Dear Sirs,

Resourcehouse Limited — Independent Geologist’s Report

Please find attached the Hellman and Schofield Pty Ltd (H&S) Independent Geologist’s report on Resourcehouse Limited’s (RHL) 100% owned China First Iron Ore Project in Western Australia and its 100% owned Ooldea Magnetite Deposit in South Australia.

The properties comprise iron ore deposits currently held by Mineralogy Pty Ltd (Mineralogy) and Cosmo Developments Pty Ltd (Cosmo). These include:

1. Balmoral Magnetite BIF deposits in Western Australia (Mineralogy),
2. Bilanoo Magnetite BIF deposits in Western Australia (Mineralogy),
3. Ooldea Magnetite deposit in South Australia (Cosmo).

H&S personnel have visited the Balmoral and Bilanoo properties and performed a technical review of the Ooldea property without a site visit. We trust that the report adequately and appropriately describes all relevant geological aspects of the projects and addresses issues of significance.
The sole purpose of this H&S report is for the inclusion in [●] dated on or before June 2011 and should not be used or relied upon for any other purpose. Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document or used for any other purpose, without H&S’s written consent to the form and context in which it appears.

Yours faithfully,

Arnold van der Heyden
Consulting Geologist
HELLMAN & SCHOFIELD
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1 Important Information

H&S has completed an independent review of certain mineral assets for Resourcehouse Limited (RHL) at the request of the Directors of RHL. This report summarises this work, including an outline of the Mineral Resources and Exploration Results (potential mineralisation) for various mineral properties. This report is limited to the evaluation of mineral resources and mineral exploration potential.

H&S is an independent group of geoscientists specialising in resource evaluation and estimation. H&S personnel have visited the Balmoral and Bilanoo properties and performed a technical review of the Ooldea property, though without a site visit.

This report has been prepared in accordance with the rules and regulations of Australian JORC 2004 (Joint Ore Reserves Committee) and VALMIN 2005 codes.

The JORC code contains guidelines for reporting Ore Reserves, Mineral Resources and exploration results. Mineral Resources can be classified as Measured, Indicated or Inferred, in order of decreasing confidence. If there is insufficient information to define Mineral Resources, Exploration Results may be reported as potential targets, expressed as ranges for tonnage and grade. Ore Reserves can be classified as either Proved or Probable. A Proved Ore Reserve is the economically mineable part of a Measured Mineral Resource, while a Probable Ore Reserve is the economically mineable part of an Indicated, and in some cases, Measured Mineral Resource. Ore Reserves cannot be derived from an Inferred Mineral Resource.

The JORC code requires a suitably qualified “Competent Person” to take responsibility for Ore Reserves, Mineral Resources and exploration potential. Mr Arnold van der Heyden of H&S is the Competent Person responsible for the Mineral Resources and exploration potential at Balmoral North and South, Bilanoo and Ooldea.

The VALMIN code outlines the requirements for the technical assessment and valuation of mineral and petroleum assets and securities for Independent Expert Reports. This report is limited to a technical assessment of the mineral assets of RHL. Mr Arnold van der Heyden is the “Representative Expert”, who is the nominated representative of H&S with overall responsibility for this report.

H&S has charged a fee for the preparation of this report and has consented to the report being reproduced in [●] produced by RHL and distributed in accordance with its terms.

H&S has relied on information provided by RHL regarding the status of mineral leases.
2 Executive Summary

The RHL properties (Figure 1) comprise iron ore deposits currently held by Mineralogy Pty Ltd (MIN) and Cosmo Developments Pty Ltd (Cosmo). These include:-

Western Australia
1. Balmoral North — M08/118 — M08/122
2. Balmoral South — M08/128 — M08/130
3. Bilanoo Magnetite BIF deposit — E08/118

South Australia
4. Ooldea Magnetite deposit — EL4565

MIN has granted to China First Iron Ore Pty Ltd, which is 100% owned by RHL, the right to mine up to 10 billion tonnes of magnetite ore from their Western Australian leases. This tonnage will be sourced initially from Balmoral North and Balmoral South, with the remainder coming from E08/118 at Bilanoo.

RHL holds 100% of Cosmo Developments Pty Ltd (Cosmo) which holds EL4565 in South Australia. This tenement is prospective for magnetite ore.

This right to mine does not imply that a Resource or a Reserve of this size has been delineated.

The Balmoral North and South deposits currently host JORC reportable mineral resources totalling around 3,770 million tonnes of magnetite BIF (Table 2).

The RHL Pilbara properties have the potential to provide well in excess of 10 billion tonnes of magnetite BIF, inclusive of defined Mineral Resources. This figure is below the lower end of the range of potential BIF mineralisation in the combined deposits (Table 3). This assessment of exploration potential demonstrates that the 10 billion tonnes of magnetite BIF allocated to RHL is a realistic and achievable target.

For this exploration potential, the quantity and grade of magnetite mineralisation is conceptual in nature there having been insufficient exploration to define a Mineral Resource on those parts of the properties.

Although there is some uncertainty in the quantity and grade of this potential magnetite mineralisation, it is considered likely that further appropriate exploration activity will define a substantial Mineral Resource on those parts of the properties.

Evidence for this statement can be found in the collective volume of exploration work that has been completed over 30 years including mapping and sampling of the Joffre member and presence of strong aeromagnetic anomalies.
There is also the potential for new resources to be discovered underneath surface cover using aeromagnetic surveying. An example of this is the significant new extension that has been found on the ML08/123 — M08/125 by CPMM, where drilling has confirmed new resources that were identified from aeromagnetic anomalies.

RHL’s proposed inventory of magnetite resources will be upgraded to higher confidence categories through a staged infill drilling and exploration program, a common practice for large resource projects. The initial exploration programs for these areas are outlined in their respective sections of this report. These programs will also test areas of potential mineralisation with the aim of converting these to Mineral Resources.

The Balmoral and Bilanoo leases are subject to specific Western Australian state government legislation — the Iron Ore Processing (Mineralogy Pty. Ltd) Agreement Act 2002 and Agreement Amendment Act 2008. This bill gives MIN the rights to certain areas for a minimum period of 50 years (subject to review) including in the Balmoral/Bilanoo/Cape Preston area:

- Mining Leases 08/118 — 08/130 and 08/264 — 08/266,
- Exploration Licenses 08/117, 08/118, 08/636, 08/660 and 08/643,
- Leases for mining infrastructure between Balmoral and Cape Preston.

Cosmo holds the Ooldea deposit (EL4565) in South Australia which has the potential for BIF mineralisation in the range of 1 to 3 billion tonnes at grades around 18% MagFe under 40-120m of cover (Table 4).

It is understood that a substantial proportion of the funds sought by RHL will be used to develop the first of ten 12Mtpa magnetite projects, at either Balmoral or Balmoral South. Part of these funds will be used for mineral exploration and resource delineation for these projects.

RHL’s proposed exploration drilling budget is summarised in Table 1 with a total proposed expenditure of around Aus$21.5 million. These drilling programs could be completed within 12 months.

<table>
<thead>
<tr>
<th>Deposit</th>
<th>Number of Holes</th>
<th>Average Depth</th>
<th>Total Metres</th>
<th>Cost per Metre</th>
<th>Total Cost (million $Aus)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balmoral North</td>
<td>40</td>
<td>330</td>
<td>13,200</td>
<td>$450</td>
<td>$ 5.9</td>
</tr>
<tr>
<td>Balmoral South</td>
<td>20</td>
<td>330</td>
<td>6,600</td>
<td>$450</td>
<td>$ 3.0</td>
</tr>
<tr>
<td>Bilanoo</td>
<td>30</td>
<td>330</td>
<td>9,900</td>
<td>$450</td>
<td>$ 4.5</td>
</tr>
<tr>
<td>Ooldea</td>
<td>73</td>
<td>247</td>
<td>18,000</td>
<td>$450</td>
<td>$ 8.1</td>
</tr>
<tr>
<td>Total</td>
<td>163</td>
<td>293</td>
<td>47,700</td>
<td>$450</td>
<td>$21.5</td>
</tr>
</tbody>
</table>
Figure 1: Location of RHL Iron Ore Projects
Western Australia - Balmoral Bilanoo

Table 2: RHL Pilbara Magnetite BIF Total Mineral Resources
(at 15% MagFe Cutoff Grade)

