Mount Gibson Iron

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

**UPDATE – SALE OF ASIA IRON HOLDINGS LIMITED**

As announced on 7 June 2006, Mount Gibson Iron Limited ("MGI") (ASX Code: MGX) entered into an agreement with Shougang Group for the sale of MGI and Mount Gibson Mining's entire 73% shareholding in Asia Iron Holdings Limited ("Asia Iron") for $52.5 million. This agreement was conditional upon the minority shareholders in Asia Iron not electing to match the terms offered to Shougang.

MGI now advises that it has received notice of an election to purchase MGI and Mount Gibson Mining's shareholding in Asia Iron from a minority shareholder, Sinom Investments Limited ("Sinom"). Sinom's notice results in a binding agreement for the sale of the interest on the same terms as those previously agreed with Shougang. The agreement remains conditional upon Sinom obtaining Foreign Investment Review Board approval by not later than 31 August 2006.

As a result of Sinom's election, the condition precedent to the Shougang agreement cannot be satisfied. MGI and Mount Gibson Mining therefore intend to terminate the Shougang agreement and proceed with the sale to Sinom.

MGI has entered into a further agreement with Shougang under which the parties have agreed to re-instate their previous agreement if, for any reason, the Sinom agreement is terminated.

Yours sincerely,
MOUNT GIBSON IRON LIMITED

**Angela Dent**
**Company Secretary**

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