probable	12.8	66.0	3.70	0.92	0.009	0.003	0.42
50% Fe	Proved + Probable	12.8	66.0	3.71	0.93	0.009	0.003	0.42

Material Change to Estimation of Ore Reserves - Geotechnical Factors

A material change to the estimation of the Koolan Island Ore Reserves relates to geotechnical factors associated with accessing material at the eastern end of the Main Pit.

As noted previously, a highly friable, low shear strength plane is present in the footwall of the east end 1026RL bench. Detailed geotechnical stability modelling indicated an unacceptable Factor of Safety (FOS) in this component of the footwall which precluded inclusion of the Mineral Resources in this area from the original Ore Reserve estimate.

Options considered to improve the FOS to appropriate levels included introducing additional ground support methods such as 30m long cemented cable bolts in an attempt to pin the bench to the stable footwall, or complete removal of the bench. Modelling indicated removal of the bench to be the optimum approach as it would eliminate the hazard altogether and thereby achieve a satisfactory FOS.

Removal of the bench (refer Figure 2, bench highlighted in yellow) will be achieved by the placement of an access ramp, utilising approximately 5.4Mt of waste rock, against the wall to provide a working platform.

The cut-back will result in a bench at the 906RL in the eastern end of the pit, at which level the west and eastern footwalls merge and continue as a bench-less wall until completion depth of 814RL. This will provide safe access to 8Mt of additional Ore Reserves (refer Figure 3).

Figure 2 – Main Pit cross-section, looking East, showing 1026RL bench of friable material and rehab ramp.

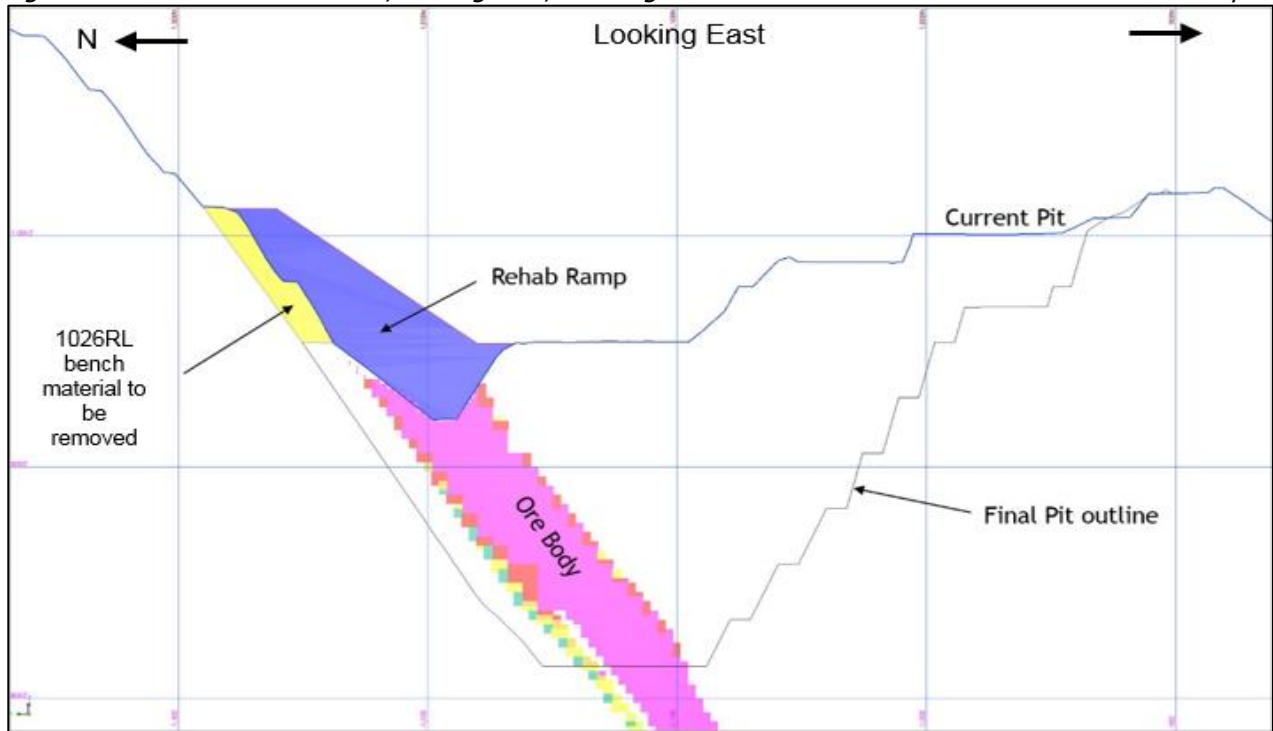
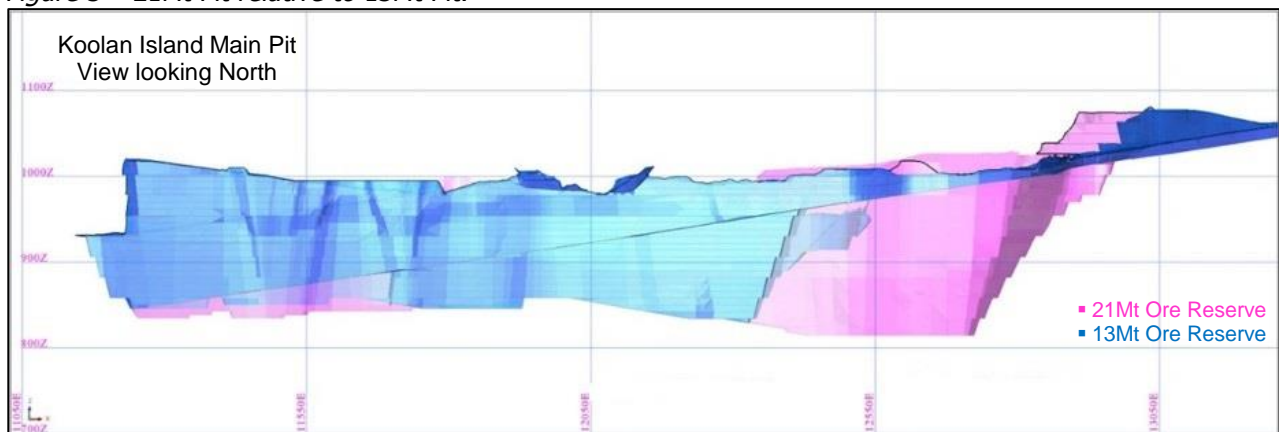


