

19 February 2015

## Balmoral South Iron Ore Project

### Listing Rule 5.16 Clarification

Australasian Resources Ltd (ASX: ARH) provides the following clarification under listing rule 5.16 in relation to the production target for its Balmoral South Iron Ore Project (the Project) as referred to in slide 12 of the company's AGM presentation (released 27/11/2014). The current Ore Reserve for the Project, in which ARH holds a 50% interest, was developed in 2009. ARH has commissioned a re-evaluation of this reserve on the basis of the current (2015) industry and market environment to confirm that the reserve is still valid and economically robust. This study was undertaken by independent consulting group Orelogy Group Pty Ltd (**Orelogy**) in cooperation with GHD Pty Ltd (**GHD**) and utilised the framework of the JORC Code 2012 for reporting.

**The Company is pleased to announce that the outcome of this study has indicated that, on the basis of Modifying Factors updated to reflect 2015 conditions, the Balmoral South Iron Ore Project Ore Reserve is still valid, economically robust and therefore remains unchanged as detailed in Table 2 below.**

The 2009 Ore Reserve was based on a Mineral Resource estimate generated in first quarter 2009 by independent geological consultants Snowden Mining Industry Consultants Pty Ltd (Snowden) under the JORC Code 2004. No re-assessment was undertaken on the underlying Mineral Resource as part of this study. However it is reported here in Table 1 for

**Table 1 – 2009 Mineral Resource Estimate (Balmoral South)**

Class	Ore <sup>1</sup>				Concentrate (80% passing 32µm)				
	Mt	MagFe <sup>2</sup> (%)	Total Fe (%)	DTR <sup>3</sup> (%)	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P <sub>2</sub> O <sub>5</sub> (%)	Density (t/m <sup>3</sup> )
Indicated	1,055	22.9	31.3	33.2	69.1	3.8	0.10	0.03	3.4
Inferred	550	22.0	30.9	32.1	68.8	4.0	0.11	0.03	3.3
<b>Total</b>	<b>1,605</b>	<b>22.6</b>	<b>31.2</b>	<b>32.7</b>	<b>69.0</b>	<b>3.9</b>	<b>0.10</b>	<b>0.03</b>	<b>3.4</b>

1. at a cut-off of 15% MagFe

2. MagFe – percentage of magnetically recoverable Fe in ore;

3. DTR – Davis Tube Recovery (weight recovery of magnetite)

**Table 2 – 2015 Ore Reserve Estimate (Balmoral South) as at February 2015**

Class	Ore				Concentrate (80% passing 32µm)				
	Mt	MagFe (%)	Total Fe (%)	DTR (%)	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P <sub>2</sub> O <sub>5</sub> (%)	Density (t/m <sup>3</sup> )
Probable	859	22.6	31.2	32.7	69.0	3.9	0.10	0.02	3.3

**ASX Code: ARH**

### Company overview

Australasian Resources is an iron ore company currently developing the world-class Balmoral South Iron Ore Project in the Pilbara region of Western Australia.

### Fast Facts

ASX Code: ARH  
Shares on Issue: 489M

### Board of Directors

Mr Domenic Martino	Chairman
Mr Vimal Sharma	Director
Mr Paul Piercy	Director
Mr Clive Mensink	Director

### Company Secretary

Mr Mark Oliver

### Chief Executive Officer

Mr Grant Ryan

### Major Shareholding

Professor Clive Palmer and Associates	69.83%
Timefull Investments (Shougang Concord)	5.72%
JP morgan Nominees Australia Limited (APAC Resources)	4.27%
Australian Minerals (Hong Kong) Holding Ltd	3.16%

### Balmoral Project Highlights

- JV arrangement with Mineralogy increased BSIOP to 2 billion tonnes of magnetite iron ore;
- Feasibility Study Completed;
- Feasibility Study Updated (2012);
- Ore Reserve Updated (JORC 2012) Feb 2015.

### Media contact

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Tel: +61 8 9388 0944

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## 2009 Mineral Resource

The 2009 Mineral Resource estimate that forms the basis of this assessment of the Ore Reserve was completed in March 2009 by Snowden. The 2009 Mineral Resource included information from drill holes completed by ARH in 2008 and a revision of the geological interpretation.

The 2009 Mineral Resource estimate is summarised below in Table 1 above and is reported at a cut-off grade of 15% MagFe grade. The Mineral Resource included an estimate of the concentrate grade based on Davis Tube metallurgical test work and was classified into Indicated and Inferred Resource categories as per the 2004 JORC guidelines.

