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ASX ANNOUNCEMENT

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Koolan Island Update - Restart on Track

- Site ramp-up activities are progressing well.
- Dewatering is now accelerating, with ~60% of the in-pit water already removed.
- The constructed seawall is performing to engineering design and expectations.
- Initial waste mining activities have commenced.
- First sales of high grade iron ore planned for the end of March 2019.
- High grade iron ore (65% v 62% Fe) premium remains strong at 18%.

Mount Gibson Iron Limited (**Mount Gibson**) is pleased to provide the following update on progress at its high-grade Koolan Island Restart Project in the Kimberley region of Western Australia.

Progress in all critical areas of the restart plan remains on track with ore sales scheduled to commence at the end of March 2019. Pleasingly, this has been achieved whilst maintaining a strong safety performance, with no Lost Time Injuries recorded, and a Total Recordable Injury Frequency Rate (TRIFR) of 5.0 incidents per one million man hours worked.

The water level in Main Pit has now been reduced by 32 metres since pumping commenced in August, with 12.5 million cubic metres of water having been removed to date, representing approximately 60% of the total water volume to be extracted.

Importantly, the water level in the Main Pit is now 5 metres below the in-situ foundation rock on the pit side of the seawall, meaning the seawall has been under full tidal loads since late November. This has also now allowed the dewatering rate to be doubled to a targeted vertical reduction of half a metre per day. Critically, all instrumentation and monitoring data continues to demonstrate that the seawall and the concrete seepage barrier installed within the seawall are performing to design expectations.

Refurbishment of the island-side footwall of the Main Pit is also tracking to plan, with barge-mounted shotcreting and the installation of safety mesh progressing well. The footwall works are designed to improve the geotechnical competence of the footwall and provide future protection for personnel and equipment working in the base of the pit.

Insurance cover for the site, including the constructed seawall and the footwall installations, has been obtained in line with the Company's budget estimates.

Drilling and blasting in the upper levels of Main Pit commenced in early November. By the end of the month, just under one million tonnes of waste material had been moved. Mining is currently focused in the upper levels of the eastern end of the Main Pit, with the first benches of high grade iron ore expected to be accessed in February 2019, in time to commence sales in late March.

The mining fleet is operational and currently comprises nine haul trucks and three excavators, with the latest addition being a new Hitachi 2600 excavator delivered to the island at the start of December. A further four hired haul trucks are scheduled to be delivered to the island in February next year. These haul trucks will cater for the higher mining movement in the first 2-3 years of the mine life, with Mount Gibson's owned fleet carrying the base production load throughout the mine life.

Refurbishment and maintenance of the crushing plant is well underway, with staged recommissioning activities to commence shortly. Refurbishment works have focused on the cone crusher, conveyor maintenance, structural steel repairs, overhaul of sample stations, and maintenance of plant electrics. Maintenance works will also shortly commence on the shiploading facilities.

Renovation of the site accommodation camp is almost complete, while recruitment of the 330 site-based employee and contractor positions is approximately 80% complete.

Once iron ore shipments commence, Koolan Island will be the highest grade direct ship hematite mine in Australia, with total Ore Reserves of 21Mt grading 65.5% Fe, enabling it to fully benefit from the premium for high grade ores sought by steel makers in China and elsewhere. The high grade premium for 65% Fe ores versus 62% Fe ores, adjusted for the grade differential, remains strong at 18%.

Mount Gibson Iron Chief Executive Officer Peter Kerr said: "It is extremely satisfying to report that key activities on the Koolan Island Restart Project continue to progress in line with our targeted schedule to commence sales at the end of March 2019.

"Given the continued strong outlook for high grade products, we look forward to accessing high grade ore early next year and re-establishing Koolan Island, and Mount Gibson Iron, as the producer of Australia's highest grade direct shipping hematite iron ore."

For further information:

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Competent Person Statement

Koolan Island 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'. Mr Morey consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

For full details of Koolan Island Main Pit Ore Reserves, refer ASX release dated 20 April 2018.