<table>
<thead>
<tr>
<th>Deposit</th>
<th>Million Tonnes</th>
<th>% Total Fe</th>
<th>% Mag Fe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balmoral North M08/118 — M08/122 inc.</td>
<td>920</td>
<td>31.1</td>
<td>21.0</td>
</tr>
<tr>
<td>Balmoral South M08/128 — M08/130 inc.</td>
<td>2,846</td>
<td>30.5</td>
<td>21.6</td>
</tr>
<tr>
<td>Grand Total</td>
<td>3,766</td>
<td>30.6</td>
<td>21.4</td>
</tr>
</tbody>
</table>

(resource breakdown in Sections 3.6 and 3.7)

Table 3: RHL Pilbara Magnetite BIF Exploration Potential
(exclusive of Table 2)

<table>
<thead>
<tr>
<th>Deposit/Lease</th>
<th>Tonnage Range (Billion Tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lower</td>
</tr>
<tr>
<td>Balmoral North M08/118 — M08/122 inc.</td>
<td>2.7</td>
</tr>
<tr>
<td>Balmoral South M08/128 — M08/130 inc.</td>
<td>1.3</td>
</tr>
<tr>
<td>Bilanoo/118</td>
<td>28.5</td>
</tr>
<tr>
<td>Total</td>
<td>32.5</td>
</tr>
</tbody>
</table>

Grades of Exploration Potential tonnages (Table 3) are considered to be similar to those quoted in Table 2.

South Australia - Ooldea

Table 4: RHL Ooldea Magnetite BIF Exploration Potential

<table>
<thead>
<tr>
<th>Deposit/Lease</th>
<th>Tonnage Range (Billion Tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lower</td>
</tr>
<tr>
<td>Ooldea EL4565</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Grades of Exploration Potential tonnages (Table 4) are considered to be in the range of 16-20% MagFe.
3 Western Australia - Balmoral and Bilanoo

3.1 Introduction

The Balmoral magnetite BIF (banded iron formation) deposits are located near the mouth of the Fortescue River in the western Pilbara region, Western Australia, around 100km WSW of Karratha.

Mineralogy holds the thirteen mining leases (M08/118 — M08/130) over the Balmoral magnetite deposits. These leases are approximately 5km wide and cover an area 30km long, running in direction slightly east of north from Balmoral homestead in the south to James Point on the coast in the north (Figure 2). The leases are subject to specific state government legislation — the Iron Ore Processing (Mineralogy Pty. Ltd) Agreement Act 2002 and Agreement Amendment Act 2008.

The Balmoral area is divided into three deposits, the North (MLs 08/118-122), Central (George Palmer, MLs 08/123-125) and South (Susan Palmer, MLs 08/126-130) blocks, based on areas of outcrop separated by substantial creek drainages.

The Bilanoo magnetite BIF deposits occur immediately south of the coastal highway near the Fortescue River roadhouse, around 20km south of the Balmoral magnetite deposits. The Bilanoo deposits are located on two exploration licences E08/118 and E 08/117-1, formerly referred to as the Bilanoo and Southwest properties respectively by Hanna Mining. RHL, through its 100% owned subsidiary China First Iron Ore Pty Ltd, has the right to mine up to 10 billion tonnes of magnetite ore of which some will be sourced from E08/118 (Figure 2).

The Balmoral leases contain extensive outcrops of Brockman Iron Formation dipping at 45° to the WNW. The thicker Joffre BIF member (~300m true thickness) overlies and is separated from the thinner Dales Gorge BIF member (~150m thick) by the Whaleback Shale (~60m thick). The BIF units comprise magnetite and chert bands interbedded at millimetre scale, with shale bands (~1m thick) interspersed at intervals of tens of metres.

The Balmoral deposits are dissected by a series of faults, with two dominant sets trending NNW-SSE or NE-SW, which in some areas juxtapose the BIF units against themselves to give unusually wide areas of outcrop. Thin dolerite dykes, generally less than 5m but occasionally up to 30m thick, intrude along or parallel to the faults. Initially the faults and dykes were considered to dip steeply to the west, though more recent work suggests that they dip moderately to the east or south-east.

The Bilanoo deposit can be divided into four (4) blocks, with blocks 1 and 2 outcropping on E08/118 and blocks 3 and 4 outcropping on E08/117. Block 1 is 25km long by 2km wide and both Dales Gorge and part of the Joffre member occur as sub-horizontal to shallow west dipping strata. Block 2 is 5km long and up to 1km wide. In both blocks the Dales Gorge, Whaleback and Joffre members dip around 15-18° to the west.

It is apparent that a substantial proportion of the Joffre member has been lost to erosion in the Bilanoo area, so it is likely that the majority of the magnetite occurs in the Dales Gorge member. Thicker Joffre accumulations will tend occur to the west of each block due to the overall westerly dip of the sequence, though there may also be local blocks where thicker accumulations occur due to down faulting.
At both Balmoral and Bilanoo the magnetite BIF is oxidised at surface, with the replacement of magnetite by hematite and/or goethite accompanied by a loss of magnetism. Oxidation typically penetrates to a depth of 40-50m, rendering this portion of the deposits unrecoverable by magnetic separation.

Fibrous minerals (riebeckite, but not crocidolite) have recently been identified in drill samples from both the Central and South deposits, necessitating a change from RC to DD drilling and procedures to minimise the exposure of personnel.

H&S has worked on the Balmoral deposits since 2001, visited site and inspected drill samples on a number of occasions, planned drilling programs and estimated resources for all three deposits.

Unless otherwise indicated, all Davis Tube Recovery (DTR) tests reported here were performed using a nominal 325 mesh (45 micron) grind, i.e. less than 5g out of 150g (97%) passing this screen size.

The term MagFe used in this report is magnetically recoverable iron, defined as the product of DTR and concentrate Fe (total), expressed as a percentage: \( \text{MagFe} = \text{DTR} \times \text{Conc}_\text{Fe} / 100 \).

All assessments of potential magnetite mineralisation at Balmoral and Bilanoo are supported by aerial magnetic surveys (see Figure 3), which show a series of strong north-south trending magnetic anomalies representing the magnetite BIF.
Figure 2: RHL Balmoral and Bilanoo Tenements
Figure 3: Aero-Magnetic Survey of RHL Balmoral and Bilanoo Properties
(magnetic highs in red-brown)
3.2 Geology

3.2.1 Regional Geology

The Hamersley Province of the Pilbara region in the north-west of Western Australia is one of the major iron ore provinces in the world. The 2.4 billion year old Hamersley Group outcrops over an area approximately 400km long East-West and 200km long North-South (Figure 4) and contains a number of world class iron ore deposits.

The Hamersley Group consists of a range of rock types including a number of Banded Iron Formation (BIF) units. BIF consists of alternating bands of iron rich (typically magnetite or hematite) and silica rich (e.g. quartz) bands at a millimetre scale. Within the major BIF units, BIF and shale bands are interbedded at the scale of metres to tens of metres, and the major BIF units are separated by major sediment units on a scale of hundreds of metres.

The main unit of economic importance is the Brockman Iron Formation, which occurs below the middle of the Hamersley Group (Figure 5). This unit hosts a large proportion of the iron ore mined in the Pilbara, with the remainder occurring in the Marra Mamba Iron Formation and the later formed channel iron deposits (CID) of the Robe Pisolite.

The Brockman Iron Formation consists of two BIF and two shale members, with respective true thicknesses in the Balmoral area as indicated below:

- Yandicoogina Shale ~60m
- Joffre BIF ~300m
- Whaleback Shale ~60m
- Dales Gorge BIF ~150m

Within each of these BIF members there is a distinctive sequence of shale bands that can be identified using gamma-ray logging, which measures the natural radioactivity in the shales. These distinctive sequences of shale bands serve as a fingerprint for identifying the individual BIF units, as shown on the right-hand side of Figure 5.

The exceptional regional continuity of the macro (metre scale) and micro (millimetre scale) banding in the BIF units is well documented, with micro-bands correlated over hundreds of kilometres. This strong stratigraphic continuity translates into consistent grades for the primary magnetite BIF units, with little observed variation in grade across the Balmoral and Bilanoo areas for the Joffre member.