Figure 3 – 21Mt Pit relative to 13Mt Pit.



Mining Method

The mining method is conventional drill/blast and load/haul with an excavator and large open pit mining equipment. This is considered to be appropriate for the style of mineralisation and was previously utilised by Mount Gibson in the Main Pit.

The geotechnical parameters are unchanged from the previous phase of mining in the Main Pit. Based on the geotechnical recommendations, 60° - 75° batter angles and 8m wide berms at 24m intervals within the hanging wall have been incorporated in all pit designs. The Main Pit footwall is berm-less from the base of the pit. The footwall angle varies from 45° in the western end of the pit to approximately 60° in the eastern end of the pit. The revised design in the eastern end of the pit creates a berm at the 906RL level, after which the footwall is berm-less to the 814RL level.

A wall support program incorporating water depressurisation holes, shotcreting, self-drilling anchors and cable bolts (as required) is included in the mine schedule and cost estimates.

A minimum mining width of 30m is applied on all benches for safe and efficient working.

Allowance for dilution and ore loss has been applied using block model regularisation. Block model regularisation has been determined to approximate the findings of a 1.0m dilution skin analysis.

Ore Processing and Metallurgy

Ore will be processed by standard dry crushing and screening process. This is considered to be appropriate for the type of mineralisation and is well tested at other Mount Gibson operations.

Process recovery of 100% is assumed for all materials as is the case for all other Mount Gibson operations using dry crush and screen process, and confirmed in reconciliations.

Main Pit ore was mined and processed over seven years between 2007 and 2014 and the metallurgical properties are well understood. Lump and fines yields and product grades derived from historical data are included in the model for scheduling purposes.

Cut-off Grade

The cut-off grade for the Main Deposit is 50% Fe. This is a fully costed cut-off grade and is based on all operating costs associated with the extraction, processing and shipping of economic material. All material above the cut-off grade, as reported in the Ore Reserve, is included in the Main Pit mining schedule.

