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KENS BORE EAST LEGAL PROCEEDINGS SETTLED

Red Hill Iron has settled its long running legal action against API Management Pty Ltd.

Red Hill Iron and API have executed a settlement agreement providing for the proceedings in the Supreme Court of Western Australia initiated by Red Hill Iron to be dismissed, with each party paying its own legal costs.

The settlement agreement provides for the transfer of mining leases granted over the disputed Ken Bore East area, including a mining lease (when granted) over the Kens Bore East CID deposit to the Red Hill Iron Ore Joint Venture (RHIOJV). That deposit has a Mineral Resource estimate of 117 million tonnes at 57.6% Fe (Table 1).

Deposit	Cut Off Grade (% Fe)	Category	Tonnes	Fe	SiO_2	Al_2O_3	P	S	LOI	Mn	MgO
			Mt	%	%	%	%	%	%	%	%
Ken's Bore East	53	Measured	82	57.86	5.16	3.83	0.072	0.020	7.72	0.025	0.070
		Indicated	34	57.15	5.70	3.68	0.075	0.014	8.33	0.020	0.080
		Inferred	1	55.14	7.87	5.29	0.061	0.017	7.37	0.025	0.080
		Total	**117**	**57.63**	**5.34**	**3.80**	**0.073**	**0.015**	**7.90**	**0.024**	**0.070**

Table 1. Kens Bore East Mineral Resource estimate (JORC 2004).

A summary of all iron ore Mineral Resources contained on the RHIOJV tenements is detailed in Table 2 (below).

Red Hill Iron will continue to own a 40% interest in the RHIOJV and will continue to be carried in respect of joint venture funding until the commencement of commercial production. At that stage, Red Hill Iron can elect either to remain a RHIOJV participant and repay its share of carried expenditure out of free cash flow, or convert its interest to a royalty.

- If Red Hill Iron elects to remain a RHIOJV participant beyond the commencement of commercial production, its 40% participating interest will (following the execution of the settlement agreement) be reduced to 19% (previously, 20%).

- Should RHI elect at any time (either at or prior to commercial production) to convert its participating interest to a royalty then it will receive a 2% FOB Royalty on all iron ore produced and sold from the expanded RHIOJV tenement footprint. In the event that Red Hill Iron makes the royalty election, it will cease to have any liability for the loan debt accumulated by funds advanced on Red Hill's behalf during the carry phase.

The settlement agreement also provides, amongst other things for the Australian Premium Iron Joint Venture (APIJV) and RHIOJV to develop the West Pilbara Iron Ore Project on an integrated basis to maximise value, and provides for cooperation on a range of important development and operational matters.