A range of different iron ore types are derived from the BIFs including:

- Magnetite (eg Balmoral and Bilanoo)
- Hematite (eg Mt Whaleback and Mt Tom Price)
- Marra Mamba (eg Marandoo and Orebody 29)
- Detritals (eg Brockman and Jimbelbar)
- Pisolite (eg Robe River and Cane River)
Figure 4: Regional Geology of Pilbara Region (Ypma 2001)
Figure 5: Stratigraphy of Hamersley Group
3.2.2 Local Geology

3.2.2.1 Balmoral

The BIF at Balmoral is exposed on surface and can be mapped from the North at James Point on M08/118 to the south of Balmoral Station homestead on M08/129, a distance of over 25km. The average strike direction of the units is around 15° East of North.

Faulting plays an essential role for the interpretation of the geology of the area and has lead to the BIF units being juxtaposed against each other leading to a repetition of stratigraphy and an increase in the potentially minable widths. Faulting is quite extensive on the western side of the deposit with multiple repetitions of the Joffre member. Extension of the BIF to the South is limited by a fault that terminates the sequence.

Bedding of the units dips on average 45° to the west. The deepest the Joffre unit has been intercepted in drill holes at Balmoral South is around -288mRL, with the deepest Dales Gorge intercept being at -402mRL. Extrapolation of the units down dip below the drilling at Balmoral is reasonable given the drilling results obtained on the Balmoral Central project. Drilling here has been completed down to a depth below 700m with the deepest Joffre intercept being recorded at around -550mRL.

However, faulting commonly truncates the Joffre and Dales Gorge members at depth and the Joffre member generally pinches out at between 300 and 400m below surface. The Dales Gorge member pinches out somewhat deeper because it is lower in the stratigraphic sequence.

Large scale folds have not been observed in the Balmoral area. The many local variations in dip observed in drill cores are the result of sedimentary slumping due to the variations in density between the iron-rich and cherty bands within the formations. Numerous examples have been observed where the iron rich beds have distorted the underlying cherty and shaly beds. It can easily be verified that these features are sedimentary slump structures because the strata above and below the slump structure remain parallel.

Work by Ypma (2001) and McConchie (1984) have demonstrated that the units of the Hamersley Group at Balmoral and Bilanoo can be correlated with the units found throughout the Hamersley Basin.

Dolerite intrusions are common throughout the Hamersley Basin. They are generally post-tectonic in emplacement history and form linear dykes or sills. In the Hamersley ranges as a whole the dolerite dykes are common in competent rocks, such as the chert and banded iron lithologies. The Balmoral area is no exception to this rule with numerous thin dolerite dykes, although dolerite sills have not been identified in any of the drill holes.

It is believed that the dolerite dykes belong to a post Lower Wyloo extensional regime. The major dyke directions of this regime in the Southern Hamersley Basin are generally WNW and NNW. However, the major dyke directions in the Balmoral Area NNE and NE.
Dolerite dykes do not represent a significant volume at Balmoral however they do lead to a reduction in the quality of and quantity of proximal magnetite ore due to:

- Dolerite dykes are the main aquifers of the area. They alter quickly and are a source of wall rock alteration and thus result in deeper oxidation of the host rock.
- Large dykes have caused contact metamorphic reactions, resulting in an increase in the magnetic weight recovery and silica in concentrate in areas proximal to the dykes.

3.2.2 Bilanoo

The following geological description of the Bilanoo Area has been sourced from Ypma, 2001.

The Bilanoo Area (Figure 6) is an obvious example of vertical and lateral fault displacements. A cursory inspection would seem to indicate that the faults are largely normal faults with vertical displacements. Normal faults have been observed throughout the Hamersley Basin and are considered to be due to a period of extensional movement following the Ophthalmia Orogeny. The faults are probably re-activated basement faults from the initial subsidence of the Hamersley Basin.

It is quite obvious from the more detailed geological map of the Bilanoo Area that the faults are not simple normal faults with vertical displacements. Stratigraphic repetition and juxtaposition of the same stratigraphical horizons are indicated in Figure 6.

A main dextral (i.e., right-hand lateral) shear is apparent throughout the Hamersley Basin and is the result of a regional wrench fault system. The strike slip faults with dextral movement have a NW trend in the Southern part of the Hamersley Basin trend but become more northerly in the Western part of the Basin, where the Bilanoo and Balmoral iron deposits within the Brockman Iron Formation are found.

The cross-section through the Bilanoo Hills in Figure 7 demonstrates significant vertical displacements in the order of 100 to 400 m. However, the horizontal displacements of Figure 7 indicate the strike slip movement was the dominant factor in the fault movement. Bedding of the units dips on average 15 - 18° to the west.

In the Bilanoo area, where the topographical relief is much more pronounced than in the Balmoral area, dolerite dykes constitute a very obvious topographical feature, showing deep straight-lined incisions in the terrain. The width of the incisions suggests that the dykes are of up to 50 m wide. It is understood that the dolerite dykes do not represent a significant volume at Bilanoo although they do lead to a reduction in the quality of and quantity of proximal magnetite mineralisation due to contact metamorphism described in the previous section.
Figure 6: Geology of the Bilanoo Area (Ypma 2001)
Figure 7: Cross-sections of the Bilanoo Area (Ypma 2001)
3.3 Mineralogy and Metallurgy

The iron mineral targeted for exploitation at Balmoral and Bilanoo is magnetite (Fe₃O₄), which is a constituent mineral of the BIF units present at Balmoral and Bilanoo. Magnetite is present in amounts varying from 15% to 45% by weight, averaging 35% in the Joffre BIF.

Ypma (2001) describes the present mineralogy of the Joffre and Dales Gorge members as being the product of metamorphism of the initial chemical precipitation products in an alkaline environment with T and P being around 300-350°C and 1-2K bar respectively. It is assumed that the metamorphism was essentially iso-chemical with only short range (cm scale) diffusion.

Significant studies have been completed into the liberation of magnetite from BIF using magnetite separation after crushing and grinding. Hanna conducted studies in the US into the concentration of the Balmoral BIF and produced reserve studies and process flowsheets over a period from the late 1970’s to the early 1980’s.

Upon acquiring the tenements MIN commissioned further test work to build on these earlier studies. Promet Engineers Australia (Promet) and Studiengesellschaft für Eisenerzaufbereitung (SGA) at Liebenburg in Germany were commissioned by MIN to conduct studies into the liberation of magnetite from the BIF. Tests were also carried out on bulk samples of iron ore which was recovered from a winze that was sunk on M08/124 in 2000.

The results of the combined work have demonstrated that a high grade, high quality concentrate could be recovered from Balmoral and Bilanoo BIF using commonly available technology. Average concentrate specifications are presented in Table 5.

Table 5: Typical Balmoral and Bilanoo concentrate grades

<table>
<thead>
<tr>
<th>Element</th>
<th>DR Grade %</th>
<th>BF Grade %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fe</td>
<td>71.0</td>
<td>69.5</td>
</tr>
<tr>
<td>Fe++</td>
<td>23.1</td>
<td>22.5</td>
</tr>
<tr>
<td>SiO₂</td>
<td>1.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Al₂O₃</td>
<td>0.004</td>
<td>0.092</td>
</tr>
<tr>
<td>S</td>
<td>0.006</td>
<td>0.008</td>
</tr>
<tr>
<td>P</td>
<td>0.007</td>
<td>0.009</td>
</tr>
<tr>
<td>Na</td>
<td>0.015</td>
<td>0.019</td>
</tr>
<tr>
<td>K</td>
<td>0.017</td>
<td>0.028</td>
</tr>
<tr>
<td>Mn</td>
<td>0.010</td>
<td>0.013</td>
</tr>
<tr>
<td>CaO</td>
<td>0.07</td>
<td>0.096</td>
</tr>
<tr>
<td>MgO</td>
<td>0.148</td>
<td>0.202</td>
</tr>
</tbody>
</table>
3.4 Previous Work

3.4.1 Australian Hanna Ltd

The Hanna Mining Company of Cleveland Ohio, USA, established an Australian subsidiary, Australian Hanna Limited (Hanna), in 1976. Hanna acquired a number of exploration leases, as Temporary Reserves (TRs), covering Brockman Iron Formation outcropping along the western-most edge of the Hamersley Basin. These leases included TR Balmoral where most of Hanna’s exploration effort was focussed.

