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The Manager
Company Announcements
Australian Stock Exchange Limited
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SUBJECT: UPDATE - MAIN PIT EXTENSIONAL DRILL PROGRAM

On 27 June 2008 Mount Gibson Iron Limited (“**MGI**”) announced initial results from a drill program testing down-dip extent of the Main Pit and Acacia hematitic surface.

MGI completed two drill holes into the target area. The first hole was targeted to the east of the ultimate Main Pit limit to test possible eastward extensions of the Main Pit hematitic surface at depth, whilst the second hole was collared 600m further west, near the centre of the Main deposit, targeted well below the ultimate Main Pit design depth.

MGI previously announced that both holes intersected the Main and Acacia surfaces at depth, with all intersections displaying typical Main and Acacia mineralisation. Figures 1 & 2 below are sections on 2800E and 2200E, which approximate the respective easting collar positions of KIDD001 and KIDD003.

This drilling confirmed that the Main Pit mineralisation extends at least 300m below the ultimate designed pit depth of Main Pit, and that the Acacia mineralised surface appears to extend approximately 1.4km down dip to form a continuous surface with the Main Pit mineralised surface.

MGI has received assays for all interpreted intersections of the Main and Acacia hematitic surfaces which have confirmed the continuation of high grade and high quality mineralisation at depth. The width, physical characteristics, deposition and structural consistency of intersections is typical of Koolan Island hematite mineralisation. Table 1 below contains the results of the initial two drill holes.

Hole Number	From	To	Intersection (m)	Core recovery (%)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	S (%)
KIDD001	419.2	449.8	30.6	22	67.42	1.16	0.79	0.01	0.01
KIDD001	529.3	557.8	28.5	79	66.81	2.66	0.51	0.01	0.02
KIDD003	256.7	290.1	33.4	51	67.84	1.43	0.45	0.00	0.02
KIDD003	499.4	506.5	7.1	45	67.81	1.83	0.49	0.01	0.03
KIDD003	526.0	530	4.0	80	68.20	1.21	0.35	0.02	0.02

Table 1 – Intersection results of initial two diamond drill holes KIDD001 and KIDD003

Note: Due to the friable nature of high grade mineralisation at Koolan Island, core recovery is typically less than the mineralised intersection width. The friable material not recovered in core typically contains similar iron and contaminant levels.

The grade and quality of the initial drilling into the extensions of the Main and Acacia mineralised hematitic surface is highly encouraging. The down-dip extent of Main, Acacia, Barramundi and Mullet surfaces have not been previously tested by drilling which presents outstanding exploration targets and resource upside at Koolan Island.

As a result, a further 10,000 metre, \$4 million drill program is planned which will target **100 million tonnes** of additional high quality resources at Koolan Island over the next 18 months. Drilling will commence as soon as practicably possible pending board approval and suitable drill rig availability.