Material Modifying Factors

Mining schedules and operating cost estimates have been prepared by Mount Gibson management based on knowledge of the orebody and previous operating experience on the island. Capital expenditure estimates have been prepared based on actual costs for the seawall rebuild to date, and management's estimates of the cost to complete as well as estimates for other items of plant and machinery.

The operating costs for the restart of mining operations have been estimated based on the historical costs of previous mining activities updated for any known changes in rates and reviewed to ensure they are reasonable given the lower volumes and anticipated market conditions.

Major contract costs (including production drilling, explosives supply and associated blasting services, ground support, laboratory services and equipment hire) are based on actual contract rates in place at the time of the cessation of mining in early 2016 and updated for current market price estimates.

All major infrastructure is established and any costs associated with bringing infrastructure into operations has been included the project cost analysis. The island has its own dedicated port and shiploading facilities adjacent to the Main Pit, minimising ore transport requirements. Ore will be loaded onto Panamax-class vessels, with all planned sales volumes committed under existing offtake agreements.

Mining Leases M04/416 and M04/417 are in good standing.

All regulatory approvals are in place to recommence mining in the Main Pit.

The project is located within the Dambimangari Native Title claim area. Mount Gibson has an existing co-existence deed which remains in place with the Dambimangari people and outlines Mount Gibson's commitment to Traditional Owners, and particularly focuses on the provision of employment and training opportunities during the mine life.



The Koolan Island Restart Project economics have been assessed using the discounted cashflow method, based on a monthly schedule of tonnes mined, crushed and shipped. Capital and operating costs are applied to mining, crushing and shipping. State royalties and taxes have also been applied to derive a cashflow forecast and NPV for the Project.

Financial modelling indicates the Koolan Restart Project will produce a positive NPV at a nominal discount rate of 10%.

As previously reported, material site works commenced in May 2017 and the overall Project was 57% complete at the end of March 2018. The Project remains on schedule to commence iron ore sales in the March 2019 quarter, as depicted in Table 5 below.

Table 5 – Project Construction Schedule

Task Name	2017			2018				2019
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Rock Fill Embankment construction	completed							
Seepage Barrier Construction			in progress					
Dewatering & Footwall Rehabilitation								
Mining								
First Sales Commencement								◆

Progress achieved	
31-Mar-18	

Competent Persons Statements

Main Deposit Mineral Resource

The information in this report relating to Mineral Resources for the Koolan Island Main 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 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.

Main Deposit Ore Reserves

The information in this report relating to Ore Reserves at Koolan Island is based on information compiled by Brett Morey, a member of the Australasian Institute of Mining and Metallurgy. Mr Morey is a full-time employee of 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'. Brett Morey consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