Hanna exploration work included aerial photography, photogeology and ground verification, followed up by drilling. Eight diamond core holes and five reverse circulation percussion holes were drilled in the Balmoral TR.

Diamond core holes BAL 1 to 4 were drilled in the Central Block (George Palmer deposit), while core holes BAL 5 to 8 were drilled in the North Block. The cores were subjected to extensive Davis Tube and metallurgical testing, and the logs and assays are available.

Percussion holes PDH 9 and 10 were drilled on the Central block to depths of 80 and 64 metres respectively. These holes were sampled and logged, but no record of assay results or accurate collar locations could be found - only crude drill logs and a large scale map with approximate locations. Hole PDH9 was drilled near PH15, while DH10 was drilled about 150 metres west of PH4. It is unclear what the RC samples were used for, though it is possible that they were used as bulk metallurgical sample. Holes PDH 16, 17 and 18 were drilled on the North block. Hanna sold their Australian interests in 1985.

3.4.2 Mineralogy Pty Ltd

Mineralogy Pty Ltd acquired Hanna’s TRs in 1985 and the accompanying data package in 1986. The TRs were converted to exploration leases (ELs); the Balmoral TR became EL E 08/119. Mineralogy has expanded the knowledge of the Balmoral resources substantially by extensive work in a number of areas:
1. Structural geological reinterpretation of the Balmoral EL to define high grade mining areas.
2. More detailed mine plans (than Hanna) for several targets on the Balmoral EL.
3. Detailed evaluation of surface oxidation by channel sampling and point counting.
4. Detailed geological assessment of Joffre Member to reduce waste mining by eliminating the need to mine Whaleback Shale.
5. Preparation of concentrates for evaluation of a beneficiation scheme for ore treatment, for pelletising tests and for iron carbide conversion.
6. Testing of revised structural interpretation with 7 diamond core holes in 1992 (CB1-3 and NB1-4, Central and Northern blocks respectively).
7. Pelletising tests to evaluate the effect of site specific impurities.
8. Bench scale grindability tests to assess mechanical properties of ore.
9. Marketing studies of final products, including concentrates and pellets, to enable construction of realistic exploitation scenarios.
10. Drilling of M-series percussion holes in 1993 to give more extensive stratigraphic coverage of the Joffre Member.
11. Drilling large diameter core hole BB1 for metallurgical sample.
12. Drilling of A-series diamond core and percussion holes in 2000 to extend and infill existing drilling information.
13. Sinking of shaft and adit for metallurgical bulk sample.
15. Metallurgical testwork on shaft bulk sample by SGA.
17. Midrex test for production of DRI by Midrex, USA.
18. Diamond drilling in 2008 and 2009 over the Balmoral South and North.

3.5 Current Projects at Balmoral

Between the Balmoral North (M08/118 — M08/122) and South (M08/128 — M08/130) projects lie the Sino Iron project (M08/123 — M08/125), managed by Citic Pacific Mining Management (CPMM) and the International Minerals project (M08/126 — M08/127), managed by Australasian Resources Limited (ARL).

Both projects have Mining Right lease agreements with MIN to mine magnetite ore, 2 billion tonnes in the case of Sino Iron and 1 billion tonnes in the case of International Minerals.

The Sino Iron project is currently in construction and has commenced mining with first shipments expected in mid 2011. International Minerals are awaiting a final financing commitment prior to beginning construction.

It needs to be clearly understood the Sino Iron and International Minerals projects are not part of the RHL portfolio. However the following description of geology and resources is relevant to gaining a full understanding of the Balmoral North (M08/118 — M08/122) and South (M08/128 — M08/130) projects being contemplated by RHL.

3.5.1 Sino Iron George Palmer Deposit — M08/123 — M08/125

Exploration at Balmoral initially focussed on the Central (George Palmer) deposit because the extensive outcrop and structural repetition of the Joffre Member offered the potential of a low mine stripping ratio. Although the Central deposit is not owned by RHL, it serves as a direct analogy of the type of staged development strategy that might be used to progress the China First Iron Ore Project.

Mineralogy (1992-2005) and Hanna (1978) drilled 139 holes totalling 21,923m, with 17,921m of geophysical logging, 13,249m of XRF analyses and 10,163 metres of Davis Tube Recovery (DTR) tests. In December 2005, the resources at George Palmer totalled 2.5 billion tonnes of magnetite BIF based on this information.

As a result of this work, CPMM negotiated the right to mine 2.0 billion tonnes of magnetite BIF from the Central deposit. Since acquiring the rights to the Central deposit, CPMM have drilled a substantial number of holes on their renamed Cape Preston Iron Ore Project (CPIOP).
In 2008 CPMM reported (in the Citic Pacific Annual Report, 2008) Mineral Resource Estimates for the Joffre member only based on assay data at December 2007 as shown in Table 5.

Table 6: 2008 Total Joffre Resources for CPIOP

<table>
<thead>
<tr>
<th>Class</th>
<th>Mt</th>
<th>%MagFe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measured</td>
<td>193</td>
<td>22.4</td>
</tr>
<tr>
<td>Indicated</td>
<td>1,209</td>
<td>22.7</td>
</tr>
<tr>
<td>Inferred</td>
<td>911</td>
<td>24.2</td>
</tr>
<tr>
<td>Total</td>
<td>2,314</td>
<td>23.3</td>
</tr>
</tbody>
</table>

This information was not reported in accordance with the JORC code because Citic Pacific is listed on the Hong Kong Stock Exchange. The JORC code is not mentioned in this report and other issues include, but are not limited to, failure to report a cut-off grade for the resources and failure to nominate a competent person.

The author has reviewed the available data and finds that the new resource estimates appear reasonable and can be reported in accordance with the JORC code. H&S understands that a cut-off grade of 17% MagFe was used to define these resources. CPPM and their consultants are the Competent Persons for these estimates and their permission was sought by MIN to publish these resources but was not forthcoming.

There will to be additional resources at the Central deposit in the Dales Gorge member equivalent to approximately half of the Joffre resource because the Dales Gorge member is about half the thickness of the Joffre Member.

There is also substantial additional exploration potential at the Central deposit arising from undrilled surface outcrop and aeromagnetic anomalies. The anomalies were identified from a close spaced survey that was flown over the Balmoral deposits in 2007; interpretation of the survey indicated that there are repetitions to the west of the known out-cropping deposits, shown in Figure 8 as a 3000nT contour.

The identification of additional resources supports the assessment made by the author in 2005 of the magnetite BIF on the Central deposit to a depth of 300m below surface. This suggested that a total potential\(^1\) tonnage of between 5.4 and 9.0 billion tonnes might exist (between the base case and expanded case — see Section 3.8 for further explanation of the methodology used). This would appear to be reasonable given the results being obtained from recent drilling.

The Cape Preston Iron Ore Project is currently under construction and the trial pit has successfully exposed fresh magnetite BIF at the expected depth of around 40m below surface. The first shipment of concentrate is forecast for mid 2011.

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\(^1\) See Section 6 regarding “exploration potential”.
Figure 8: Balmoral North and Central — Surface mapping, drilling, 3000nT contour
3.5.2 International Minerals Susan Palmer Deposit — M08/126 — M08/127

International Minerals Pty Ltd (IM), a wholly owned subsidiary of Australasian Resources Limited (ARL), in late 2005 negotiated with Mineralogy the right to mine 1.0 billion tonnes of magnetite ore from the Balmoral South (Susan Palmer) deposit.

Subsequent drilling (124 holes) has defined a total resource of 1.6 billion tonnes of magnetite BIF (at a 15% MagFe cutoff grade) in the ARL area of interest (ML 08/126 and part of ML 08/127). This resource extends to around 430m below surface and excludes oxidised BIF within 40-50m of surface (Table 7).