Yours faithfully

Neil Tomkinson
Chairman

Table 2. Red Hill Iron Ore Joint Venture – iron ore Mineral Resource statement

Deposit	Cut-off Grade (% Fe)	Classification	Mt	Fe %	SiO_2 %	Al_2O_3 %	P %	S %	Mn %	MgO %	LOI %
Cardo Bore East CID	53%	Measured	0	0	0	0	0	0	0	0	0
		Indicated	39	58.1	5.22	3.86	0.073	0.015	0.057	0.116	7.04
		Inferred	10	57	5.69	4.09	0.067	0.02	0.037	0.111	7.95
		TOTAL	**49**	**57.9**	**5.31**	**3.9**	**0.072**	**0.016**	**0.053**	**0.115**	**7.22**
Cardo Bore North CID	53%	Measured	0	0	0	0	0	0	0	0	0
		Indicated	5	56.9	5.91	4.04	0.07	0.023	0.028	0.046	8.13
		Inferred	3	56.6	6.01	4.06	0.076	0.028	0.021	0.042	8.37
		TOTAL	**8**	**56.8**	**5.95**	**4.05**	**0.072**	**0.024**	**0.025**	**0.044**	**8.22**
Catho Well North CID	53%	Measured	0	0	0	0	0	0	0	0	0
		Indicated	5	55.2	7.37	2.82	0.038	0.018	0.089	0.19	9.87
		Inferred	1	54.9	7.06	2.81	0.038	0.02	0.108	0.277	10.4
		TOTAL	**7**	**55.1**	**7.31**	**2.82**	**0.038**	**0.018**	**0.093**	**0.208**	**9.98**
Cochrane CID	53%	Measured	0	0	0	0	0	0	0	0	0
		Indicated	35	57	5.62	4.04	0.08	0.021	0.013	0.114	8.09
		Inferred	10	56.3	6.54	4.3	0.068	0.019	0.02	0.13	7.97
		TOTAL	**45**	**56.9**	**5.83**	**4.1**	**0.077**	**0.02**	**0.015**	**0.118**	**8.07**
Jewel CID	53%	Measured	0	0	0	0	0	0	0	0	0
		Indicated	21	56.3	6.06	3.93	0.06	0.024	0.025	0.062	9.07
		Inferred	3	56.5	6.22	3.59	0.062	0.025	0.022	0.057	8.94
		TOTAL	**24**	**56.3**	**6.08**	**3.88**	**0.061**	**0.024**	**0.024**	**0.061**	**9.05**
Ken's Bore CID	53%	Measured	70	56.8	5.73	3.71	0.091	0.01	0.037	0.12	8.58
		Indicated	68	57.1	5.43	3.61	0.074	0.015	0.018	0.098	8.75
		Inferred	15	55.2	6.57	4.08	0.079	0.013	0.034	0.12	9.65
		TOTAL	**153**	**56.8**	**5.68**	**3.7**	**0.082**	**0.014**	**0.028**	**0.11**	**8.76**
Ken's Bore East CID	53%	Measured	82	57.9	5.16	3.83	0.072	0.02	0.025	0.072	7.72
		Indicated	34	57.2	5.7	3.68	0.075	0.014	0.02	0.079	8.33
		Inferred	1	55.1	7.87	5.29	0.061	0.017	0.025	0.078	7.37
		TOTAL	**117**	**57.6**	**5.34**	**3.8**	**0.073**	**0.015**	**0.024**	**0.074**	**7.9**
Ken's Bore CID TOTAL	53%	Measured	152	57.4	5.42	3.78	0.081	0.01	0.031	0.094	8.12
		Indicated	102	57.1	5.52	3.63	0.074	0.016	0.019	0.091	8.61
		Inferred	15	55.2	6.64	4.14	0.078	0.014	0.033	0.118	9.53
		TOTAL	**270**	**57.2**	**5.53**	**3.74**	**0.078**	**0.015**	**0.026**	**0.094**	**8.38**
Trinity Bore CID	53%	Measured	0	0	0	0	0	0	0	0	0
		Indicated	88	54.8	7.33	4.01	0.062	0.022	0.028	0.106	9.7
		Inferred	17	54.5	7.18	4.41	0.062	0.025	0.025	0.098	9.88
		TOTAL	**105**	**54.8**	**7.3**	**4.08**	**0.062**	**0.022**	**0.028**	**0.105**	**9.72**
Upper Cane CID	53%	Measured	55	58.9	4.88	2.94	0.074	0.02	0.021	0.044	7.4
		Indicated	24	56.7	6.81	3.51	0.095	0.017	0.04	0.068	7.79
		Inferred	3	56.2	6.91	3.8	0.106	0.017	0.027	0.074	8.09
		TOTAL	**82**	**58.2**	**5.52**	**3.14**	**0.082**	**0.02**	**0.027**	**0.052**	**7.54**
TOTAL RHIOJV	53%	**Measured**	207	57.8	5.28	3.56	0.079	0.013	0.028	0.081	7.93
		Indicated	319	56.5	6.16	3.81	0.071	0.019	0.029	0.098	8.64
		Inferred	62	55.7	6.59	4.16	0.070	0.020	0.029	0.107	8.98
		TOTAL	**590**	**56.9**	**5.90**	**3.76**	**0.074**	**0.018**	**0.029**	**0.093**	**8.43**

Competent Person Statement

The information in this report that relates to Mineral Resources prepared under the supervision of Mr Stuart Tuckey. Mr Tuckey is a full-time employee of the API Management Pty Ltd and is a member of the Australasian Institute of Mining and Metallurgy. Mr Tuckey has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which has been undertaken to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

