



Mount Gibson Iron Limited

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

SUBJECT: Appendix 3B Employee Options

Mount Gibson Iron Limited would like to clarify that the 10,250,000 Options issued pursuant to the Mount Gibson Iron Limited Directors, Officers, Employees and Other Permitted Person Option Plan, and included in the Appendix 3B lodged yesterday, were offered to Directors, Officers and Employees following approval by Shareholders on 3 May 2004.

The 10,250,000 Options are exercisable at 25 cents on or before 31 December 2006 but could not be exercised prior to 31 December 2005, as their vesting was dependant on continued employment with the Mount Gibson Iron Group at that date. The Mount Gibson Iron Limited share price at the time shareholder approval was sought was approximately 17.5 cents.

The 4,875,000 Options issued to Directors were issued within 12 months of the meeting date, as required by ASX listing rules. The 5,375,000 Options issued to Employees were issued on 6 February 2006 following confirmation that the vesting condition had been complied with.

All of these Options were disclosed in the Directors Report and Note 17 of the Mount Gibson Iron Limited Annual Report 2005.

Mount Gibson Iron Limited also issued 40,000 Shares to the Badimia Peoples Trust, traditional owners of areas surrounding Mt Gibson, as part of an agreement regarding access to their land.

Yours sincerely,
MOUNT GIBSON IRON LIMITED

Angela Dent
Company Secretary