

ANNEXURE 4

EXAMPLES OF EXPLOITATION OF IRON ORE TENEMENTS

1. There are a number of examples of tenement holders that are sufficiently close to the Mt Newman Line seeking to exploit their iron ore tenements. This exploitation is taking a variety of different forms but only where those tenements are live (or granted).
2. Flinders Diamonds Limited (**Flinders**) (through its joint venture with Prenti Exploration Pty Ltd), has granted FMG exclusive iron ore rights to certain tenements¹ in exchange for FMG granting Flinders exclusive diamond rights on other tenements and iron ore royalties.
3. Poondano Exploration Pty Ltd (**Poondano**) has a farm-in arrangement in relation to the tenement held by Marengo Mining Ltd² and the sole and exclusive right to explore the only tenement held by Talisman Mining Ltd.³ Mt Gibson Iron Limited has announced that it has entered into a farm-in arrangement with Poondano to earn a 60% interest in Poondano's exploration areas in the Pilbara.⁴
4. API Management Pty Ltd, jointly owned by Aquila Steel (parent company Aquila Resources) and Westiron (parent company ACMI Holdings Australia Pty Ltd) is listed as having only one tenement. However, Aquila's Annual Report 2005 provides that Aquila Steel's 100% ownership of tenements is reducing to 50% (for the API joint venture).⁵
5. Echelon Resources Ltd purchased a 100% share in three iron ore projects owned by Ausi Iron NL (parent PEL), one of which is the Koodaideri South project, which covers Ausi's

¹ This includes (among others) Flinders' tenement E47/1016 at Mulga Downs: see Flinders, *ASX announcement – Fortescue Metals Group Transaction* (31 March 2005). Additionally, in relation to M47/663-672 at Mulga Downs (FMG), Flinders states that the ML applications (corresponding to area covered by E47/1016) were made "to preserve area pending possible mandatory reduction in area of EL's": see Flinders, *Annual Report 2005*.

² Marengo Mining Limited, *Annual Report 2005*, p 20.

³ Talisman Mining Limited has entered a royalty agreement with Poondano whereby any iron ore deposits defined and developed by Poondano will result in a 25 cents/tonne royalty payable to Talisman: See Talisman Mining Limited, *Prospectus for the issue of 15,000,000 shares* (19 September 2005), p 14.

⁴ These areas include South Fortescue, Margaret Well, Wonnmunna, Resolution Well and Bukardi Well, and require Mt Gibson Iron Pty Ltd to spend \$1.4 million on an exploration program over the subsequent 18 months: Mt Gibson Iron, *ASX announcement – Mt Gibson Iron farms into extensive Pilbara exploration areas* (5 May 2005). Mt Gibson Iron has stated that its aim is to "look for continuity of production of direct shipping grade iron ore beyond the 11 years expected from the current Tallering Peak operation (6 years) and the subsequent Mt Gibson operation (5 years)", both of which are not located within the vicinity of the Mt Newman Line. Accordingly, it is likely that access to the Mt Newman line would not be sought by Mt Gibson Iron for at least 11 years, if at all.

⁵ API also has joint ventures in the West Pilbara with Cullen Resources Limited (Mt Stuart joint venture), Red Hill Limited (Red Hill joint venture) and Helix Resources Limited (Yallen joint venture): see Aquila Resources Limited, *Annual Report 2005*.

one tenement that is sufficiently close to the Mt Newman Line.⁶ However, none of the tenements applied for by Ausi Iron or Pel have been granted.

6. AusQuest Limited has recently announced a letter of intent with Rio Tinto in relation to the "Nameless" project located 5 km northwest of Tom Price.⁷ This project, however, is not sufficiently close to the Mt Newman Line.
7. Berkeley Resources Ltd has reported that it is holding discussions with various parties in relation to possible sale or joint venture of its iron ore interests in the Strelley/Kangan North projects, and that "the increased level of interest in the iron ore resources in the Pilbara has raised the possibility that the iron ore and base metals/gold prospects may be realised separately."⁸
8. Alkane Exploration Limited (which identified a "potential" channel iron deposit on its Nullagine Diamond Project during a diamond exploration program in the mid-90s), has reportedly indicated that it has "no interest in developing the deposit in its own right, but could be a source of royalties if a nearby iron ore hopeful were interested in buying the asset".⁹ Alkane's Chairman has stated that "given the current escalation of prices for iron ore", Alkane is considering alternatives "to achieve the best return" for the asset.¹⁰
9. Heron Resources Limited plans to divest all its iron ore assets through Ochre Resources Limited, in order to focus on its Kalgoorlie Nickel Project.¹¹

⁶ Pacific Energy Limited, *ASX announcement – Sale of Pilbara based iron ore projects* (28 June 2005); Pacific Energy, *Condensed Consolidated Interim Financial Report* (30 June 2005), p 3. Echelon has also entered an agreement with Cazaly Resources Ltd to provide Cazaly with technical capabilities and funding of \$2.5 million exploration program at Shovelanna, in return for a 14% interest in E46/678 (and five million options in Cazaly: see Echelon, *ASX announcement – Echelon agrees to fund drilling program on Shovelanna iron ore project* (4 October 2005)). As indicated above, Cazaly is not included as one of the 27 tenement holders as its application for Shovelanna occurred after 1 August 2005. Additionally, Echelon Resources Limited is not included in the list of 27 tenement holders as it is not the registered "holder" of the tenement.

⁷ AusQuest, *ASX release – AusQuest and Rio Tinto sign letter of intent for nameless iron ore exploration project in the Pilbara* (25 November 2005).

⁸ Berkeley, *Annual Report* (October 2005), at 1, and <http://www.doir.wa.gov.au/minedex2/>.

⁹ Tom Boreham, "Criterion", *The Australian* (1 December 2005), p 27, referring to comments made by Alkane's technical director Ian Chalmers. Note that systematic sampling of the CID has been completed, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource: see Alkane Exploration Limited, *Annual Report 2004*.

¹⁰ Alkane Exploration Limited, *Annual Report 2004*, p 2.

¹¹ Heron Resources Limited, *Annual Report 2005*. Heron entered a heads of agreement to divest 39 tenements to Echelon Resources Limited, however this transaction did not proceed: see Heron Resources Limited, *ASX announcement – Echelon termination of heads of agreement* (23 November 2005).