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VIA: WWW.ASXONLINE.COM

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The Manager
Company Announcements
ASX Limited
Level 10, 20 Bond Street
SYDNEY NSW 2000

Successful outcome in Pioneer arbitration

Mount Gibson Iron Limited ("**Mount Gibson**") advised in its recent quarterly report that arbitration proceedings with two of its former customers had been completed.

Mount Gibson is now pleased to advise that the arbitrator in the arbitration between its subsidiary, Mount Gibson Mining Limited ("**MGM**") and Pioneer Iron & Steel Co Limited ("**Pioneer**") has delivered his reasons.

The arbitrator has found that Pioneer repudiated its obligations under the long term agreement with MGM for the supply of iron ore and that MGM was entitled to damages for the loss of its bargain. The arbitrator's reasons indicate how MGM's damages should be calculated. Based upon those reasons, MGM expects to receive an award in the region of US\$25 million. MGM had been seeking damages of approximately US\$27.8 million.

However, following the conclusion of the arbitral hearing, Pioneer placed itself into insolvent liquidation meaning that MGM's entitlement to receive the final arbitral award will rank with other unsecured creditors of Pioneer. Pioneer's liquidators are yet to advise what dividend if any they expect to declare other than to say that Pioneer's asset position is very unclear. MGM will keep the market apprised of any further material developments which may bear on the amount which MGM might expect to recover from Pioneer's liquidation.

Mount Gibson's Managing Director Luke Tonkin said "we are pleased with the outcome of the proceedings as it demonstrates the enforceability of Mount Gibson's offtake agreements".

Yours sincerely

MOUNT GIBSON IRON LIMITED

David Berg
Company Secretary

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