Only the Indicated Resource from Table 1 was considered for conversion to Ore Reserves as per reporting practices outlined in the 2012 JORC Code. In addition those parts of the Indicated Resource estimate which were defined as Dales Gorge BIF were also not considered as ore for reserve reporting purposes. Consequently the total Indicated material considered for conversion to Ore Reserves was 956 Mt.

## Reserves

Orelogy completed an updated open pit optimisation to assess the economic viability of the Project.

The basis for the update to the optimisation Modifying Factors were as follows:

- Mining costs were based on an evaluation of the parameters used in the April 2009 Resource and Reserve Update (2009 RRU).
- Project capital, processing costs and metallurgical recoveries were updated based on evaluation of an internal project financial update carried out in 2012.
- Commodity price updates were based on a long term iron ore price of \$80US/tonne for 62% Fe Iron Fines CFR China port. A premium over this price base was calculated using GHD's OREX Value-In-Use model for BFC and DRC.

The Ore Reserve estimate was based on the following key updated parameters:

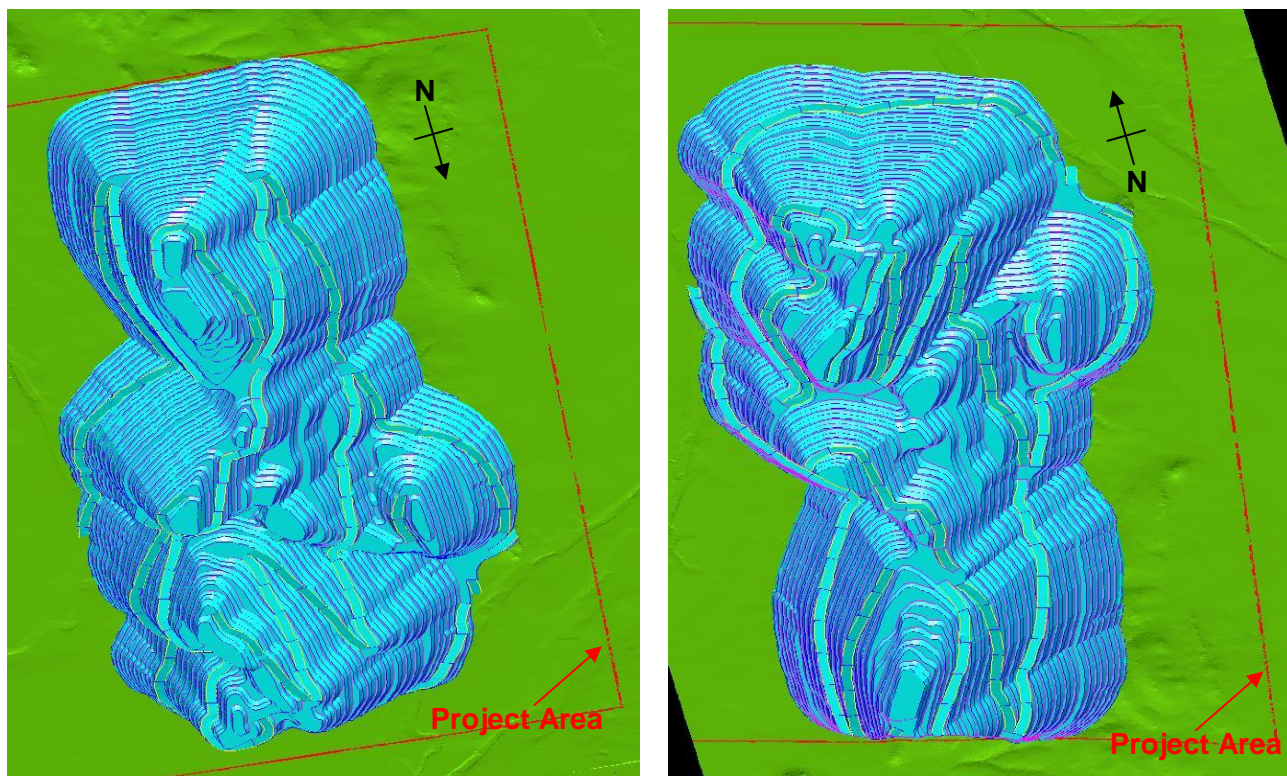
- A product mix consisting of 3.6 Mtpa of Blast Furnace Concentrate (BFC) and 8.4 Mtpa of Direct Reduction Concentrate (DRC). On average 41.5 Mtpa of ore would be mined to produce a total of 12 Mtpa of iron ore product.
- Mining costs were based on off-highway truck and hydraulic shovel mining operation. The costs used in the 2009 RRU, which were themselves based on independent quotations from three contractors, were compared against costs recently obtained by Orelogy for a similar sized project located in WA. These costs were obtained in March 2014 and averaged marginally less (-5%) than the costs generated by the 2009 RRU. Given that the comparative project is closer to Perth and therefore would require less logistical costs it was decided to increase the 2009 RRU costs by 5% for the 2015 ORVS. This is in effect 10% more than the 2014 contractor mining costs obtained. This is considered a reasonable and relatively conservative approach.
- Mining dilution and ore loss has been accounted for by applying appropriate selective mining unit dimensions, resulting in a total metal loss of 3.3%. An additional 2% mining loss was applied as an allowance for operational losses during mining.
- Capital was increased from \$3.75B to \$4.10B Australian dollars. However the construction timeframe was reduced from four years to three years.