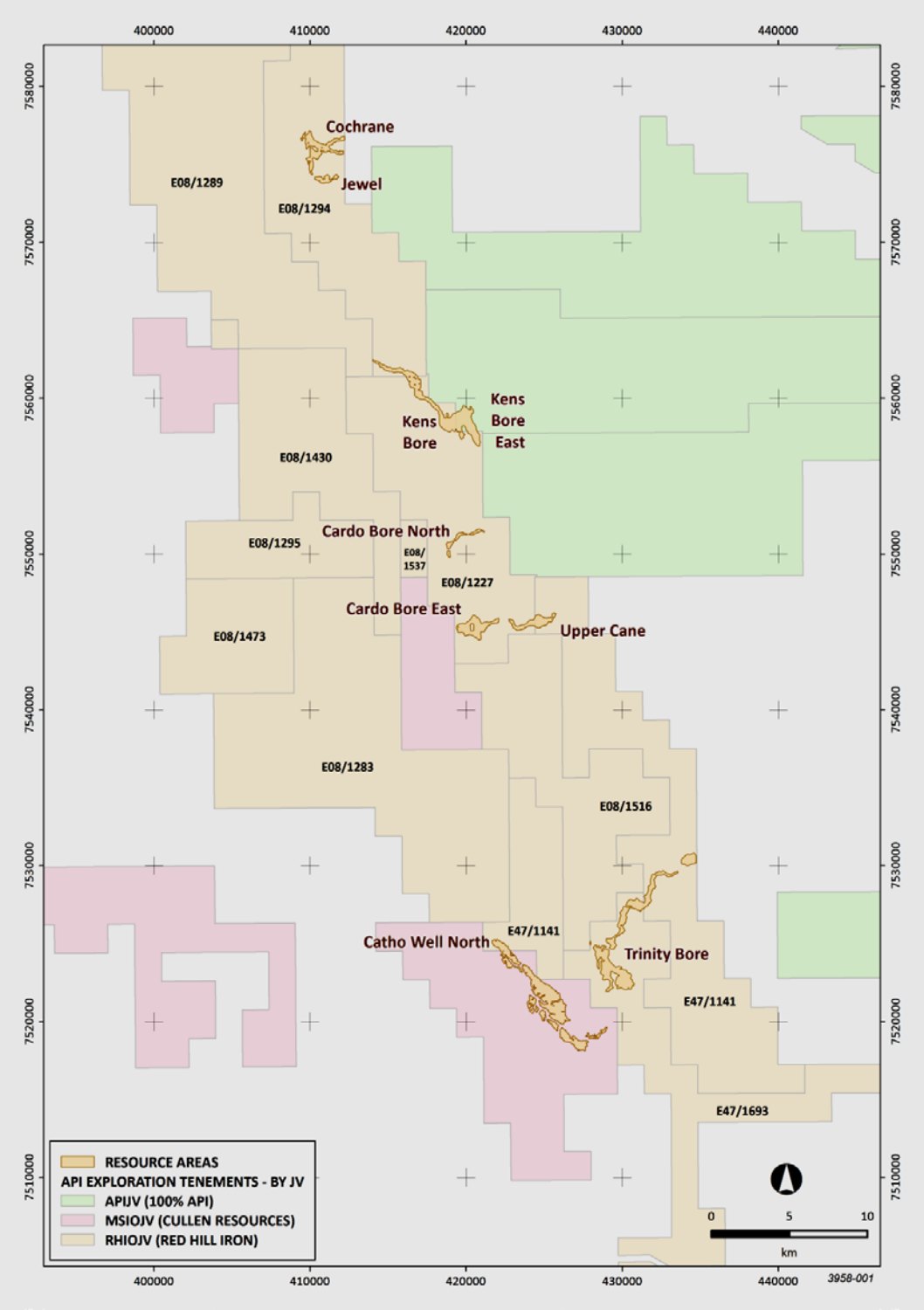

Figure 1 – Location Plan

Annexure: JORC Code Table 1.
Section 1 Sampling Techniques and Data

JORC Code Assessment Criteria	Comment
Sampling Techniques *Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as downhole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.* *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* *Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.*	■ Samples for analysis were collected every 2 m down hole directly from the cyclone after passing through a three-tier riffle splitter mounted on the RC drilling rig. Each sample represents approximately 12% (by volume) of the drilling interval with an average weight of 4 kg for a 2 m interval. ■ Sample analysis was completed by SGS Laboratories in Welshpool, WA. Samples were sent direct to the laboratory, sorted, dried and pulverised using a ring mill. ■ All drilling was sampled in accordance with API sampling procedures.
Drilling Techniques *Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.), and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).*	■ The majority of the downhole samples were collected from RC drilling utilised a 5 ¼" face sampling hammer. ■ HQ3 and PQ diamond drilling has been completed for QA/QC, geotechnical and material handling and beneficiation purposes. ■ All diamond drilling was completed using triple tube methods.
Drill Sample Recovery *Method of recording and assessing core and chip sample recoveries and results assessed.* *Measures taken to maximise sample recovery and ensure representative nature of the samples.* *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	■ Sample recoveries and quality were recorded for each sampling interval by the geologist. Samples were classified as dry, damp or wet. Sample recoveries were based on estimates of the size of drill spoil piles and were recorded as a percentage of the expected total sample volume. The majority of drilling was completed above the water table and sample recovery estimates of 100% were the norm. ■ The cyclone was cleaned in between drill holes to minimise sample contamination. Previous twinned hole studies (diamond vs RC) at API project areas indicate minimal sample bias using RC drilling techniques. ■ Diamond core recoveries were recorded for every run.
Logging *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.), photography.* *The total length and percentage of the relevant intersections logged.*	■ All geological logging was conducted using API procedures and standardised coding. Data is entered directly into ruggedised laptops at the drill site using software that validates data as the geologist logs. ■ Logging data is then emailed to Perth where it undergoes further validation as it is uploaded and stored into the API SQL-based geological database. ■ All diamond core has been photographed.

JORC Code Assessment Criteria	Comment
