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Mount Gibson Iron

Mount Gibson Iron Limited

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17 December 2002

VIA FACSIMILE: 1300 300 021

No. Pages = 2

The Manager
Company Announcements
Australian Stock Exchange Limited
Level 10, 20 Bond Street
SYDNEY NSW 2000

LETTER TO OPTIONHOLDERS

Please find attached a copy of a letter being mailed to Optionholders today regarding the fully underwritten pro-rata non-renounceable rights issue to raise approximately \$11.36 million.

Yours sincerely,
MOUNT GIBSON IRON LIMITED

Angela Dent
Company Secretary

**Mount Gibson Iron Limited**

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Dear Optionholder

Mount Gibson Iron Limited ("MGI") has determined to proceed with a fully underwritten pro-rata non-renounceable rights issue to raise approximately \$11.36 million. The funds will be used to retire existing loans, redeem convertible notes and apply funds to the development costs of Tallinger Peak, construction of an iron ore storage facility and working capital.

The purpose of this letter is to advise you that MGI has announced the non-renounceable rights issue to the ASX and advised that a rights issue prospectus will be sent to shareholders on 7 January 2003. Shareholders will be invited to subscribe for shares on a 1:1 basis at 9 cents per new share. The record date for determining shareholders' entitlements to participate in the rights issue is 2 January 2003.

If you wish to participate in the rights issue, you must be a shareholder as at the record date. If you are not already a shareholder, you must first either purchase shares or exercise your options on or before this record date (2 January 2003).

For further information, please contact the Company Secretary, Angela Dent on 9485 2355.

Yours sincerely,

MOUNT GIBSON IRON LIMITED**William B Willis**
Chairman