- Plant operating costs were increased from an average of \$36.11/tonne of concentrate to \$42.59/t. This is predominantly a reflection of the additional costs of generating the DRC product and an overall increase in energy (gas) costs. It is assumed the plant begins production in Year 3 at a nominal production rate of 7.5Mt of concentrate. It reaches nameplate capacity of 12Mtpa for the remainder of the mine life.
- The Davis Tube Recovery (DTR) was used as an indicator for the mass conversion of ore tonnes to concentrate tonnes (i.e. mass pull). A plant efficiency of 95% was used historically to downgrade this theoretical conversion rate. This was retained for BFC. However for DRC it was reduced further to 86% to reflect the losses resulting from generating a higher grade product.
- The previous APAC royalty of \$1.00US/tonne concentrate was removed as it is no longer valid.
- The marketing fee, previously 2.5% of revenue, was reduced to 0.5%. This is because it is assumed the premium product generated will secure robust off-take agreements that will require less on-going marketing.
- Approximately 249 Mt of iron ore products would be produced over the project life, which equates to around 22 years of production at the nominated annual capacity of 12 Mt.
- The average strip ratio, considering only the Indicated material is 0.96:1 for the current pit design. In addition to the stated Ore Reserve there is an additional 92 Mt of Inferred material within the pit design which was not included in the Reserve calculation.
- The Ore Reserve estimate has been reported within the Project Area defined by the sublease agreement between International Minerals Pty Ltd. and Mineralogy Pty Ltd. International Minerals is a joint venture between Australasian Resources (50%) and Mineralogy Pty Ltd. (50%).
- The life of mine concentrate selling prices utilised for this update were \$100.00US/tonne and \$120.00US/tonne for BFC and DRC respectively, CFR in China. This equates to a combined price net after royalties of \$130.32AU/tonne.
- The shell generated within the WHITTLE optimisation that most closely replicates the ore tonnes, product grades and strip ratio of the current reserve equated to a Revenue Factor of 0.93. This represents a reduction of approximately 7% in the long term price stated above. The nearest shell outcomes are presented in Table 3 with a comparison to the stated Ore Reserve. As can be seen it replicates the stated reserve exactly in regard to ore and within 2% on waste. Table 3 indicates that 80% of the Indicated Resource (refer to Table 1) was converted to a Probable Ore Reserve.
- A relatively conservative indicative schedule run in WHITTLE returned an NPV of \$2.11B and an associated Internal Rate of Return (IRR) of 14.4%.
- The project generates an undiscounted cashflow of approximately \$10.3B over a mine life of 24 years inclusive of a pre-strip period of approximately 2 years.

Table 3 – 2015 Ore Reserve Estimate (Balmoral South) vs. closest optimisation shell


Source	Ore			Waste	Total
	Mt	MagFe (%)	DTR (%)	Mt	Mt
Reserve	859.0	22.6	32.7	824.6	1683.6
Related Shell	859.2	22.6	32.7	810.3	1669.5
% Variation from Reserve	0.0%	0.0%	0.0%	-1.7%	-0.8%

Figure 1: 3D View of Pit Design



The company believes confirmation of the BSIOP Ore Reserve as valid and economically robust under the JORC 2012 code will add a measure of confidence for potential investors in this region. It will also serve to highlight the viability of the project as a long term investment opportunity.

For and on behalf of Australasian Resources Ltd.