Attachment
Koolan Island Pictures, November & December 2018



Figure 1: Main Pit, looking west. The water level has now been lowered by 32 metres.

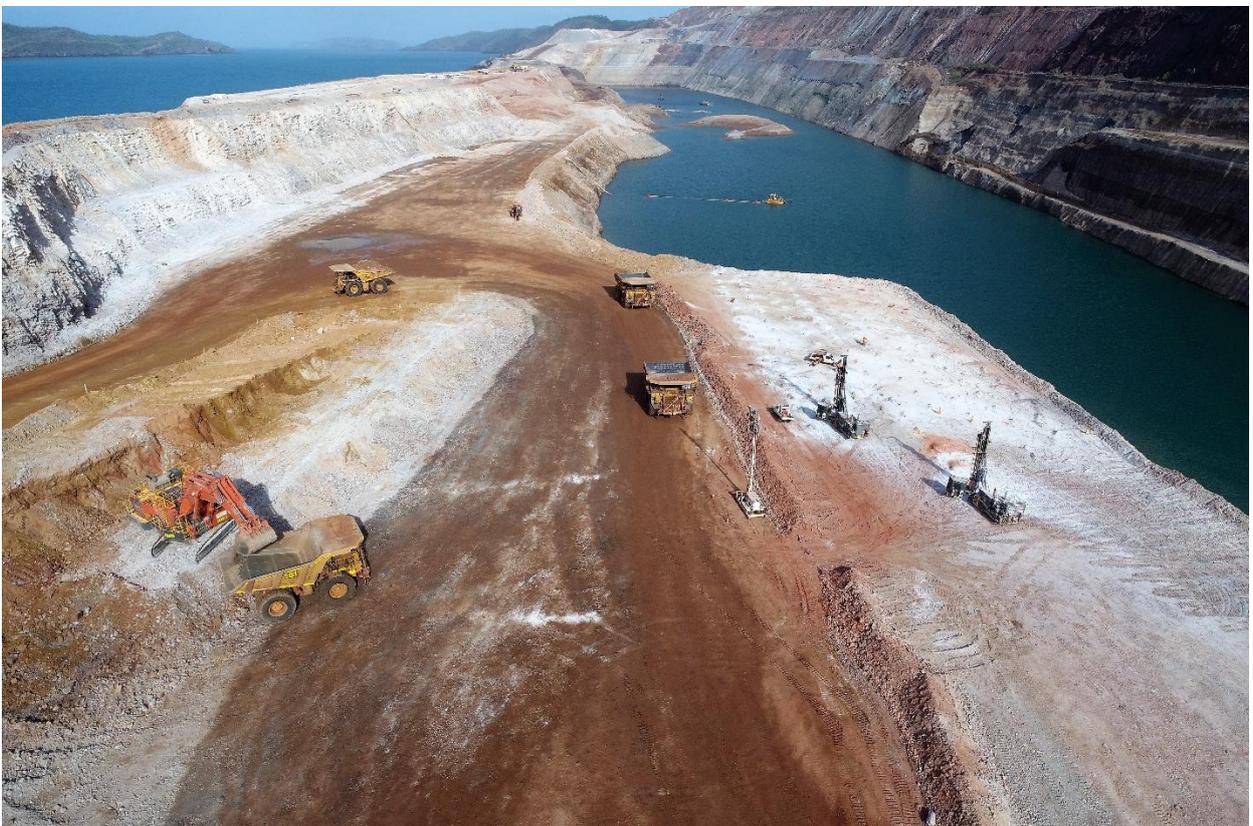


Figure 2: Main Pit, looking west. Mining activities in the eastern end of the pit.



Figure 3: Main Pit seawall, from the mine lookout, looking south to the mainland. Waste rock material is now being exposed in the centre of the pit.



Figure 4: New Hitachi EX-2600 excavator, and haul truck.