Table 7: IM April 2009 Balmoral South Resource Estimate
(at 15% MagFe Cutoff Grade)

<table>
<thead>
<tr>
<th>Class</th>
<th>Mt</th>
<th>%MagFe</th>
<th>%DTR</th>
<th>%Fe Conc</th>
<th>%SiO2 Conc</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicated</td>
<td>1,055</td>
<td>23.0</td>
<td>33.2</td>
<td>69.1</td>
<td>3.8</td>
</tr>
<tr>
<td>Inferred</td>
<td>550</td>
<td>22.1</td>
<td>32.1</td>
<td>69.8</td>
<td>4.0</td>
</tr>
<tr>
<td>Total</td>
<td>1,605</td>
<td>22.6</td>
<td>32.8</td>
<td>69.0</td>
<td>3.9</td>
</tr>
</tbody>
</table>

The author has reviewed the available data and finds that the new resource estimates appear reasonable. ARL staff and their consultants are the competent persons for these estimates and their permission was obtained to publish these resources.

There is clearly potential to define additional resources on these leases, as indicated by the magnetic anomalies shown in Figure 9. However, the author has not evaluated this exploration potential in detail.
Figure 9: Balmoral Central and South — Surface mapping, drilling, 3000nT contour
3.6 Balmoral North Deposit — M08/118 — M08/122

The Balmoral North deposit has been the subject of limited exploration, which includes detailed surface mapping and DD drilling (4 holes totalling 868m) by Hanna Mining and DD drilling by Mineralogy (4 holes totalling 469m). Hanna also drilled 3 percussion holes (total 240m) but no test results are available for these holes.

MIN recently completed an additional 6 holes (2,060m) in early 2009 on MLs 121 and 122, these holes have not yet been incorporated into the resource model. The holes were geophysically and geologically logged and samples were submitted for Davis Tube and chemical analysis. A number of the holes intersected dolerite dykes however hole NBD001 intersected a full section of Joffre mineralisation. This hole is shown as a strip log plot in Figure 11. The quality of the DTR and chemical assays are within the range of expected values for the Joffre, Whaleback and Dales Gorge units.

An estimate of the Mineral Resource and an indication of potential\(^2\) mineralisation were generated by H&S for the Balmoral North deposit using all data available at the time (2005). This included data for 11 drill holes, surface mapping and topography.

- The surface geology outlines were projected to 300m below surface at a dip of 40°>285°, as indicated by the Hanna cross-sections of the deposit.

- The surface and 300m depth outlines were linked to form a 3D solid of the BIF (see Figure 10). If the BIF solid intersected one of the major faults, the BIF solid was truncated at the fault. All faults were assumed to be vertical.

- This process was repeated for each area of BIF surface outcrop, to produce a 3D wireframe model of the BIF units. The Joffre and Dales Gorge members were coloured differently to distinguish them. (The diagram below shows a 3D view of the BIF model looking north (James Point at top of view) — Joffre in dark blue, Dales Gorge in orange, faults in magenta, dolerite dyke in light blue.)

- A block model was generated within the BIF wireframes with block grades estimated in the vicinity of the drill holes and blocks assigned average grades in the absence of nearby data — both total and magnetically recoverable iron were estimated.

The small number of drill hole intersections in the Balmoral North deposit may not be representative (one hole intersected a quartz veined fault zone) and there is no known geological reason why the grades in the North Block should differ significantly from the Central Block (George Palmer deposit).

\(^2\) See Section 6 regarding “exploration potential”.

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The results of the resource estimate for the Balmoral North deposit (prepared by the Representative Expert) are presented in Table 7 (at a 15% MagFe cutoff grade to approximately 300m below surface):

Table 8: Balmoral North Resources (at 15% MagFe cutoff grade)

<table>
<thead>
<tr>
<th>Member</th>
<th>Class</th>
<th>Million Tonnes</th>
<th>% Total Fe</th>
<th>% Mag Fe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dales Gorge</td>
<td>Inferred</td>
<td>358</td>
<td>30.3</td>
<td>20.4</td>
</tr>
<tr>
<td>Joffre</td>
<td>Inferred</td>
<td>556</td>
<td>31.7</td>
<td>21.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>914</strong></td>
<td><strong>31.1</strong></td>
<td><strong>21.0</strong></td>
</tr>
</tbody>
</table>

Outside of the Inferred mineral resource, extensive BIF outcrop indicates the potential for between 1.7 and 4.0 billion tonnes of Joffre member and between 1.0 and 2.5 billion tonnes of Dales Gorge member. This assessment is based on a consideration of aeromagnetic data and surface BIF outcrop area that is projected to 300m below surface at a density of 3.40t/m³, with 40m of oxidised surficial BIF removed.

Total potential tonnage of magnetite BIF outside the Balmoral North Inferred resource to 300m depth at Balmoral South is between 2.7 and 6.5 billion tonnes. If the known geology is projected an additional 100m below surface (to ~400m below surface), the potential mineralisation is increased by around 1.0 billion tonnes at similar grades. This assessment of exploration potential demonstrates that the 2 billion tonnes of magnetite BIF allocated to RHL at Balmoral North is a realistic and achievable target.

To the west of the BIF outcrops are substantial magnetic anomalies that suggest potential for additional magnetite mineralisation but the magnitude of this potential has not yet been assessed.

Mr Arnold van der Heyden of H&S is the Competent Person under JORC responsible for the estimates of Mineral Resources and exploration potential at Balmoral North.

There is clearly potential to define additional resources on these leases, as indicated by the magnetic anomalies shown in Figure 12. However, the author has not evaluated this exploration potential.

MIN has in place approval for a drilling program over the tenements that aim to upgrade the confidence classification of existing resources and convert exploration potential to resources. The proposed exploration drilling program comprises 40 holes with an average depth of 330m spaced at 200m (E-W) along 400m spaced (N-S) section lines. Total proposed expenditure is Aus$5.9 million and this drilling could be completed within 12 months.
Figure 10: Block Diagram of Balmoral North deposit
Figure 11: Strip Log of NBD001 - Balmoral North deposit
Figure 12: Balmoral North area covered by resource model and potential mineralisation
3.7 Balmoral South Deposit — M08/128 — M08/130

The Balmoral South deposit lies within leases M08/128 — M08/130 and is an extension of the IM project on M08/126 — M08/127. The BIF sequence can be readily mapped on the eastern ridge and on the west.

Faulting is quite extensive on the western side of the deposit with the Joffre units being juxtaposed against each other in several places. The BIF is limited to the south by a fault that cuts off the BIF sequence.

MIN has recently completed a drilling programme of 32 DD holes totalling 10,201m. The program was drilled using MIN diamond drill rig and crews. Drill collars and downhole locations have been surveyed using RTK GPS and gyro tools.

Drill core was logged and sampled in Perth by MIN contract geologists. The core was cut and tested for Davis Tube Recovery (DTR) and chemical analysis by ALS Laboratories in Malaga WA. Pulps and core are retained on site in MIN Balmoral Exploration shed.

The geophysical gamma logs were used to identify the different BIF sub units and these were interpreted on section (Figure 13). Outlines for the different units were digitised and average grades for DTR, Fe concentrate, SiO₂ concentrate and SG were assigned to the different units. The model was regularised to a 25m by 25m by 12m for block optimisation studies.

The first resource estimate for Balmoral South was prepared by Mr Mark Strizek of Mineralogy in June 2009 (Strizek, 2009) and extends to around 440m below surface. Indicated Resources were defined around the drilling that was on a nominal 200m E by 400m N grid. Inferred Resources were defined from surface outcrop and extended down dip from the drilling.

The author has reviewed the Balmoral South resource model and generally agrees with the conclusions of this work. H&S acknowledges that confidence categorisation is a matter of judgement by the Competent Person. In the opinion of H&S, the Indicated resources are within the bounds of accepted industry practise.

However, there is a substantial portion of the Inferred Resources that is not supported by drilling, which in the author's opinion should be classified as exploration potential. This mainly occurs in the south east of leases 128 and 129, east of the central north-south trending fault (~408,250mE) and south of the south-east trending faults in M08-128 (~7,661,500mN). This amounts to 820 million tonnes of the Inferred resource. Evidence for this material consists of surface outcrop and magnetic anomalies.
A tabulation of the resources (as modified by the author) within Balmoral South is presented in Table 9.