Grant Ryan  
Chief Executive Officer

## Estimation and Reporting of Ore Reserves

Criteria	Explanation	Commentary
<b>Mineral Resource estimate for conversion to Ore Reserves</b>	<i>Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve.</i>	<p>The Mineral Resources estimate used as a basis for the conversion to the Ore Reserves was published by Australasian Resources Ltd (ARH) on 2<sup>nd</sup> April 2009 with Michael Andrew (Snowden Consultants) as the Competent Person. It reported 1,605Mt at an average Davis Tube Recovery (DTR) of 32.7% for all Indicated and Inferred materials. A cut-off grade of 15% Magnetically Separable Iron (MagFe) has been used. The average DTR Fe grade (i.e. grade of iron in Davis Tube recovered fraction) for the resources was 69.0%. The associated DTR SiO<sub>2</sub> grade is 3.9% and DTR Al<sub>2</sub>O<sub>3</sub> grade is 0.10%.</p> <p>The Ore Reserve estimate is based on Indicated resource only and also excludes any resource defined as Dale Gorge BIF. Therefore the total Indicated material considered for conversion to Ore reserve was 956Mt.</p>
	<i>Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves.</i>	<p>The Mineral Resources are reported inclusive of the Ore Reserves. The Mineral Resources are reported in terms of Indicated or Inferred materials.</p> <p>The Ore Reserves are reported in terms of the associated Proved or Probable ores.</p>
<b>Site visits</b>	<i>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</i>	<p>The Competent Person for Ore Reserves reporting is Ross Cheyne (Orelogy Consulting) and he has been involved in the project since 2006. Mr Cheyne has not undertaken a site visit during this time. However employees of Orelogy have been to site during this time and have provided the following observations:</p> <ul style="list-style-type: none"> <li>• The nearest sizeable town is Karratha, which is approximately 80km east north-east of the site along the NW Coastal Highway (NR1). Karratha has a port facility (Dampier).</li> <li>• The site is located in reasonably close proximity to NR1 (approx. 10km at nearest point) and also the Dampier-Bunbury gas pipeline which is located adjacent to NR1 at this point.</li> <li>• The topography immediately around the proposed open pit is relatively flat, with a ridge line running down the centre of the proposed open pit. The ridgeline is a maximum of 25 metres above the surrounding topography.</li> <li>• The orebody clearly outcrops at numerous locations within the proposed working area. The overburden cover appears relatively competent and will require some amount of drill and blast. The area has very sparse vegetation.</li> <li>• There are no areas of significant habitation close to the proposed operation.</li> </ul>
<b>Study status</b>	<i>The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves.</i>	<p>A Bankable Feasibility Study (BFS) was completed in June 2008 and released by ARH. A subsequent Resource and Reserve Update was released by ARH in April of 2009 (2009 RRU) based on a follow-up drilling programme.</p> <p>This Ore Reserve statement is based on the previous work undertaken as part of the DFS and RRU. The intention is to confirm that the Ore Reserve generated in April 2009 is still valid in the current 2015 market conditions. The material Modifying Factors used to generate the 2009 Ore Reserve have been reviewed and updated where necessary.</p> <p>As such this work can be considered to be undertaken to a Pre-Feasibility level (i.e. +/- 25%).</p>
	<i>The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will</i>	<p>The method used to obtain this confirmation was to re-run the open pit optimisation process with these updated parameters to then verify that the pit design on which the Ore Reserve is based remains in-line with an optimal shell that returns an acceptable cashflow. This is referred to as the 2015 Ore Reserve Validation Study (2015 ORVS).</p> <p>Slope design criteria, mining dilution, ore loss and processing recoveries</p>

	<i>have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered.</i>	were applied in the pit optimisation process together with mining, processing and concentrate transport cost estimates and concentrate pricing estimates to generate optimised pit shells.
<b>Cut-off parameters</b>	<i>The basis of the adopted cut-off grade(s) or quality parameters applied.</i>	A cut-off grade of 15% MagFe was applied as the basis for the definition of ore. The application of this cut-off reflects the reporting of the resource estimate and was selected on the basis that it would generate the required head grade of approximately 22-23% MagFe to produce a suitable concentrate grade of >68.0% Fe. No quality parameters were applied.
<b>Mining factors or assumptions</b>	<i>The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design).</i>	A Whittle 4x pit optimisation, including sensitivity analysis, was completed. Slope design criteria, mining dilution, ore loss and processing recoveries were applied in the pit optimisation process based on those used in BFS and RRU for the generation of a Blast Furnace Concentrate (BFC). The mining, processing and sales cost estimates, along with initial capital costs and revenue projections, were updated for the BFC to reflect 2015 conditions. In addition an estimate of additional processing and sales cost, capital costs and revenue projections were generated for production of a Direct Reduction Concentrate (DRC) in tandem with the BFC.
	<i>The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc.</i>	The assumption of a conventional truck and shovel open pit mine method was carried over from the DFS/RRU due to the low strip ratio and the outcropping of the ore at surface. Mine design criteria include: minimum mining width, ramp width and gradient, pit exit location and slope design parameters for the existing design are all detailed in the 2008 DFS. A mining fleet is assumed to consist of up to 3 x 550t hydraulic face shovels, 280t rigid body dump trucks and associated support and ancillary equipment. This fleet was considered suitable for the scale of the open pit and the production levels required to maintain ore supply.
	<i>The assumptions made regarding geotechnical parameters (e.g. pit slopes, stope sizes, etc.), grade control and pre-production drilling.</i>	Geotechnical design parameters were generated by Snowden Mining Industry Consultants and applied to pit optimisations and pit designs as per the 2008 DFS. An allowance for grade control was included in mining cost for the pit optimisation.
	<i>The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate).</i>	Only Indicated resource materials, modified for dilution and ore loss, were considered as potential ore in the pit optimisation process. In addition the Dales Gorge BIF unit was excluded as a potential ore. Slope design criteria and processing recoveries were applied in the pit optimisation process together with mining, processing and sales cost estimates and revenue projections based on a concentrate production level of 12Mtpa, split 60% DRC and 40% BFC. The commodity prices used assume: <ul style="list-style-type: none"> <li>• A premium for high grade, low contaminant magnetite based concentrates.</li> <li>• An additional 6USD/tonne of concentrate premium for the reduced CO<sub>2</sub> emissions generated by the Balmoral South concentrate.</li> </ul>
	<i>The mining dilution factors used.</i>	A regularised mining block model, as distinct from the sub-blocked resource model, was developed from the resource model by the application of a regular block size of 12.5m (X) by 12.5m (Y) by 12.0m (Z). This process has effectively made an allowance for both dilution and ore loss at the geological contacts. Work completed for the 2009 Ore Reserve Estimate indicated that there was a net loss of Fe metal of 1.3% and an overall tonnage gain of 1.1%.