Sub-Sampling Techniques and Sample Preparation *If core, whether cut or sawn and whether quarter, half or all core taken.* *If non-core, whether riffled, tube sampled, rotary split, etc., and whether sampled wet or dry.* *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* *Whether sample sizes are appropriate to the grain size of the material being sampled.*	■ RC samples were collected in pre-labelled bags via a cone splitter mounted directly below the cyclone on the rig. ■ Wet and dry samples were collected via the same technique. ■ Samples were stored on-site prior to being transported to the laboratory. Wet samples were allowed to dry before being processed. ■ Samples were sorted, dried and weighed at the laboratory where they were then crushed and riffle split to obtain a sub-fraction for pulverisation. The pulverised sample was reduced further and combined with various reagents prior to oven fusion to create a fused disc for analysis.
Quality of Assay Data and Laboratory Tests *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* *For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* *Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.*	■ Sample analysis was completed by SGS Laboratories in Welshpool, WA. Standards and duplicates were inserted into the sample sequence at the rate of 1 in 50 samples, i.e. every 25th sample was a standard or a duplicate. These samples were used to test the precision and accuracy of the sampling method and laboratory analysis. API conducts monthly checks of all QA/QC data. ■ API has previously conducted external reviews (undertaken by Optiro and Geostats) of the geological database. Audits results show an acceptable level of accuracy and precision.
Verification of Sampling and Assaying *The verification of significant intersections by either independent or alternative company personnel.* *The use of twinned holes.* *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* *Discuss any adjustment to assay data.*	■ Comparison of RC and twinned diamond hole assay data distributions show that the drilling methods have similar grade distributions, verifying the suitability of RC samples in the Mineral Resource estimate. ■ API conducts round robin studies on assay results to verify sample analysis. No concerns were highlighted and no adjustments to data have been made. ■ API retain sample laboratory sample pulps for all samples since 2005.
Location of Data Points *Accuracy and quality of surveys used to locate drill holes (collar and downhole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* *Specification of the grid system used.* *Quality and adequacy of topographic control.*	■ All drill holes are initially surveyed by handheld GPS and later surveyed by differential GPS utilising an independent contractor. ■ Drill hole collar coordinates were verified in ArcGIS and/or MapInfo software utilising aerial photography as part of API's monthly QA/QC procedures. ■ Topographic coverage of all API projects has been established by aerial survey (LIDAR) with a vertical accuracy of ±0.15 m. ■ API projects fall within the MGA Zone 50 or 51 (GDA 1994 based) for horizontal data and AHD for vertical data.

