



**Mount Gibson Iron Limited**  
ABN 87 008 670 817



First Floor, 7 Havelock Street  
West Perth 6005, Western Australia

PO Box 55, West Perth WA 6872

Telephone: 61-8-9426-7500  
Facsimile: 61-8-9485-2305  
E-mail: [admin@mtgibsoniron.com.au](mailto:admin@mtgibsoniron.com.au)

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**VIA: WWW.ASX.ONLINE.COM**

5 December 2008

The Manager  
Company Announcements  
ASX Limited  
Level 10, 20 Bond Street  
SYDNEY NSW 2000

#### **Letters to shareholders**

Attached are copies of letters despatched to Mount Gibson Iron Limited shareholders in respect of the renounceable rights issue, the prospectus for which was provided to ASX on 3 December 2008.

Yours sincerely,

**MOUNT GIBSON IRON LIMITED**

**David Berg**  
**Company Secretary**

For further information:

Luke Tonkin or Alan Rule  
Mount Gibson Iron Limited  
+61-8-9426-7500  
[www.mtgibsoniron.com.au](http://www.mtgibsoniron.com.au)



**Mount Gibson Iron**

000001 000 MGX  
MR JOHN SMITH 1  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

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ABN 87 008 670 817  
First Floor  
7 Havelock Street  
WEST PERTH WA 6005  
Australia  
PO Box 55  
WEST PERTH WA 6872  
Telephone: 61-8-9426 7500  
Facsimile: 61-8-9485 2305

4 December 2008

Dear Shareholder,

**Renounceable rights issue**

As announced on 3 November 2008, Mount Gibson Iron Limited (**Mount Gibson**) is undertaking a pro rata renounceable rights issue of 1 new fully paid ordinary share in Mount Gibson (**New Shares**) for every 5 shares held (comprising the issue of up to 160.87 million New Shares), which will be issued at A\$0.60 per New Share to raise a maximum of approximately A\$96.5 million before expenses (**Rights Issue**).

The Rights Issue is part of an overall transaction entered into by Mount Gibson with each of APAC Resources Limited (**APAC**) and Shougang Concord International Enterprises Company Limited (**Shougang Concord**), which comprises:

- proposed offtake agreements between Mount Gibson and APAC and separately Mount Gibson and Shougang Concord (**Offtake Agreements**);
- the Rights Issue, fully underwritten by way of separate underwritings by APAC and by Shougang Concord (**Underwriting**); and
- a proposed placement by Mount Gibson of 110 million New Shares to Shougang Concord at A\$0.60 per New Share to raise A\$66 million before expenses (**Placement**).

The Offtake Agreements, the Underwriting and the Placement are subject to approval by Mount Gibson shareholders at a general meeting to be held on 30 December 2008 (**Shareholder Approval**). You should have received an explanatory memorandum in relation to the meeting recently. The approvals are interconditional. The Rights Issue, however, is not subject to shareholder approval and will proceed regardless of the outcome of the meeting.

Broadly, the proceeds of the Rights Issue will be used:

- if the Offtake Agreements, the Underwriting and the Placement are approved, to recommence development at Koolan Island and Extension Hill in July 2009, cash settle foreign exchange contracts and provide a working capital buffer against reduced revenue caused by defaults by Mount Gibson's offtake customers; and
- if the Offtake Agreements, the Underwriting and the Placement are not approved, for working capital and to explore further potential offtake and funding arrangements.

The Rights Issue is being made to all Mount Gibson shareholders as at 5:00pm (WDT) on Thursday, 11 December 2008 whose registered address is in Australia, New Zealand or Hong Kong (**Eligible Shareholders**). Shareholders not satisfying those criteria will not be eligible to participate in the Rights Issue. However, Mount Gibson will appoint a nominee to sell the rights to subscribe for New Shares (**Rights**) of

shareholders and the net proceeds from any sales will be sent to those ineligible shareholders.

New Shares issued under the Rights Issue will rank equally with all ordinary shares already on issue. Following completion of the Rights Issue (and assuming Shareholder Approval is obtained), Mount Gibson will have issued approximately 160.87 million New Shares, resulting in total ordinary shares on issue of 965.23 million. Including the shares to be issued under the Placement (assuming Shareholder Approval is obtained), Mount Gibson will have approximately 1,075.2 million ordinary shares on issue.

The Rights Issue is fully underwritten by way of separate underwritings by APAC and Shougang Concord (subject to Shareholder Approval being obtained). The underwriting fee payable by Mount Gibson is approximately A\$1.74 million to APAC and A\$1.05 million to Shougang Concord.

A prospectus detailing the Rights Issue was lodged with ASIC and released on ASX on 3 December 2008 (**Prospectus**). A copy of the Prospectus is available on Mount Gibson's website ([www.mtgibsoniron.com.au](http://www.mtgibsoniron.com.au)). Eligible Shareholders will be mailed a Prospectus together with an Entitlement and Acceptance Form no later than Wednesday, 17 December 2008. It is important that Eligible Shareholders read the Prospectus carefully before deciding whether to invest and you should follow the directions in the Prospectus for the action required of Eligible Shareholders.

For the purposes of calculating each Eligible Shareholder's Rights, fractional Rights to New Shares will be rounded up to the nearest whole number of Shares.