APPENDIX 1 – Koolan Island, Main Deposit

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	Commentary
Sampling techniques	<p>All of the data used for resource estimation is based on the logging and sampling of RC and diamond core drilling.</p> <p>Percussion samples were composited over 2m intervals.</p> <p>Diamond samples were taken at 1m intervals.</p> <p>Reverse Circulation samples were taken over 1m intervals. Historical sampling (pre 1993) is of lower quality and where any ambiguity exists is excluded from the database for estimation.</p>
Drilling techniques	<p>Historic BHP drill hole data from 1957 to 1986 was mostly percussion drilled. BHP drilled 1 diamond hole, 25 RC holes with diamond tails, 44 RC holes and an adit. The BHP data makes up 26% of the total database.</p> <p>Aztec drilled 32 reverse circulation holes which make up 10% of the database.</p> <p>Mount Gibson Iron (MGX) has drilled 243 reverse circulation drill holes and four diamond holes since 2007. The MGX holes make up the majority of the database.</p>
Drill sample recovery	<p>Geologist or driller records sample recovery during drilling. No issues were detected.</p> <p>Standard drilling techniques were adequate for sample recovery.</p> <p>No relationship between sample recovery and grade has been demonstrated. No bias to material size has been demonstrated.</p>
Logging	<p>All drill holes have been geologically logged appropriately to the mineralisation style to support Mineral Resource estimation with logging subsequently confirmed through mining.</p> <p>Some diamond core has been photographed.</p> <p>The total length of drill holes is 49,834.5m with approximately 98% of the drill holes logged.</p>
Sub-sampling techniques and sample preparation	<p>Samples are received and prepared at the SGS run Koolan Island lab as 2 to 5 kg RC chip samples. They are dried for 12 hours at 105°C, crushed to <2mm and split and reduced using riffle splitters or rotary sampling devices to 300 grams. The 300 gram sample is pulverised to 75µm, from which an aliquot is taken for XRF and LOI analysis.</p> <p>Sample preparation from historical drilling prior to 1993 by BHP is not clearly understood, however this makes up 26% of the drill database, and less than 10% of sample and assay data used for the remaining Mineral Resource.</p>
Quality of assay data and laboratory tests	<p>The nature, quality and appropriateness of the sample preparation techniques employed by MGX are to industry standard.</p> <p>Most BHP holes were shallow and the areas have since been mined out. No QA/QC information is available for these holes. Comparison between BHP holes and Aztec holes in 2005 showed there is good agreement between both datasets for Fe, and QA/QC data supports the accuracy of the Aztec data across the assay suite. While the BHP SiO₂ and Al₂O₃ data differs, there is no good reason to doubt its quality given that the company was able to operate and successfully meet sales contracts.</p> <p>Aztec Resources Ltd holes had field duplicates, lab duplicates and site made standards as QA checks. Results were of acceptable quality.</p> <p>MGX uses certified reference material as a standard, along with field and laboratory duplicates. MGX QA/QC procedures and results are of acceptable quality.</p>
Verification of sampling and assaying	<p>No external verification was completed.</p> <p>Historical BHP data was twinned by Aztec RC holes and found to be acceptable</p> <p>Drill hole data found to be spurious was excluded from the database</p> <p>Adjustments to data were made where required after data validation processes.</p>

Criteria	Commentary
Location of data points	<p>Survey control of hole locations have been established through the mine survey department, while detailed down hole surveys of accessible holes have been conducted by contractors, Surtron.</p> <p>Koolan Island Mine Grid (KIMG) is aligned consistent with average strike trends of the mineralisation at most of the known deposits, and the Main deposit in particular. The marked variants from this are the Eastern and Mullet limbs. All directional references in the Mineral Resources reports are according to the KIMG, which is rotated +30.18° relative to the Map Grid of Australia (MGA94_51).</p> <p>Topographic and survey control has been undertaken by either the mine-based survey team, or contract survey companies and is considered high quality.</p>
Data spacing and distribution	<p>The data spacing is approximately 50m along the strike of the mineralisation.</p> <p>The data spacing and distribution is more than adequate to establish the degree of geological and grade continuity appropriate for the Mineral Resource estimation and classifications applied.</p> <p>Percussion samples were composited over 2m intervals.</p>
Orientation of data in relation to geological structure	<p>The orientation of the mineralisation is well defined and drill holes were oriented to intersect mineralisation at an appropriate angle.</p>
Sample security	<p>Sample security was not considered a significant risk to the project. No specific measures have been taken by MGX to ensure sample security.</p>
Audits or reviews	<p>A formal audit of BHP drilling and survey data was carried out by Snowden Mining consultants in 2004. The historical BHP and Aztec data is generally of moderate quality as inferred by nearby MGX drill holes confirming broadly the extent and tenor of Fe mineralisation. Most historical data is in mined out areas and has little influence on remaining Mineral Resources. Ongoing reconciliations have not to date indicated an urgent need for external audits of the resource database. An audit of the Koolan mineral laboratory was conducted in May 2014 by an external group with no material concerns or problems identified.</p>

Section 2 Reporting of Exploration Results

(Criteria listed in section 1, and where relevant, in sections 3 and 4, also apply to this section.)