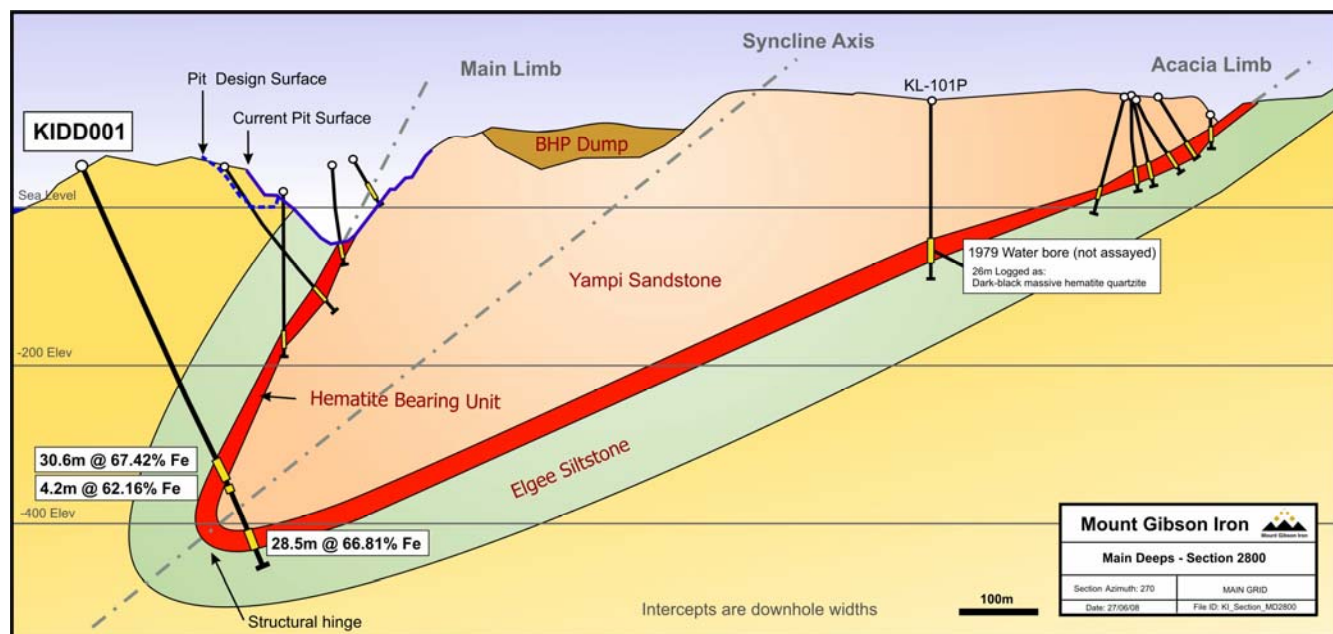


Figure 1 – KIDD001 diamond drill hole intersections of the Main and Acacia mineralized hematite surfaces

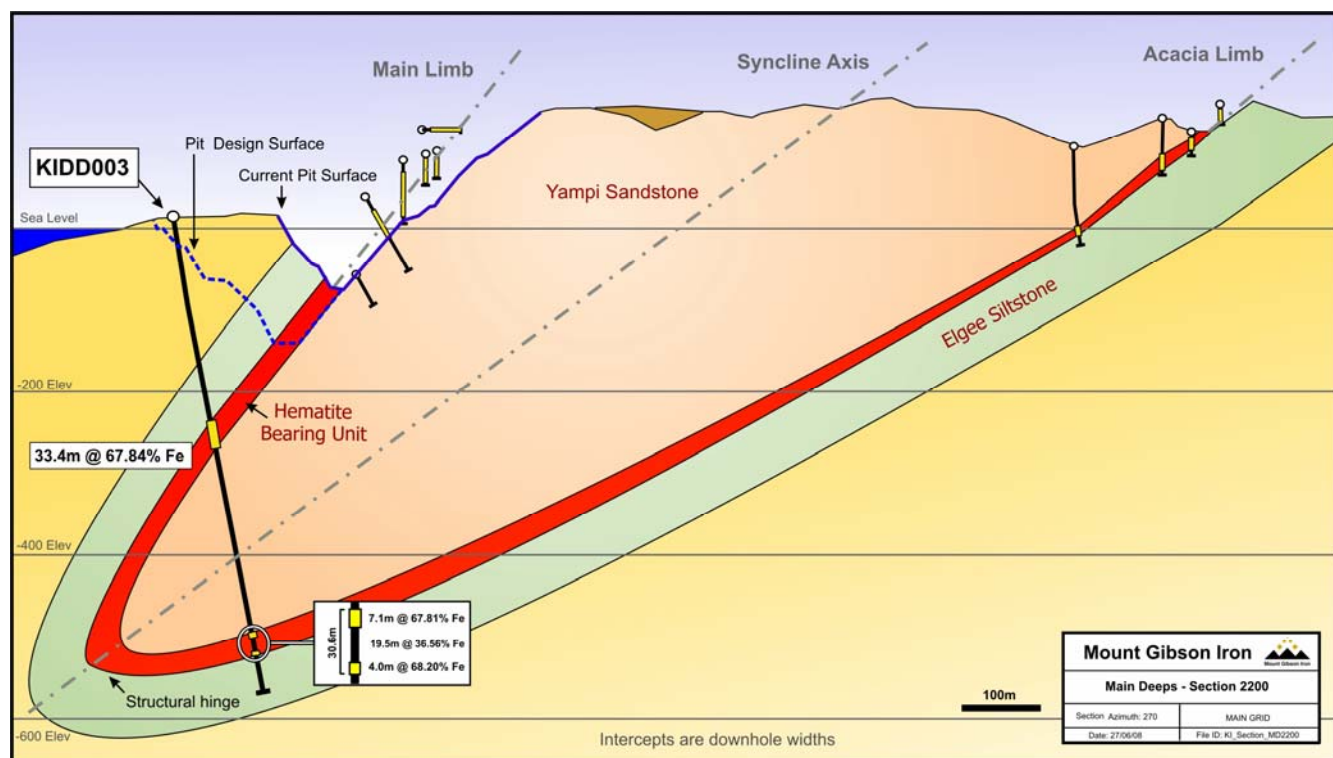


Figure 2 – KIDD003 diamond drill hole intersections of the Main and Acacia mineralized hematite surfaces

Yours sincerely,
MOUNT GIBSON IRON LIMITED



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