JORC Code Assessment Criteria	Comment
Data Spacing and Distribution *Data spacing for reporting of Exploration Results.* *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* *Whether sample compositing has been applied.*	■ Drill hole spacing is typically at 100 m by 100 m (maximum spacing) across the entire deposit area. ■ Drilling and sample density is sufficient to establish both geological and mineralisation continuity for resource estimation purposes. ■ A grade control trial drilling has been conducted at Kens Bore (50 m by 50 m and 25 m by 25 m) and Upper Cane (5 m by 5 m). ■ No sample compositing has been undertaken for RC samples. ■ Diamond hole samples were composited for metallurgical testwork however these samples were not included in the Mineral Resource estimate. ■ Resource drilling was designed along grid lines dominantly striking 360°-180° (N-S).
Orientation of Data in Relation to Geological Structure *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	■ All drill holes were drilled vertically. ■ Due to the shallow depth of drill holes and the horizontal stratigraphy of the CID it was not considered a requirement to complete downhole orientation surveys. To support this assumption downhole surveys were conducted on 38 drill holes at the Catho Well and Cardo Bore deposits. The average absolute deflection recorded in all drill holes was 0.5 degrees. The maximum depth of the holes tested was 76 m resulting in an average deflection of approximately 0.6 m. The majority of drill holes completed within the resource areas have depths less than 60 m and as such drill hole deflection is considered negligible. ■ The orientation of sampling achieves unbiased sampling of stratigraphic domains.
Sample Security *The measures taken to ensure sample security.*	■ API and SGS communicate on a regular basis and standard chain of custody paperwork is used. Samples are despatched and transported to the laboratory on a regular basis.
Audits and Reviews *The results of any audits or reviews of sampling techniques and data.*	■ QA/QC procedures and rigorous database validation rules ensures sampling and logging data is validated prior to being used by API Geologists. ■ API conducts monthly QA/QC data checks on reference standards and field duplicates. ■ Independent audits of API's sampling techniques and QA/QC assay data have been undertaken. Sampling procedures and the drill hole database is consistent with industry standards.

Section 2 Reporting of Exploration Results

JORC Code Assessment Criteria	Comment
Mineral Tenement and Land Tenure Status *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	■ The Australian Premium Iron Joint Venture (APIJV – between Aquila Steel Pty Ltd and AMCI (IO) Pty Ltd), the Red Hill Iron Ore Joint Venture (RHIOJV – between API and Red Hill Iron Limited) and the Mt Stuart Iron Ore Joint Venture (MSIOJV – between API and Cullen Exploration Pty Ltd) and the Yalleen Project (Helix Resources – royalty) collectively comprise the broader West Pilbara Iron Ore Project (WPIOP), with each joint venture managed by API Management Pty Ltd (API). ■ There are no known environmental or cultural heritage matters that would impact on the development of the resource areas (subject to relevant approvals).
Exploration Done by Other Parties *Acknowledgment and appraisal of exploration by other parties.*	■ Exploration work completed by API or other parties prior to this report has been summarised in previous ASX releases (Cullen Resources Ltd) or are publically available via the Department of Mines and Petroleum online systems.
Geology *Deposit type, geological setting and style of mineralisation.*	■ The Mineral Resource is from Channel Iron Deposits (CID) with mineralisation present as Tertiary Robe Pisolite. CIDs have been formed by the alluvial and chemical deposition of iron rich sediments in palaeo-river channels after erosion and weathering of lateratised Hamersley Group sediments. ■ Basement comprises the Wyloo Group units and varies from shales to dolomites, mafic lavas, tuffs and volcanoclastic of the Wittenoom Formation, Mount McRae Shale, and Mt Sylvia Formation.
Drill hole information	■ All work relating to this Mineral Resource Estimate has previously been summarised in ASX releases by Red Hill Iron Limited.
Data aggregation methods	■ No maximum or minimum grade truncations were performed.
Relationship between mineralisation widths and intercept lengths	■ Mineralisation in the area reported is flat lying and only true mineralisation widths are reported.
Diagrams	■ Refer to Figure 1 for the deposit locations.
Balance reporting	■ Not applicable. Exploration results have previously been reported. This Table relates to the reporting of the Mineral Resource estimate.
Other substantive exploration data	■ Not applicable. Exploration results have previously been reported. This Table relates to the reporting of the Mineral Resource estimate.
Further work	■ Exploration work will continue as required to improve resource tonnages within RHIOJV area.

