



Asia Iron Australia

# Extension Hill Magnetite Project

Project Status Update

June 2012



# Extension Hill Magnetite Project Status

- Final “Implementation Study” for Stage 1 issued by WorleyParsons
  - Recommendations received
- On 18 May 2012 the Western Australia State Government announced the approval of \$443 million for new transmission line for Mid-West region
  - Will secure supply and underpin development
- Project Optimisation activities are continuing
  - Resource definition drilling at Extension Hill North completed to add to the very large initial Mineral Resource previously confirmed
    - 14,474 m of RC drilling completed
    - Updated JORC Mineral Resource Estimate in preparation
  - Recommended project schedule and cost optimisation activities in progress
    - Flowsheet refinements and supporting testwork underway
    - Power Transmission and Port Services Agreements under negotiation
    - Project execution strategy and methodology under review to obtain the best value for funds invested in light of the current market conditions

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- Development timetable has been delayed due to:
  - Decision-making delays associated with the political changes that have, and are occurring in the City of Chongqing; and
  - Consequential delays in finalising recommendations from the Implementation Study
  - Consequential delays in establishing the Owners Team and Project Services.
- All shareholders are committed to working very hard together to keep the Project progressing and to be ready to speed up when these issues are resolved
  - The target date of December 2014 for first Concentrate On Ship unlikely to be met
- National Development and Reform Commission of China (NDRC) approval in place for the Development of the Project.
  - NDRC's functions include, amongst others, the approval, authorisation and review of key investment projects for overseas resources development.
- Shareholder support confirmed
  - Chinese regulatory bodies and the City of Chongqing have affirmed their support of the Project and the goal to develop the Project as soon as possible.

# Extension Hill Magnetite Project

## Current Activities

- Continuing desktop evaluation of project optimisation recommendations
  - Incorporation of additional high grade Central BIF resources into mine production and mill feed schedules
  - Incorporation of revised flowsheet into capital and operating cost
- Continuing negotiation of operation service agreements
  - Power connections
  - Port services
- Continuing completion of land access agreements; and
- Continuing with debt finance arrangements
  - Conditional Debt Funding received from Chinese policy bank
  - Banker's Due Diligence underway