



Mount Gibson Iron Limited

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KOOLAN ISLAND UPDATE

Mount Gibson Iron Limited provides the following update regarding its Koolan Island mine in the Kimberley.

As indicated previously, all non-essential activities on the island have been suspended following the failure of the Main Pit seawall last week, and a comprehensive evaluation of the situation is underway.

This evaluation process remains at a preliminary stage and, consequently, to reduce expenditure and preserve capital, the Koolan Island operation has been placed on effective care and maintenance until such time as the detailed identification and assessment of potential options is completed, and a definitive decision on the mine's future can be made.

The evaluation will include the likely timing and cost of a range of options to rebuild the Main Pit seawall and resume production. The options will then be considered in the context of the outlook for the iron ore market, iron ore prices and exchange rates, and on the basis of what action will best preserve and create value for shareholders. A decision to move towards recommencing production from the Koolan Island mine will only be made if Mount Gibson believes it is viable to do so. An update on the preferred course of action is anticipated in the first half of calendar 2015.

As a consequence of these events the majority of the Koolan Island workforce will be made redundant. The Company will provide outplacement assistance to affected employees, and will pay all entitlements in full.

Mount Gibson anticipates redundancy costs to be in the order of \$11 million.

Mount Gibson confirms that it has insurance policies for a variety of circumstances, including property damage and business interruption. Mount Gibson has commenced discussions with its insurers.

With regards to the current status of activity on Koolan Island, the Company continues to monitor and assess the situation in close collaboration with relevant regulatory agencies. The WA Department of Mines and Petroleum (DMP) is co-ordinating the regulatory assessment process and inspectors from the DMP visited the site on Friday 28 November 2014.

The Company has been in regular communication with its offtake customers and suppliers with respect to Koolan Island to ensure the impacts of these events are managed appropriately.

As part of its normal period-end reporting obligations, the Company will also be reviewing the carrying value of its assets at 31 December 2014, including Koolan Island. Consequently, Mount Gibson anticipates that a substantial non-cash impairment is likely when it reports its financial results for the six months to 31 December 2014, in addition to the previously flagged non-cash write-off of a \$46 million deferred tax asset related to the now-repealed Mineral Resources Rent Tax (MRRT).

The Company revises its sales guidance for the 2015 financial year to a range between 4.4 and 4.8 million tonnes.

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The Company confirms that it had cash reserves at 30 November 2014 of \$360 million and minimal debt. This is after the distribution of \$43.6 million in dividends in October, and quarter-to-date expenditure on fleet and equipment of \$11 million.

Mount Gibson will provide further updates as appropriate.

The Company has requested that trading in its securities be released from voluntary suspension.

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