Criteria	Commentary
Mineral tenement and land tenure status	Main Mineral Resource is located on Mining Lease M04/417-I held by Koolan Iron Ore Pty Ltd, a 100% owned subsidiary of MGX. The mining tenement is granted under the Western Australian Mining Act, 1978. Koolan Iron Ore Pty Ltd has a native title and heritage agreement with the Dambimangari Native title group
Exploration done by other parties	Exploration has been conducted in the area of the Main resource since 1922, with active exploration (and mining) by BHP from 1957 to 1993, Aztec Resources from 2004 to 2006 and MGX from 2006 to 2012.
Geology	The mineralised zone is an overturned enriched haematitic sandstone horizon within the Yampi Sandstone Member unconformably overlying the Elgee Siltstone. It is between 12 and 30 metres thick, and dips 65 to 80° to the south.
Drill hole Information	As outlined in Drilling techniques of Section 1, there are more than 300 drill holes at or around the Main deposit dating back to 1957 forming the basis for the Mineral Resource estimate outlined in Section 3. Material drill results for Main pit have previously been announced to the market as required under the reporting requirements of the ASX Listing Rules. All material exploration results relevant to the Main area have been considered in establishing the Mineral Resource discussed in section 3.
Data aggregation methods	Not Applicable - No exploration results or drill hole intercepts are discussed in this ASX announcement.
Relationship between mineralisation widths and intercept lengths	No exploration results or drill hole intercepts are discussed in this ASX announcement, however as the deposit has been mined for a number of years the true mineralisation widths are well known and understood.
Diagrams	Cross Sections, long sections and photos of the geology, mineralisation and mineral resource have been released in previous ASX announcements.
Balanced reporting	Not Applicable - No exploration results or drill hole intercepts are discussed in this ASX announcement.
Other substantive exploration data	Not Applicable - No exploration results or drill hole intercepts are discussed in this ASX announcement.

Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in sections 2 and 4, also apply to this section.)

Criteria	Commentary
Database integrity	<p>Data extracted from the database for Mineral Resource estimation purposes is run through general checks to ensure data validity. The database is maintained by MGX with automated validation and extraction processes in place.</p> <p>Checks on data include sensible ranges of values for attributes, drill hole collars matching topography and within expected limits, overlapping sample intervals, depths, azimuths, dips and co-ordinates for consistency. Any inconsistent information is either modified or excluded from use in the estimation.</p> <p>Further checks are completed during the importing of the data into the mine planning software prior to modelling and estimation.</p>
Site visits	<p>Elizabeth Haren, the Competent Person for Mineral Resources, has made several visits to Koolan Island. Elizabeth Haren was a full-time employee of, and is now a consultant to, Mount Gibson Iron Limited.</p>
Geological interpretation	<p>There is an extremely high degree of confidence with the mineralisation interpretation. The mineralisation and geology is very consistent and has been proven by historical and current mining on Koolan Island.</p> <p>Interpretation used in the Mineral Resource estimate uses the drill holes exclusively.</p> <p>There are limited alternative interpretations possible for the mineralisation which would have a minimal impact on the Mineral Resource.</p> <p>The mineralisation is generally in the Yampi Sandstone directly above the unconformity of the Elgee Siltstone.</p> <p>The continuity of grade and geology is very good.</p>
Dimensions	<p>The Main deposit mineralisation is approximately 2,000 m in length and is currently modelled to approximately 215 m in depth below mean sea level. Mineralisation continues and extends beyond this depth however further infill drilling is required to define this area with confidence. The resource is open at depth.</p>
Estimation and modelling techniques	<p>Ordinary Kriging of a suite of Iron Ore elements (Fe, SiO₂, Al₂O₃, LOI, P, S, CaO, MnO, MgO, Na₂O, TiO) was completed using CAE Studio software. Minor domains of limited extent and information were estimated using Inverse Distance.</p> <p>Waste material was estimated where enough quality data was present however the majority of waste material is assigned default grades.</p> <p>While the mineralisation tends to be planar in most cases, care was taken to ensure orientation changes were honoured by the sample search and estimation orientation regimes. Estimation parameter selection was guided by the results of mining reconciliation.</p> <p>No assumptions were made regarding recovery of by-products.</p> <p>A full suite of Iron Ore elements were estimated.</p> <p>Block sizes used are 25 mE, 6 mN and 8 mRL. The bulk of the drilling data is at a nominal 25 m x 25 m spacing at the western end of the deposit and increases to nominally 50 m x 50 m in the eastern end.</p> <p>No local estimation or SMU correction has been undertaken.</p> <p>Correlations between elements were considered and while co-kriging was not implemented, using similar estimation parameters for correlated elements allows some reproduction of correlations.</p> <p>All estimation was completed within mineralisation units using "hard" boundaries.</p> <p>In general, most element distributions did not have extreme outliers therefore minimal top-cutting was used. Where top-cutting occurred this was done prior to sample compositing.</p> <p>Validation was completed by checking the global averages of composites versus model from each domain, by creating trend plots of composites versus model from each domain and by visual validation of grade trends in the model to ensure they honoured the input data.</p>