### Table 9: Balmoral South Resources
(at 15% MagFe cutoff grade)

<table>
<thead>
<tr>
<th>Member</th>
<th>Class</th>
<th>Million Tonnes</th>
<th>% Mag Fe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dales Gorge</td>
<td>Indicated</td>
<td>560</td>
<td>18.8</td>
</tr>
<tr>
<td>Joffre</td>
<td>Indicated</td>
<td>790</td>
<td>22.8</td>
</tr>
<tr>
<td>Whaleback Shale</td>
<td>Indicated</td>
<td>40</td>
<td>16.2</td>
</tr>
<tr>
<td>Yandicoogina Shale</td>
<td>Indicated</td>
<td>9</td>
<td>15.9</td>
</tr>
<tr>
<td>Weeli Wolli</td>
<td>Indicated</td>
<td>4</td>
<td>15.9</td>
</tr>
<tr>
<td><strong>Total Indicated</strong></td>
<td></td>
<td><strong>1,402</strong></td>
<td><strong>21.0</strong></td>
</tr>
<tr>
<td>Dales Gorge</td>
<td>Inferred</td>
<td>210</td>
<td>18.8</td>
</tr>
<tr>
<td>Joffre</td>
<td>Inferred</td>
<td>1,210</td>
<td>22.9</td>
</tr>
<tr>
<td>Whaleback Shale</td>
<td>Inferred</td>
<td>23</td>
<td>16.2</td>
</tr>
<tr>
<td><strong>Total Inferred</strong></td>
<td></td>
<td><strong>1,443</strong></td>
<td><strong>22.2</strong></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td></td>
<td><strong>2,846</strong></td>
<td><strong>21.6</strong></td>
</tr>
</tbody>
</table>

In addition to these resources, there is potential to define additional resources on these leases, as indicated by the magnetic anomalies to the west of the outcropping BIF units shown in Figure 14. Preliminary investigations by Strizek suggest that there is the potential to identify between 0.5 and 1.0 billion tonnes of magnetite mineralisation through additional drilling.

Based on current information, it is the author’s opinion that there are mineral resources of 2.8 billion tonnes and exploration potential for a further 1.3 to 1.8 billion tonnes of magnetite BIF at Balmoral South.

The author, Mr Arnold van der Heyden of Hellman & Schofield, takes responsibility as the Competent Person for the mineral resources and exploration potential at Balmoral South and consents to the inclusion of this information in this report in the form and context that it appears. Mr van der Heyden is a full time employee of Hellman & Schofield and a member of the Australasian Institute of Mining and Metallurgy. Mr van der Heyden has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves”.

The proposed exploration drilling program for Balmoral South comprises 20 holes with an average depth of 330m spaced at 200m (E-W) along 400m spaced (N-S) section lines. Total proposed expenditure is around Aus$3.0 million and this program could be completed within 12 months.
Figure 13: Strip Log of SPD029 - Balmoral South deposit
Figure 14: Balmoral South area covered by resource model and potential mineralization.
3.8 Bilanoo Deposit - E08/118

The Bilanoo magnetite BIF deposits occur immediately south of the coastal highway near the Fortescue River roadhouse, around 20km south of the Balmoral magnetite deposits. The Bilanoo deposits are located on two exploration licences E08/118 and E 08/117-1, formerly referred to as the Bilanoo and Southwest properties respectively by Hanna Mining. RHL, through its 100% owned subsidiary China First Iron Ore Pty Ltd, has the right to mine up to 10 billion tonnes of magnetite ore of which some will be sourced from E08/118.

H&S have visited the Bilanoo area on a number of occasions and confirms that extensive outcrops of oxidised BIF occur at surface. Drill samples have not been examined, nor have drill results been analysed in any detail by H&S. The assessment presented here relies on historical reports by independent companies and consultants provided by MIN.

The Bilanoo leases contain four blocks of outcropping Brockman Iron Formation (see Figure 15) separated by roughly north-south trending faults. There are minor strike faults branching off the main faults and there are numerous north-south trending subvertical dolerite dykes cutting through the iron formation. The BIF outcrops form plateaus dissected by numerous deep gorges following faults, joints and dykes.

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Block 1 is 25km long by 2km wide and both Dales Gorge and part of the Joffre member occur as sub-horizontal to shallow west dipping strata. Block 2 is 5km long and up to 1km wide. Block 3 is 6km long and around 2km wide, with Dales Gorge, Whaleback and Joffre members dipping 15-18° to the west. Block 4 is similar to Block 3 in both size and stratigraphy.

It is apparent that a substantial proportion of the Joffre member has been lost to erosion in the Bilanoo area, so it is likely that the majority of the magnetite occurs in the Dales Gorge member. Thicker Joffre accumulations will tend occur to the west of each block due to the overall westerly dip of the sequence, though there may also be local blocks where thicker accumulations occur due to down faulting.

Most exploration on the Bilanoo leases was completed in the late 1970’s by Hanna Mining and included mapping, sampling and assaying of outcrops, diamond drilling (4 holes totalling 506m in the northern part of Block 1) and percussion drilling (5 holes each in northern Block 1 and Block 3, totalling 789m). The four diamond drill holes tested the lower 280m of the Joffre member, with one hole also intersecting the Whaleback shale and the uppermost Dales Gorge BIF unit.

Hanna test results for the diamond drill holes show 189.5m at 22.4% MagFe, 32.5% DTR, 68.9% concentrate Fe and 3.26% concentrate SiO₂ (similar to Balmoral BIF); these results exclude one hole (DDH-4) believed by Hanna to be unrepresentative. Results for the percussion holes could not be located and samples may not have been tested.

The depth of oxidation in the BIF units varies considerably at Bilanoo from 10 to 56m in the available drill holes and averages around 35.5m, similar to the depth of oxidation at Balmoral.

Mineralogy drilled two holes (total 240m) at Bilanoo in 1993, submitted 101 samples for XRF analysis, six samples for DTR analysis and geophysically logged these two and three older holes. Assay results were comparable to the earlier Hanna work.

H&S has assessed a base case potential³ tonnage of magnetite BIF at Bilanoo, using a number of assumptions. The area of the Brockman Iron Formation for each block was determined by digitising the available maps (see Figure 5). The average thickness of each block was determined from available cross-sections, with 40m subtracted for oxidation and 60m subtracted to allow for the thickness of the Whaleback shale. A constant density of 3.40t/m³ has been assumed for all material, based on the average density of BIF for the George Palmer deposit. The dolerite dykes and internal faults were assumed to have no material impact on the estimates.

An additional case was developed (Expanded Case in Table 8), where the thickness of the BIF was increased by 50% to account for possible variations in stratigraphic thickness and topography. The thickness of oxidation and Whaleback shale was subtracted as in the base case, after the 50% expansion.

³ See Section 6 regarding “exploration potential”.

— III-B-38 —
Table 10: Assessment of Potential Magnetite BIF at Bilanoo

<table>
<thead>
<tr>
<th>Block</th>
<th>Area (km²)</th>
<th>Base Case</th>
<th></th>
<th>Expanded Case</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Thickness</td>
<td>Billion Tonnes</td>
<td>Thickness</td>
<td>Billion Tonnes</td>
</tr>
<tr>
<td>1</td>
<td>40.5</td>
<td>200</td>
<td>27.6</td>
<td>350</td>
<td>48.3</td>
</tr>
<tr>
<td>2</td>
<td>5.3</td>
<td>50</td>
<td>0.9</td>
<td>125</td>
<td>2.2</td>
</tr>
<tr>
<td>Total</td>
<td>45.8</td>
<td>183</td>
<td>28.5</td>
<td>324</td>
<td>50.5</td>
</tr>
</tbody>
</table>

The Bilanoo lease (E08/118) contains substantial quantities of magnetite BIF, potentially in the order of 28 to 50 billion tonnes at similar grades to the Balmoral deposits. These leases require further exploration before Mineral Resource can be determined. This assessment of exploration potential demonstrates that any shortfall in the 10 billion tonnes of magnetite BIF allocated to RHL will be able to be made up from mineralisation from Bilanoo is a realistic and achievable target.

Mr Arnold van der Heyden of H&S is the Competent Person under JORC responsible for the estimates of exploration potential at Bilanoo.

Government approvals will be sought to allow the commencement of a major exploration drilling program at Bilanoo with the goal of defining initial Indicated and Inferred mineral resources. The drilling program will consist of 30 holes for a total of 10,000 meters on E08/118 at an approximate spacing of 400m by 400m. Total proposed expenditure is approximately Aus$4.5 million and the program could be completed within 12 months.
The Ooldea Magnetite deposit is located on the Nullarbor Plain in western South Australia, 700 km west of Whyalla, 230 km north-west of Ceduna and 20 km south of the Ooldea siding on the Trans-Australian railway line (Figure 16). The deposit occurs within Exploration Licence 4565, granted to Cosmo Developments Pty Ltd (a subsidiary of RHL) on the 20/09/2010 for a period of two (2) years. The licence covers an area of 534 km².