<b>Metallurgical factors or assumptions</b>	<i>The mining recovery factors used.</i>	98% mining recovery was applied to reflect the expected ore loss during the mining process (i.e. misclassification of ore, misdirection of trucks etc.). This loss has been applied in addition to the losses resulting from the regularisation mining block model as detailed in the item above.
	<i>Any minimum mining widths used.</i>	Designs and cutbacks have been designed to suit 550t shovels and 280t dump trucks. <ul style="list-style-type: none"> <li>• A minimum mining width of 75m.</li> <li>• Two way ramp systems widths 30m.</li> <li>• Ramp gradient 10%.</li> <li>• There are no one-way ramps</li> </ul>
	<i>The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion.</i>	No inferred Mineral Resources have been included in the Reserves.
	<i>The infrastructure requirements of the selected mining methods.</i>	Contract mining was assumed for the 2008 BFS / 2009 RRU and the same cost basis was applied for the 2015 ORVS with a 5% escalation. The mobilisation and capital cost of the mining equipment is reflected in the contract mining rates and therefore flows through into the mining operating cost estimate. Mining infrastructure costs (i.e. workshop, fuel facility etc.) have been included in the overall project capital cost estimate.
	<i>The metallurgical process proposed and the appropriateness of that process to the style of mineralisation.</i>	The process is a series of comminution and magnetic separation with a final stage of reverse flotation to achieve DR grade. The process method is consistent with many successful magnetite deposits across the world.
	<i>Whether the metallurgical process is well-tested technology or novel in nature.</i>	This process is well tested throughout the world and has been in operation for more than 30 years.
	<i>The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied.</i>	Metallurgical testing was completed in 2007 and was used to define the key parameters of the magnetite. These included differing ore types within the deposit. As such the Dales Gorge unit was excluded from the deposit as a possible ore source. Tests include the grind liberation of the magnetite to reach grades above 68%Fe in the concentrate. These are compared to the DTR values to obtain a 95% weight recovery of the DTR %Wt. This number was exceeded by all samples tested. Typical comminution tests were also carried out on the samples. Total hole length of all samples tested was 790m. Samples were sighted as representative by the geologist in 2007 and represent areas of the main ore types designated. The samples also included a range of DTR %SiO <sub>2</sub> values for variability testing. Metallurgical tests had also been completed in Germany in 1993.
	<i>Any assumptions or allowances made for deleterious elements.</i>	No elements deleterious to the processing approach have been observed or modelled. Traces of asbestiform minerals have been detected in the Dales Gorge BIF unit. As the quantities detected have been minimal and their exact nature has not been identified, they have not been modelled in the resource. However, in order to maintain a relatively conservative approach, this material has been excluded as a potential ore source. The mining of this material can be effectively managed through the implementation of industry standard procedures and practices.
<i>The existence of any bulk</i>	Original Pilot plant work was done in Germany at SGA in 2001. This	