Moisture	All tonnages have been estimated as dry tonnages.
Cut-off parameters	<p>The 50% Fe cut-off is determined by the combined grade-tonnage characteristics as the minimum iron grade and/or maximum contaminant grades which will allow production to maintain contract-specified qualities for Lump and Fines products as currently occurring at Koolan Island.</p> <p>A cut-off study was completed by Coffey International Ltd (mining consultants) supporting the choice of 50% Fe as the cut-off.</p>
Mining factors or assumptions	The mining factors assumed correlate directly to recent operations at Koolan Island.
Metallurgical factors or assumptions	The metallurgical factors assumed correlate directly to recent operations at Koolan Island.
Environmental factors or assumptions	Environmental factors are already considered as part of the recent mining operations at Koolan Island.
Bulk density	<p>Surtron down hole survey data has been used to measure densities on all deposits at Koolan Island.</p> <p>In all cases the Surtron data confirms the positive relationship between Fe and density.</p> <p>Regression formulas have been used to assign densities with respect to Fe estimates. In 2013, review of reconciliation information between production and the Mineral Resource estimate led to a review of bulk density. On this basis the regression was modified to reflect higher densities for the 2013 Mineral resource. This method was reviewed and continued for subsequent Mineral Resource estimations.</p>
Classification	<p>The basis for the classification of the Mineral Resource has included:</p> <ol style="list-style-type: none"> Quality and reliability of raw data; Confidence in the geological interpretation; Number, spacing and orientation of intercepts in each mineralised zone; Confidence concerning the known limits of mining; Knowledge of grade and density continuities gained from observations and; Geostatistical analyses. <p>This information was used to code blocks meeting confidence criteria such as which estimation pass it was estimated in and the kriging variance of a block to define Measured, Indicated and Inferred material.</p>
Audits or reviews	The Mineral Resource estimates are reviewed internally within MGX on a three levelled assessment structure. Periodic updates are completed when new information and understanding is required to be reflected in the Mineral Resource.
Discussion of relative accuracy/confidence	<p>The block model grade estimates were validated against the drill hole composites to ensure that the model reflects the input data. Monthly, quarterly and annual reconciliations are conducted, assessed and reported.</p> <p>The Koolan Island Mineral Resource models are provided as a basis for long term planning and mine design, and are not necessarily sufficient for shorter term planning and scheduling.</p>

Section 4 Estimation and Reporting of Ore Reserves

(Criteria listed in section 1, and where relevant in sections 2 and 3, also apply to this section.)

Criteria	Commentary
Mineral Resource estimate for conversion to Ore Reserves	The Mineral Resource Statement for Main deposit was updated in June 2017 prior to sign off for the 30 June 2017. This Mineral Resource statement was signed by Elizabeth Haren who was a full-time employee of, and is now a consultant to, Mount Gibson Iron Limited and an AusIMM member with sufficient relevant experience to qualify as a Competent Person. The Mineral Resource is inclusive of these Ore Reserves.
Site visits	Brett Morey, Technical Services Manager with Mount Gibson Iron worked at Koolan Island for four years from 2012 to 2015 and in the Corporate office since 2016.
Study status	A detailed and practical mine plan was developed within the previously established Main Pit. The Main Pit was optimised using Whittle software. Conventional open pit mining is planned to continue as per previous operations using hydraulic excavators and dump trucks. Standard modifying factors used for open pit mining were applied.
Cut-off parameters	A cut-off grade of 50% Fe was used. This cut-off grade reflects current mining practice, blending, and product sales. A cut-off grade study was undertaken in 2014 which supports the use of the 50% cut off used in this statement. MGX uses the definition of marginal cut-off grade as follows: “material that would produce a more positive cash flow if processed than when treated as waste in the process of mining towards the defined pit limits. It applies to material that will be mined or stockpiled in the process of gaining access to economic material.”
Mining factors or assumptions	The 2017 Feasibility Study converted the Mineral Resource in Main pit deposit to an Ore Reserve. The deposit has been mined by conventional open pit mining methods, utilising industry standard practices of drilling, blasting, and load and haul using hydraulic backhoe excavators. The overburden waste has been removed by large size excavators with bulk mining method. Where required medium size excavators have been used for selective mining of ore. Known mining parameters from Main pit were used in the optimisation and pit design. These factors include slope stability, ore recovery, mining dilution, and minimum mining width. Modelling of mining dilution in three dimensions is by the digital application of a dilution skin around the ore in the Mineral Resource model. Metallurgical parameters are then added to the diluted model. The final diluted mining block model is used directly for pit optimisation and scheduling, without the further application of global factors. Ore Reserves are reported directly from the diluted mining block model, with consideration of grade, topography and pit design. Inferred Mineral Resources do not form part of the Ore Reserves. Mine infrastructure is well established following 9 years of mining operations. The physical width and therefore depth of Main Pit is constrained by the final hanging wall pit limit relative to the position of the seawall. Main pit has an overall strip ratio of 3.2:1 Waste: Ore
Metallurgical factors or assumptions	Ore from the main deposit is crushed and screened at the existing Koolan Island process plant. Metallurgical characteristics of Main Pit ore are known from seven years of recent actual production data, and 30 years of historical mining and crushing prior to 1993.
Environmental	All statutory and regulatory approvals have been received for mining, occupational health and safety, environmental, and native title rights.
Infrastructure	Existing site infrastructure in place includes haul roads, pumping, crusher plant, stockpile areas, port, offices,