### Key dates for the Rights Issue

| Event   | Date  |
|---|---|
| Prospectus lodged with ASX and ASIC   | Wednesday, 3 December 2008                                |
| Shares quoted on an 'ex' basis and rights trading commences                         | Friday, 5 December 2008                                   |
| Record date for Rights Issue  | 5:00pm (WDT), Thursday, 11 December 2008                  |
| Prospectus and Entitlement and Acceptance Forms dispatched to Eligible Shareholders | Wednesday, 17 December 2008                               |
| Rights trading ends   | Monday, 29 December 2008                                  |
| Mount Gibson shareholder meeting  | Tuesday, 30 December 2008                                 |
| Closing Date for acceptance and payment   | Tuesday, 6 January 2009 (unless extended by Mount Gibson) |
| Issue and allotment of New Shares and dispatch of holding statements                | Monday, 12 January 2009                                   |
| Commencement of trading of New Shares   | Tuesday, 13 January 2009                                  |

Note that all dates (other than the date of the Prospectus and date of lodgement of the Prospectus with ASIC) are indicative only.

For further information on the Rights Issue, you should contact your professional adviser. You can also call the Mount Gibson Rights Investor Information Line on 1300 794 682 (toll free) from within Australia or +61 2 8280 7751 from outside Australia during office hours.

Yours sincerely



Neil Hamilton  
Chairman



## Mount Gibson Iron Limited

ABN 87 008 670 817

First Floor

7 Havelock Street

WEST PERTH WA 6005

Australia

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SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

4 December 2008

Dear Shareholder,

### Mount Gibson Iron Limited Entitlement Offer

On 3 December 2008, Mount Gibson Iron Limited (**Mount Gibson**) announced that it was making a fully underwritten pro rata renounceable rights issue to raise approximately \$96.5 million (before expenses) and a placement to Shougang Concord International Enterprises Company Limited (**Shougang Concord**) to raise approximately \$66 million. The underwriting arrangements (the underwriters being Shougang Concord and Mount Gibson's major shareholder, APAC Resources Limited) and the placement are subject to Mount Gibson shareholder approval at a general meeting scheduled for 30 December 2008.

Under the rights issue, eligible shareholders have the right (each a **Right**) to subscribe for 1 new Mount Gibson share (**New Share**) for every 5 existing Mount Gibson shares held on 11 December 2008 (**Record Date**) at an issue price of \$0.60 per New Share (Offer). A prospectus was lodged with the Australian Securities and Investments Commission (**ASIC**) on 3 December 2008 (**Prospectus**) and is available to eligible shareholders on the ASX website ([www.asx.com.au](http://www.asx.com.au)) and Mount Gibson's website ([www.mtgibsoniron.com.au](http://www.mtgibsoniron.com.au)).

### The Offer in jurisdictions other than Australia, New Zealand and Hong Kong

No action has been or will be taken to register, qualify or otherwise permit a public offering of the New Shares in any jurisdiction outside Australia. However, the Offer will also be extended to shareholders with a registered address in New Zealand and Hong Kong pursuant to certain exceptions from the registration requirements in those jurisdictions. But, in particular, the New Shares have not and will not be registered under the United States Securities Act of 1933, as amended (**US Securities Act**) or the securities laws of any state or other jurisdiction of the United States and, in connection with Offer, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as defined in Rule 902(k) under Regulation S of the US Securities Act). The Prospectus is also not for distribution in the US or to US persons.

### Why am I not eligible to participate in the Offer?

Under the terms of the Offer, you are not eligible to subscribe for New Shares and you will not be sent a copy of the Prospectus. This is because under the terms of the Offer, shareholders that are not in Australia, New Zealand or Hong Kong are ineligible to take up their rights or subscribe for New Shares (**Excluded Shareholders**).

The restrictions are due to legal limitations in some countries, the relatively small number of shareholders there, the small number of shares they hold and the costs of complying with regulatory requirements in those countries. Mount Gibson has determined, pursuant to ASX Listing Rule 7.7.1(a), that it would be unreasonable to make offers under the Prospectus to all countries outside of Australia, New Zealand and Hong Kong.

### **Why am I receiving this letter?**

In accordance with ASX Listing Rule 7.7.1(b), Mount Gibson advises that it will not be extending the Offer to you.

This letter is to inform you about the Offer. It is not an offer to issue New Shares to you, nor is it an invitation for you to apply for New Shares. You are not required to do anything in response to this letter.

However, you may still receive some benefit from the Offer. In accordance with Australian law, Mount Gibson will appoint a nominee approved by ASIC (**Nominee**) to arrange for the sale on ASX of the rights that would have been granted to Excluded Shareholders. The Nominee will have the absolute and sole discretion to determine the timing and the price at which the Rights may be sold and the manner in which any sale is made.

### **What happens to the proceeds of the sale by the Nominee?**

If any net proceeds are made on the sale, the Nominee will direct those proceeds to Mount Gibson, or to another party on its instructions, to facilitate pro rata payments to Excluded Shareholders. If payments are to be made, you will receive a payment in Australian dollars in proportion to your shareholding (after deducting brokerage commission and other expenses). Please note, however, that if any net proceeds of sale are less than the reasonable costs that would be incurred by Mount Gibson for distributing those proceeds, Mount Gibson may retain the proceeds instead.

Any interest earned on the proceeds of the sale of the Rights will first be applied against expenses of the sale, including brokerage, and any balance will accrue to Mount Gibson.

Neither Mount Gibson nor the Nominee will be liable for a failure to sell Rights or to sell Rights at any particular price. If, in the reasonable opinion of the Nominee, there is no viable market for the Rights of Excluded Shareholders, or a surplus over the expenses of sale cannot be obtained for the Rights that would have been offered to the Excluded Shareholders, then those Rights will be allowed to lapse. The New Shares not taken up will be dealt with in accordance with the underwriting arrangements.

### **Further information**

If you have any questions, please contact the Mount Gibson Investor Information Line on 1300 794 682 (toll free) from within Australia and +61 2 8280 7751 from outside Australia.

Yours sincerely



**David Berg**  
Company Secretary