	<p>sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole</p>	<p>produced a concentrate of Direct Reduction Grade, which was then tested for pelletising qualities. These show that a concentrate of higher than 70%Fe can be achieved with reverse flotation. The pellet tests were considered successful.</p> <p>A further pilot test was run at SGA in 2003 to product DR grade material by reverse flotation and to confirm the pelletising results.</p> <p>There was a pilot plant run in 2008 to confirm the concept and to develop the more detailed engineering parameters. Samples were provided for materials handling, thickening, filtering, rheology, HPGR testing, TML and tailings. The pilot plant successfully produced BF grade concentrate at expected weight recoveries.</p>
	<p>For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet specifications?</p>	<p>The reserve estimate is based on a MagFe cut-off grade of 15%. Material in this category is inherently an economic magnetite. The only other parameter that can affect the economics of ore produced is the DTR grade, which is effectively the mass recovery from ore tonne to concentrate tonne. However the material above the MagFe cut-off has a minimum DTR grade well above economic breakeven for this parameter and therefore it has no effect on the material defined as potential ore.</p>
Environmental	<p>The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported.</p>	<p>International Minerals has requested to the appropriate government authorities that its current environmental approval (PER) be extended for a further 5 years.</p>
Infrastructure	<p>The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided, or accessed.</p>	<p>The main infrastructure in the area of the project is road access north to Karratha (80km) and south to Perth (1480km) via the NW Coastal Highway (NR1). This road is located approximately 10km from site. Transport will utilise the existing Citic Pacific Mining Management Pty Ltd (CPMM) infrastructure.</p> <p>The Dampier-Bunbury gas pipeline will be accessed by tie-in to the existing CPMM power plant.</p> <p>A 210MW power plant is planned for the project.</p> <p>A desalination plant is planned to provide make up water to the plant which requires 12 Glpa. .</p> <p>Accommodation facilities are planned for the workforce, which is assumed to be predominantly FIFO, with some persons commuting from Karratha.</p>
Costs	<p>The derivation of, or assumptions made, regarding projected capital costs in the study. The methodology used to estimate operating costs.</p>	<p>All costs have been estimated to cover the mining, processing and concentrate transport activities. These costs are estimated in Australian dollars, as at January 2015.</p> <p><b>CAPITAL COSTS</b></p> <p>Processing, mining and other related infrastructure, particularly that related to production of DRC, is at a preliminary feasibility level with costs flowing through into the project capital cost estimate.</p> <p>An engineering estimate based on quantity, rates and quotations has been developed for the following components:</p> <ul style="list-style-type: none"> <li>• Access.</li> <li>• Processing plant.</li> <li>• Tailings dam.</li> <li>• Power plant.</li> <li>• Water supply.</li> </ul>



		<ul style="list-style-type: none"> <li>• Accommodation.</li> </ul> <p><b>OPERATING COSTS</b> Pre-stripping is treated as an operating cost within the Whittle optimisation, as is fleet replacement capital. Contract mining was assumed for the 2008 BFS and the same costs were applied for the 2009 RRU. For the 2015 ORVS the average mining costs generated by the 2009 RRU were compared against costs recently obtained by Orelogy for a similar project. These costs were obtained in March 2014 and averaged marginally less (-5%) than the costs generated by the 2009 RRU. Given that the comparative project is closer to Perth and therefore would require less logistical costs it was decided to increase the 2009 RRU costs by 5% for the 2015 ORVS. This is in effect 10% more than the 2014 costs obtained. This is considered a reasonable and relatively conservative approach.</p> <p>Processing operating costs have been estimated by GHD based on estimates for reagents, manpower and electricity usage and their unit prices, while maintenance expenditure was factored.</p> <p>Concentrate transport costs have been generated by GHD based on pipeline transport of concentrate to Cape Preston point. Allowances have been made for G&amp;A costs, both on-site and corporate. A marketing cost, calculated as 0.5% of revenue has also been applied.</p>
	<i>Allowances made for the content of deleterious elements.</i>	No specific allowance has been made for the management of any deleterious elements other than the factoring up of the mining costs by 5%.
	<i>The source of exchange rates used in the study.</i>	Exchange rate as at February 2015 was used.
	<i>Derivation of transportation charges.</i>	The cost of transport of concentrate from Cape Preston port to Chinese based end-users has been estimated by GHD at \$6.00US/tonne of wet concentrate. Based on a moisture content of 9% this equates to \$8.18AU/tonne dry concentrate.
	<i>The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc.</i>	The value of the product as a feed material for the Chinese blast furnace-based integrated steel makers has been estimated using GHD's proprietary OREX Value-In-Use model, which takes into account the iron content of the product as well as the effect of all deleterious elements. This project will produce high quality products which are of significantly higher value than the most competing products in the market.
	<i>The allowances made for royalties payable, both Government and private.</i>	The following royalties and commissions have been applied: <ul style="list-style-type: none"> <li>• West Australian Govt. iron concentrate royalty of 4.95% of revenue.</li> <li>• Mineralogy Pty Ltd Sub-lease Agreement royalty of \$0.30AU per tonne of ore indexed from May 2005.</li> </ul>
Revenue factors	<i>The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc.</i>	The product pricing is based on a published base price of US\$80/t of 62%Fe iron ore, CFR China port. The US \$80/t level is being used by a number of analysts as a long-term price, with recent public announcements by Fitch, JP Morgan and BNP Paribas being consistent with this value. A premium, calculated using the OREX Value-In-Use model is applied to this value. The factors that affect the revenue are: <ul style="list-style-type: none"> <li>• The resource DTR head grade adjusted for dilution.</li> <li>• The DTR Mass Recovery Efficiency of 95% for BFC and 86% for DRC.</li> <li>• The concentrate Fe grade (i.e. DTR Fe, DTR SiO<sub>2</sub>, and DTR Al<sub>2</sub>O<sub>3</sub> etc.).</li> <li>• The concentrate contaminant grades (i.e. DTR SiO<sub>2</sub>, DTR Al<sub>2</sub>O<sub>3</sub> etc.).</li> <li>• The concentrate prices for BFC and DRC.</li> <li>• Government royalties.</li> </ul> <p>Prices and costs are all in Australian dollars based on an exchange rate of 1.25AUD:USD.</p>
	<i>The derivation of assumptions made of</i>	The final average weighted prices, along with the DTR mass recovery efficiency, are detailed below:

	<i>metal or commodity price(s), for the principal metals, minerals and co-products.</i>	<table border="1"> <thead> <tr> <th></th> <th>% of Product</th> <th>Price</th> <th>DTR</th> <th>Mass Recovery</th> </tr> </thead> <tbody> <tr> <td>Efficiency</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>BFC</td> <td>30%</td> <td>\$100/t US</td> <td></td> <td>95%</td> </tr> <tr> <td>DRC</td> <td>70%</td> <td>\$120/t US</td> <td></td> <td>86%</td> </tr> <tr> <td>Combined</td> <td>100%</td> <td>\$114/t US</td> <td></td> <td>88.7%</td> </tr> <tr> <td colspan="5"><b>This equates to \$130.32/t AU Net after royalties</b></td> </tr> </tbody> </table>		% of Product	Price	DTR	Mass Recovery	Efficiency					BFC	30%	\$100/t US		95%	DRC	70%	\$120/t US		86%	Combined	100%	\$114/t US		88.7%	<b>This equates to \$130.32/t AU Net after royalties</b>				
	% of Product	Price	DTR	Mass Recovery																												
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Combined	100%	\$114/t US		88.7%																												
<b>This equates to \$130.32/t AU Net after royalties</b>																																
<b>Market assessment</b>	<i>The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future.</i>	<b>It is envisaged that a premium is expected for high grade quality concentrate with low impurities and demand will increase for this product over time.</b>																														
	<i>A customer and competitor analysis along with the identification of likely market windows for the product.</i>	<b>IM has completed internal reviews and analysis of potential customers and competitors and monitors this on an ongoing basis.</b>																														
	<i>Price and volume forecasts and the basis for these forecasts.</i>	<b>US\$80/t of 62%Fe iron ore, CFR China port. The US \$80/t level is being used by a number of analysts as a long-term price, with recent public announcements by Fitch, JP Morgan and BNP Paribas being consistent with this value. No market analysis concerning global demand for the produce has been undertaken.</b>																														
<b>Economic</b>	<i>The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc.</i>	<p><b>The economic analysis has been generated on the basis of WHITTLE optimisation outputs. A Net Present Value (NPV) and Internal Rate of Return (IRR) has been calculated for the Best case and Worst case schedules generated by WHITTLE. These can be considered the bookends in that they represent the extremes of possible project cashflows. The actual project cashflow will lie somewhere between the two.</b></p> <p><b>The NPV is developed using updated estimates of the following parameters.</b></p> <ul style="list-style-type: none"> <li>• The mining, processing and concentrate production schedule.</li> <li>• The capital and operating expenses necessary to meet the schedule.</li> <li>• The price for the concentrate produced.</li> <li>• Transport and shipping costs.</li> <li>• Royalties.</li> </ul> <p><b>A discount factor of 8% was used to reflect the current low interest rate finance market and low technical risk of the project.</b></p> <p><b>All revenues and costs are in February 2015 Australian dollars without consideration for inflation.</b></p>																														
	<i>NPV ranges and sensitivity to variations in the significant assumptions and inputs.</i>	<p><b>The NPV generated by the WHITTLE optimisation for the Project vary from a maximum Worst Case value of \$1.71B to a maximum Best Case value of \$2.41B. As discussed above these can be considered the bookends of value, with the true value lying somewhere between the two. An indicative schedule run in WHITTLE returned an NPV of \$2.11.05B and an associated Internal Rate of Return (IRR) of 14.4%.</b></p> <p><b>The project generates an undiscounted cashflow of approximately \$10.3B over a mine life of 24 years inclusive of a pre-strip period of approximately 2 years.</b></p>																														
<b>Social</b>	<i>The status of agreements with key stakeholders and matters leading to social licence to operate.</i>	<b>The company has consulted with the Shire of Roebourne regarding additional usage of its infrastructure (road and airport) that the project would cause.</b> <b>Native title responsibilities fall to the tenement holder to negotiate with local groups.</b>																														
<b>Other</b>	<i>To the extent relevant, the impact of the following on the project and/or on the estimation and</i>																															