The deposit is defined by a pronounced NE-SW trending aeromagnetic anomaly that is approximately 25 km in length (Figure 17) and is hosted by the Archaean-aged Mulgathin Complex, part of the Gawler Block. The deposit is overlain by Tertiary and Palaeozoic sediments of the Eucla and Officer Basin respectively.

H&S has not visited the Ooldea property and this assessment relies on historical reports by independent companies and consultants provided by Mineralogy. H&S did not visit site because sufficient current information was available to make an informed appraisal and a site visit was considered unlikely to reveal further information material to this report.

Exploration has delineated the magnetic anomaly in some detail and drilling has confirmed that the lithology responsible for the anomaly is a quartz-magnetite gneiss, which is a metamorphosed BIF strongly sheared and partly intruded by pegmatite.

SADME (South Australian Department of Minerals and Energy) drilled hole Ooldea 3 (375m total depth) in 1985 to intersect the Karari Fault based on the results from earlier studies. The hole intersected two zones of quartz-magnetite gneiss west of the fault and SADME reported details of downhole geochemistry, geophysical and geological logs.
In 1991 Offshore Diamond Mines NL (ODM) reported the results of modelling data from the core and various geophysical surveys and estimated 1.8 billion tonnes of BIF containing 30% magnetite over 25km of strike length (Karajas and Bloomer, 1991).

Cosmo originally acquired an exploration licence over the area of current EL4565 (previously EL3404) in 2001 and have since conducted a detailed ground magnetic survey (58 lines 2.5km apart), a gravity survey over a 5km area to establish depth to basement and drilled six RC percussion holes totalling 1,100m. The holes were logged geophysically for magnetic susceptibility, natural gamma, density and calliper, and samples were submitted for DTR and XRF analysis (87 and 795 samples respectively).

An estimate by Cosmo (Raveggi, 2001) suggests that the entire deposit (25km strike length) contains 882 million tonnes of magnetite, though the density of magnetite (5.81) used appears erroneous. Using the correct density for magnetite (5.18) and the average drill hole grades above 13% MagFe, this equates to 3.1 billion tonnes of magnetite BIF at 18% MagFe.

The Cosmo estimate assumes a constant depth to fresh BIF (Nullarbor Limestone plus oxidised Mulgathin Complex) of 39m, while the ODM estimate indicates that the BIF varies in depth from 41 to 120m.
DTR tests on samples from the Cosmo drilling give an average grade of 25% DTR, 18% MagFe, 70.7% concentrate Fe and 0.84% concentrate SiO₂ at a 13% MagFe cutoff grade and a 325 mesh grind.

H&S considers previous estimates (neither reported according to JORC guidelines) to be exploration potential⁴ and concludes that there is potential for substantial magnetite BIF mineralisation at Ooldea, in the range of 1 to 3 billion tonnes at grades around 18% MagFe under 40-120m of cover.

Mr Arnold van der Heyden of H&S accepts responsibility as the Competent Person under JORC for the classification and assessment of exploration potential at Ooldea.

Cosmo has SA government approval for an exploration program of up to 73 holes (total meterage 18,000m). Drill traverses are spaced 1 kilometre apart with hole spacing on 200m centres. Total proposed expenditure is around Aus$8.1 million and this program could be completed within 12 months.

5 Data Quality

In the preparation of this report H&S has not undertaken a detailed audit of the geological databases held by RHL for completeness or accuracy. Nevertheless the previous geological investigations appear to have been generally undertaken to contemporary industry standards. However, there may be some deficiencies in the available databases because of the era in which some of the exploration was undertaken and the diversity of targets sought by the various prior explorers.

Based on the author’s experience with the Pilbara magnetite deposits, H&S believes that the historical data for these projects is generally of good quality and in most cases suitable for use in future resource estimation. However, the age and variability of some of the historical data and the general lack of independent quality control and quality assurance measures for drilling, sampling and assaying will necessitate some checking and verification of the historical data. Some historical data requires conversion into digital format and entry into an electronic database for further analysis and assessment.

For the other projects examined by H&S, it was found that the quality and probably the completeness of the available historical exploration data varied from project to project, though generally the databases of prior exploration data appear to be reasonably comprehensive. The general lack of independent quality control and quality assurance measures for drilling, sampling and assaying for the older historical data will require some level checking and verification. Some historical data requires conversion into digital format.

⁴ See Section 6 regarding “exploration potential”.

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Prior explorers within the project areas generally utilised the services of independent laboratories (mainly Australian based commercial laboratories) to analyse samples. These laboratories used contemporary analytical techniques for the elements determined and adopted appropriate quality control procedures. Assaying techniques and in some cases the preferred sampling medium have evolved and been improved upon over time; consequently different generations of analytical results are not necessarily directly comparable.

Under the JORC code, the Competent Person is responsible for the quality of data used in mineral resource estimates, which applies to all resource estimates included in this report.

6 Risk Summary

6.1 Project Risks

When compared with many industrial and commercial operations, mining is a relatively high risk business and projects that are still in the exploration phase are even higher risk. Even after a discovery is made the nature of the orebody, the grade distribution within the body and the behaviour of the ore during mining and processing is never completely predictable.

The difficulty in discovering economically viable mineral deposits is progressively increasing as most deposits that outcrop at surface have already been discovered. Consequently discovery of additional deposits is increasingly reliant on the combination of an in-depth understanding of factors controlling the development of mineral deposits within any specific geological environment as well as the application of optimum exploration techniques applicable to the style of deposit being sought.

Most of the RHL projects are at an advanced stage of exploration and have defined exploration targets and/or mineral resources. Consequently the presence of significant mineralisation has been established and the deposit parameters are understood, allowing the design of optimised exploration programs. To outline and upgrade resources and subsequently confirm economic viability will require considerable additional work and this is the objective of RHL’s planned exploration programs for these projects. These programs are outlined in the respective sections for each property. It is considered that the uncertainties associated with the various Mineral Resources are adequately expressed by the terms Measured, Indicated and Inferred.

A number of properties have reported exploration potential, expressed in terms of tonnage and grade ranges. For this exploration potential, the current level of exploration is insufficient to define a Mineral Resource, the tonnage and grade ranges are conceptual in nature, and it is uncertain if further exploration will result in the determination of a Mineral Resource.

6.2 Risk Mitigation Factors

There are a number of factors which combine to reduce some of the risks attached to RHL’s exploration projects. The main factors being:

- Australia is a politically stable country with a long history of mineral exploration and mining. The Federal and all State Governments are supportive of the mining industry, except for uranium mining in certain states.
It is considered likely that further appropriate exploration activity will define substantial Mineral Resources on the China First Iron Ore Project, although there is some uncertainty in the quantity and grade of the potential mineralisation. The exploration history of the Balmoral Central deposit, the large areas of surface outcrop and presence of strong aeromagnetic anomalies in these areas support this conclusion.

RHL's project areas, while remote, are generally well located with respect to access and infrastructure, and operations are unlikely to be disrupted by climatic events except for short periods during cyclones.

RHL's current management, technical staff and contractors are experienced mineral industry professionals and have extensive experience in the exploration for the deposit styles most likely to be discovered within the project areas.

RHL's planned exploration programs are appropriate for the types of deposits being sought.

RHL's parent company (Mineralogy) has experience in facilitating the development of a major mineral project and has the technical and commercial expertise, as well as the financial and business contacts to facilitate the development of further projects.

7 Declarations

7.1 Capability and Independence

Hellman & Schofield (H&S) is a Sydney based, mining industry consultancy specialising in the geological aspects of mining, exploration, project evaluation, resource estimation and independent expert reports.

The undersigned, Mr Arnold van der Heyden, is a qualified geologist with a Bachelor of Science degree from the University of Melbourne. He is a member of the Australasian Institute of Mining and Metallurgy (The AusIMM) and is nominated as the Representative Expert for this report. He has over 25 years of broad mining industry experience, including work throughout Australia and parts of South East Asia, Africa and South America, encompassing a wide range of mineral commodities. Mr van der Heyden has been a professional geological consultant for over 12 years and has also held senior technical and management positions with a number of exploration and mining companies.