Criteria	Commentary
	workshop, warehouse, camp, water supply, airstrip, power generation, barge landing and associated facilities.
Costs	<p>All costs for mining, processing and shipping were derived from the operating mine and existing contracts. Where existing contracts are not in place, rates from pre seawall failure in 2014 were applied.</p> <p>Royalties currently paid to the State Government were included in cost modelling.</p> <p>Penalties and premiums currently applying to impurities levels in product sales to customers were included in cost modelling.</p>
Revenue factors	<p>Ore Reserves were calculated based on MGX FY2017 financial modelling. Financial assumptions used in cost modelling are as per reported for the Feasibility Study and include:</p> <ul style="list-style-type: none"> • forecast consensus Pilbara FOB benchmark iron ore contract prices • impurity penalties • freight • currency exchange rates • royalties <p>Lump yield and product quality are derived from the LOM schedule.</p>
Market assessment	<p>MGX has customer contracts in place for all of Koolan Island's production volume.</p> <p>Koolan Island product is a very high quality ore that is sought after by customers.</p> <p>Crushed and screened products were sold to these customers in previous years.</p>
Economic	<p>The LOM financial model has demonstrated that Main pit will generate significant NPV. The NPV is most sensitive to iron ore price and foreign exchange rate variation, but has the benefit of a high Fe grade of 65.5%, and average strip ratio of 3.2:1 Waste:Ore.</p>
Social	<p>The Koolan Island mine has operated continuously under Mount Gibson management since 2006. Mount Gibson enjoys a good relationship with the Traditional Owners and local community.</p>
Other	<p>Major risks identified are:</p> <p>Seawall. Independent experts were engaged throughout the design process to review the seawall design to mitigate the risk of seawall failure and flooding of Main Pit.</p> <p>Footwall. Extensive geotechnical studies have been carried out, with established factors of safety of the footwall and a ground support plan established.</p> <p>Water ingress from high rainfall events and cyclones is a short term risk. Strategies are in place to control this risk, including implementation of a high capacity pumping system.</p> <p>Iron ore price variation and foreign exchange rates.</p>
Classification	<p>In-pit Measured and Indicated Mineral Resources have been converted to Proved and Probable Ore Reserves.</p> <p>Ore Reserves do not include Inferred Mineral Resources.</p> <p>Mr Brett Morey is satisfied that the stated Probable Ore Reserves accurately reflect the outcome of mine planning and the input of economic parameters into optimisation studies.</p>
Audits or reviews	<p>The project parameters and outcomes have been internally reviewed and approved by MGX executive management.</p> <p>Periodic updates are completed when new information and understanding is required to be reflected in the Ore Reserve.</p>
Discussion of relative accuracy/ confidence	<p>All parameters are well defined from the existing mining operation.</p> <p>Monthly, quarterly and annual reconciliations are conducted, assessed and reported. Historical reconciliation data indicates that the factors used to convert from Mineral Resource to Ore Reserve are robust.</p>