	<p><i>classification of the Ore Reserves.</i></p> <p><i>Any identified material naturally occurring risks.</i></p>	<p>The risk of large scale pitwall failure occurring is low if the pit slopes are excavated as per design and with the pre-split drilling and blasting activities allowed for in the mine plan are adhered to. The consequences of such an unlikely event will result in some extra mining costs but won't prevent extraction of the scheduled ore.</p> <p>The risks of large scale pit flooding impacting on the performance of the project is low given the annual rainfall of ~300mm and the presence of an RoM stockpile. Acceptable risk levels can be achieved by adopting appropriate pit dewatering capacity and surface drainage designs (future studies).</p> <p>Risk of droughts or earthquakes have not been considered.</p>
	<p><i>The status of material legal agreements and marketing arrangements.</i></p>	<p>To date there are no material legal or marketing agreements presently in place.</p>
	<p><i>The status of government agreements and approvals critical to the viability of the project, such as mineral tenement status and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third part on which extraction of the reserve is contingent.</i></p>	<p>The Balmoral region is covered by State Agreements in the name of Mineralogy Pty Ltd and International Minerals in its Joint Venture with Mineralogy has the right to mine 2 Billion Tonnes.</p> <p>At present International Minerals has requested to the appropriate government authorities that its environmental approval be extended for a further 5 years.</p> <p>The Department of State Development initially rejected considering the lodged Project Proposal in August of 2012. Following arbitration found this rejection to be invalid.</p>
<b>Classification</b>	<p><i>The basis for the classification of the Ore Reserves into varying confidence categories. Whether the result appropriately reflects the Competent Person's view of the deposit. The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any).</i></p>	<p>Probable ore reserves were determined from Indicated resource materials. This is appropriate for the current level of knowledge of the project and its current status.</p> <p>As the project advances closer to implementation, the geological confidence levels for the first operating years will need to be enhanced in order to decrease the risk associated with not meeting the production schedule during those years. Upon completion this will then allow some of the Ore Reserves to be re-classified as Proved.</p>
<b>Audits or reviews</b>	<p><i>The results of any audits or reviews of Ore Reserve estimates.</i></p>	<p>Ore Reserve estimate has been reviewed internally by Orelogy.</p> <p>No external reviews or audits have been undertaken on the 2015 ORVS or 2009 RRU.</p>
<b>Discussion of relative accuracy/ confidence</b>	<p><i>Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical</i></p>	<p>The Ore Reserve estimate is the outcome of a study undertaken to a Pre-Feasibility level with geological, metallurgical, geotechnical, engineering and mining engineering considerations. It has a nominal accuracy of <math>\pm 25\%</math>.</p> <p>The only cost that is not considered in the analysis is the cost of finance. The project has a high NPV and is robust in terms of costs variations. The optimisation shell size and shape, and therefore the associated pit design and reserves, is robust to all inputs. The project cashflow, and therefore the economic viability of the reserve, is primarily sensitive to price variations of the concentrate product.</p>

	<p><i>procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate.</i></p>	<p><b>There is no guarantee that the concentrate price assumption will be achieved and commodity prices can vary significantly more than a <math>\pm 25\%</math> band width. Unless the price can be locked in or hedged, price variability is the main uncertainty.</b></p>
	<p><i>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.</i></p>	<p><b>Section 3, "Estimation and Reporting of Mineral Resources" does not indicate whether the resource relates to global or local estimates.</b></p>
	<p><i>Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage.</i></p>	<p><b>There are no undisclosed known areas of uncertainty.</b></p>
	<p><i>It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.</i></p>	<p><b>There has been no production to date, so no comparison to production or reconciliation data can be made.</b></p>

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