



Mount Gibson Iron Limited

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Dear Shareholder

RE : SHAREHOLDER UPDATE

I am writing to update you on developments at Mount Gibson since your Company's Annual General Meeting in November.

There is a significant renewal program underway that will create a stronger Company for the next phase in our growth. It is critical for the future of Mount Gibson that we have a committed, cohesive and experienced team at both the Board and Management level.

I am pleased to report that Mount Gibson now has a strong group of independent Directors with the recent appointments of Messrs Russell Barwick and Paul Douglas. Our search continues for further independent Directors to further strengthen the balance of independence on our Board. I hope to be able to make another announcement early in 2012.

The composition of Mount Gibson's Board has clearly been in transition and subject to some controversy since before I was appointed Chairman on 24 August 2011.

Mount Gibson currently has seven Directors – four independents and three representing our major shareholders. The independents include me as Chairman, the recently appointed Messrs Barwick and Douglas, who bring extensive local and international resource industry expertise, and Mr Alan Jones.

I have been honoured to have the opportunity to take leadership of the Board as Chairman, and help to develop and implement a fresh strategy for the Company, and to assist in finding high quality, new Directors to help inform and guide us as part of a committed team.

After the AGM, it was announced by Mount Gibson to the ASX that Mr Jones has once again been classified as an independent Director. Mr Jones previously was recognised as an independent up until 30 September 2009. He now chairs the Audit and Risk Committee and also serves on the Nomination, Remuneration and Governance Committee.

In terms of management following the departure of Luke Tonkin, we have appointed our Chief Operating Officer, Mr Jim Beyer, as Acting Chief Executive Officer as we recruit a permanent CEO and build our management team for the next growth phase of Mount Gibson.

At the operating level, your Company remains in a very sound financial position. We continue to have growing cash balances and enjoy strong demand for our iron ore. We expect to continue paying dividends next year, while advancing plans to expand the Company's assets and mining operations by entering appropriate ventures in our favoured areas of steel industry feed stocks.

Whilst our iron ore business is not without its challenges (which are also affecting many other producers in WA), I am pleased to announce that that we have recently made our first shipment of iron ore from the

Extension Hill project. At the Koolan Island operation we will shortly be recommencing production of high grade ore from our main pit.

We believe it important to maintain good communications with you, our shareholders, with news and updates directly and will continue this practice going forward.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Geoffrey Hill', written in a cursive style.

GEOFFREY HILL
Chairman