Section 3 Estimation and Reporting of Mineral Resources

<table>
<tr><th>JORC Code Assessment Criteria</th><th>Comment</th></tr>
<tr><td>Database Integrity
Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.

Data validation procedures used.</td><td>■ All geological data and drilling information is stored in a SQL database in the API Perth office and is managed by API with support from external consultants.
■ API uses Ocris to import data into its SQL database. Custom built configured imports are used to further validate the data on import. Despatching of samples, receipting of assays, and QA/QC is also undertaken in Ocris.
■ API has previously had external consultants review the drill hole database. The database was found to be above industry standard.</td></tr>
<tr><td>Site Visits
Comment on any site visits undertaken by the Competent Person and the outcome of those visits.

If no site visits have been undertaken indicate why this is the case.</td><td>■ Mr Stuart Tuckey (API Competent Person) visited the Mineral Resource deposits on a regular basis as infill drilling was completed.
■ Golder has not undertaken any site visits for this estimation or previously.</td></tr>
<tr><td>Geological Interpretation
Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.

Nature of the data used and of any assumptions made.

The effect, if any, of alternative interpretations on Mineral Resource estimation. The use of geology in guiding and controlling Mineral Resource estimation.

The factors affecting continuity both of grade and geology.</td><td>■ 3D geological and mineralisation modelling is undertaken by API using Micromine software. The method involves interpretation of downhole stratigraphy using surface geologic mapping, lithological logging and downhole assay data. Working field sections are updated at the drill rig by the geologist and these comments are taken into account when creating or editing geological and mineralisation models.
■ Golder reviewed the mineralisation sectional interpretation and the wireframe construction at a 53% cut-off grade completed by API personnel.</td></tr>
<tr><td>Dimensions
The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.</td><td>■ The dimensions of the block model are adequate to cover the extent and variability of the RHIOJV deposits.
<table>
<tr><th>Deposit</th><th>Direction</th><th>Min. (m)</th><th>Max. (m)</th><th>Extent (m)</th></tr>
<tr><td rowspan="3">CW</td><td>Easting</td><td>421500</td><td>428200</td><td>6700</td></tr>
<tr><td>Northing</td><td>7517800</td><td>7525400</td><td>7600</td></tr>
<tr><td>RL</td><td>124</td><td>300</td><td>176</td></tr>
<tr><td rowspan="3">CBE</td><td>Easting</td><td>419200</td><td>422400</td><td>3200</td></tr>
<tr><td>Northing</td><td>7544200</td><td>7546300</td><td>2100</td></tr>
<tr><td>RL</td><td>75</td><td>275</td><td>200</td></tr>
<tr><td rowspan="3">CBN</td><td>Easting</td><td>418500</td><td>421500</td><td>3000</td></tr>
<tr><td>Northing</td><td>7549700</td><td>7552000</td><td>2300</td></tr>
<tr><td>RL</td><td>150</td><td>400</td><td>250</td></tr>
<tr><td rowspan="3">CC</td><td>Easting</td><td>409000</td><td>413000</td><td>4000</td></tr>
<tr><td>Northing</td><td>7574000</td><td>7577500</td><td>3500</td></tr>
<tr><td>RL</td><td>0</td><td>300</td><td>300</td></tr>
<tr><td rowspan="3">JW</td><td>Easting</td><td>410100</td><td>412200</td><td>2100</td></tr>
<tr><td>Northing</td><td>7573600</td><td>7574500</td><td>900</td></tr>
<tr><td>RL</td><td>75</td><td>275</td><td>200</td></tr>
<tr><td rowspan="2">KB & KBE</td><td>Easting</td><td>413500</td><td>421500</td><td>8000</td></tr>
<tr><td>Northing</td><td>7556500</td><td>7563000</td><td>6500</td></tr>
</table>
</td></tr>
</table>

JORC Code Assessment Criteria	Comment

	RL	100	300	200
TB	Easting	427000	435000	8000
	Northing	7521000	7531000	10000
	RL	200	400	200
UC	Easting	422500	426000	3500
	Northing	7544900	7546500	1600
	RL	100	400	300

Estimation and Modelling Techniques

The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters, and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.

The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.

The assumptions made regarding recovery of by-products.

Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulfur for acid mine drainage characterisation).

In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.

Any assumptions behind modelling of selective mining units.
Any assumptions about correlation between variables.

Description of how the geological interpretation was used to control the resource estimates.

Discussion of basis for using or not using grade cutting or capping.

The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.

- The estimation technique used for the Mineral Resource estimation is the geostatistical method of Ordinary Kriging. Parameters were derived from variograms to estimate the average grade for Fe, P, SiO2, Al2O3, LOI, Mn, MgO and S for each block.
- Block sizes were selected with respect to the nominal drilling densities to ensure acceptable local estimation quality.
- The block size selected is 25 m (X) by 25 m (Y) by 2 m (Z). The sub-block size is 5 m (X) by 5 m (Y) by 2 m (Z).
- All samples were composited to 2 m for estimation purposes.
- The estimation was conducted in three passes with the search size increasing for each pass. In some domains, where the blocks were not fully estimated after three passes, blocks were assigned default grades. The default grades were based on the mean of the estimated block grades in the same domain.
- Individual variables between each stratigraphy domain were compared for similarity to decide if grouping of MINSTR during Mineral Resource estimation was appropriate.
- The model was validated visually and statistically using comparisons to composite data statistics, swath plots and smoothing effect assessments.

Moisture

Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.

- All Mineral Resource tonnages are reported on a dry basis.

Cut-off Parameters

The basis of the adopted cut-off grade(s) or quality parameters applied.

- The resource model is constrained by assumptions about economic cut-off grades. The mineralisation is confined by a 53% Fe cut-off grade. The resource is reported using cut-off grade of 53% Fe which was applied on a block by block basis.

Mining Factors or Assumptions

Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution.

It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining

- It has been assumed that the traditional open cut mining method of drill, blast, load and haul will be used. This is consistent with current practices at similar deposits in the Pilbara.

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methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.	
Metallurgical Factors or Assumptions *The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.*	■ Multiple phases of metallurgical test work have been undertaken. Results indicate a saleable product can be achieved via a simple crush and screen process. Higher clay zones may require beneficiation by wet process to remove clay.
Environmental Factors or Assumptions *Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.*	■ All key Commonwealth and WA government on-tenement approvals for the development of the project have been obtained. More detailed studies regarding possible waste and process residue disposals options are ongoing.
Bulk Density *Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.* *The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc.), moisture and differences between rock and alteration zones within the deposit.* *Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.*	■ Density determinations were completed by AMMTEC and SGS on PQ diamond core and by API field staff on Winze stockpiles. A total of 1 335 density determinations, across all the deposits managed by API were recorded using several methods including the waxed, unwaxed and the wet-dry method. ■ 17% of the Wet and Dry (non-waxed) samples were re-tested at the lab for quality control (185 pairs). ■ The regional average density across all the deposits managed by API was applied by stratigraphic units for mineralised and waste domains.
Classification *The basis for the classification of the Mineral Resources into varying confidence categories.* *Whether appropriate account has been taken of all relevant factors, i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data.* *Whether the result appropriately reflects the Competent Person(s)' view of the deposit.*	■ The Mineral Resource is were classified in accordance with the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 Edition). ■ Continuous zones meeting the following criteria were used to define the resource classes: ■ <u>Measured Resource</u> ▪ Strong evidence of geological continuity ▪ Strong evidence of grade continuity ▪ High levels of kriging performance quality ▪ Drill spacing of less than 100 m by 100 m ■ <u>Indicated Resource</u> ▪ Evidence of geological continuity ▪ Evidence of grade continuity ▪ Moderate levels of kriging performance

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	quality ▪ Drill spacing of 100 m by 100 m ■ <u>Inferred Resource</u> ▪ Drill spacing wider than 100 m by 100 m ▪ Greater geological uncertainty. ▪ Limited grade continuity ▪ Relatively low kriging performance quality
Audits or Reviews *The results of any audits or reviews of Mineral Resource estimates.*	■ This Mineral Resource estimate was completed by Golder in 2010. Optiro conducted a review of the 2010 Mineral Resource.
Discussion of Relative Accuracy/Confidence *Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.* *The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.* *These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.*	■ No additional data has been incorporated into the Mineral Resource Estimate re-reporting of the 2010 Mineral Resources.