H&S is independent of all parties involved with the project activities described in this report. H&S will receive a professional fee based on standard rates plus reimbursement of out of pocket expenses for the preparation of this report. There are no pecuniary or other interests, which could be reasonably regarded as being capable of affecting the independence of H&S or the undersigned.

H&S has consulted to Mineralogy over a period of 9 years since July 2001.

H&S, the undersigned and members of the undersigned’s family, have no interest in, or entitlement to, any of the project areas the subject of this report.

7.2 Limitations and Consent

This report has been based on data, reports and other information made available by RHL, its subsidiaries or otherwise obtained through publicly available sources.
A draft copy of this report has been provided to RHL for comment as to errors of fact, omissions or incorrect assumptions. H&S has no reason to believe that the information provided by RHL is misleading or that any material facts have been withheld.

The opinions expressed herein are given in good faith and H&S believes that any assumptions or interpretations are reasonable.

With respect to the H&S report and its use by RHL and its advisers, RHL agrees to indemnify and hold harmless H&S its shareholders, directors, officers and associates against any and all losses, claims, damages, liabilities or actions to which they or any of them may become subject under any securities act, statute or common law, except in respect to fraudulent conduct, negligence or wilful misconduct, and will reimburse them on a current basis for any legal or other expenses incurred by them in connection with investigating any claims or defending any actions, except where they or any of them are found liable for, or guilty of fraudulent conduct, negligence or wilful misconduct.

This report is provided to RHL solely for the purpose of assisting persons in assessing the geological and technical issues as well as the potential risks associated with an investment in RHL and should not be used or relied upon for any other purpose. This report does not constitute a full technical audit but rather it seeks to provide an independent overview and technical appreciation of each of RHL's exploration projects. Neither the whole nor any part of this report, nor any reference thereto, may be included in, or with, or attached to any document or used for any purpose without H&S's written consent to the form and context in which it appears.

H&S has consented to the inclusion of its report in [●] dated on or before June 2011 in the form and context in which it appears and has not withdrawn its consent.

8 Principal References


van der Heyden A, 2008. Hellman & Schofield report to RDI Pty Ltd.


9 Glossary

**Glossary of Technical Terms and Abbreviations**

<table>
<thead>
<tr>
<th>Term/Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adit</td>
<td>Horizontal passage from the surface into a mine</td>
</tr>
<tr>
<td>Al</td>
<td>Chemical symbol for Aluminium</td>
</tr>
<tr>
<td>Alluvial (alluvium)</td>
<td>Sediment deposited by a stream or river.</td>
</tr>
<tr>
<td>Alteration</td>
<td>Change in the mineralogical and chemical composition of a rock, generally produced by hydrothermal fluids or by weathering</td>
</tr>
<tr>
<td>Anomaly</td>
<td>Value or area higher or lower than the expected norm</td>
</tr>
<tr>
<td>Au</td>
<td>Chemical symbol for Gold</td>
</tr>
<tr>
<td>BIF</td>
<td>Banded Iron Formation — a rock with alternating bands of iron rich (eg magnetite, hematite) and iron poor (typically chert) minerals</td>
</tr>
<tr>
<td>Chert</td>
<td>Rock composed principally of fine grained quartz</td>
</tr>
<tr>
<td>Conc Al₂O₃</td>
<td>Alumina content of magnetic concentrate</td>
</tr>
<tr>
<td>Conc Fe</td>
<td>Iron content of magnetic concentrate</td>
</tr>
<tr>
<td>Conc SiO₂</td>
<td>Silica content of magnetic concentrate</td>
</tr>
<tr>
<td>Davis Tube</td>
<td>Apparatus used to recover magnetic grains in sample</td>
</tr>
<tr>
<td>DD</td>
<td>Diamond Drilling — rotary drilling using diamond bits, used to produce a solid core of rock</td>
</tr>
<tr>
<td>Dip</td>
<td>The angle that a stratum or planar feature such as a fault makes with the horizontal, measured perpendicular to the strike and in the vertical plane</td>
</tr>
<tr>
<td>Dolerite</td>
<td>A medium grained plutonic rock with the composition of basalt</td>
</tr>
<tr>
<td>DTR</td>
<td>Davis Tube Recovery — percentage weight recovery of magnetic component in sample</td>
</tr>
<tr>
<td>Dyke</td>
<td>A tabular igneous intrusion cutting across the bedding or other planar structures</td>
</tr>
<tr>
<td>Fault</td>
<td>A fracture in rock across which there has been observable displacement</td>
</tr>
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</table>

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<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fe</td>
<td>Chemical symbol for Iron</td>
</tr>
<tr>
<td>Fe$^{2+}$</td>
<td>Ferrous iron</td>
</tr>
<tr>
<td>Fe$^{3+}$</td>
<td>Ferric iron</td>
</tr>
<tr>
<td>Ferruginous</td>
<td>Iron bearing</td>
</tr>
<tr>
<td>Gamma Log</td>
<td>Log of natural radiation (gamma rays)</td>
</tr>
<tr>
<td>Goethite</td>
<td>A hydrous ferric oxide mineral, usually brown in colour (FeO(OH)) with up to 62.85% Fe</td>
</tr>
<tr>
<td>Grade</td>
<td>Average quantity of ore or metal in a specified quantity of rock</td>
</tr>
<tr>
<td>Hematite</td>
<td>A non-magnetic iron (ferrous) oxide (Fe$_2$O$_3$) with 69.94% Fe</td>
</tr>
<tr>
<td>JORC</td>
<td>Joint Ore Reserves Committee</td>
</tr>
<tr>
<td>JORC code</td>
<td>Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves</td>
</tr>
<tr>
<td>km</td>
<td>kilometre — 1 kilometre = 1000 metres</td>
</tr>
<tr>
<td>km$^2$</td>
<td>square kilometre — 1 square kilometre = an area of 1000 metres by 1000 metres</td>
</tr>
<tr>
<td>Kt</td>
<td>Thousand tonnes</td>
</tr>
<tr>
<td>Limonite</td>
<td>A hydrous ferric oxide mineral, usually brown or orange in colour (FeO(OH)$_n$H$_2$O)</td>
</tr>
<tr>
<td>Lithology (-ies)</td>
<td>Rock type</td>
</tr>
<tr>
<td>LOI</td>
<td>Loss On Ignition — weight loss when sample is fused 1200°C, due to loss of water and other volatiles</td>
</tr>
<tr>
<td>m</td>
<td>Metre — 1 metre = 100 centimetres</td>
</tr>
<tr>
<td>MagFe</td>
<td>Magnetically recoverable iron, defined as the product of DTR and concentrate Fe (total), expressed as a percentage: $\text{MagFe} = \text{DTR} \times \text{Conc}_\text{Fe} /100$</td>
</tr>
<tr>
<td>Magnetic Susceptibility</td>
<td>Measured total intensity of magnetisation of a material</td>
</tr>
<tr>
<td>Magnetite</td>
<td>A magnetic iron oxide (Fe$_3$O$_4$) with 72.36% Fe, containing both ferrous and ferric iron</td>
</tr>
<tr>
<td>Micron ($\mu$m)</td>
<td>$1/1,000,000$ of a metre</td>
</tr>
</tbody>
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### APPENDIX III-B INDEPENDENT GEOLOGIST’S REPORTS — IRON ORE

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Minus 325 mesh</td>
<td>A specific mesh size used in sieving samples. 325 mesh = a sieve size of 45 um</td>
</tr>
<tr>
<td>Mt</td>
<td>Million tonnes</td>
</tr>
<tr>
<td>Outcrop (ping)</td>
<td>Rock exposed to view at the surface and physically connected to solid rock at depth</td>
</tr>
<tr>
<td>P</td>
<td>Chemical symbol for Phosphorous</td>
</tr>
<tr>
<td>P₂O₅</td>
<td>Phosphorous pentoxide</td>
</tr>
<tr>
<td>Percussion Drilling</td>
<td>Rotary drilling technique that generates a hole using a hammer that repeatedly impacts the rock and produces chip samples</td>
</tr>
<tr>
<td>ppm</td>
<td>Parts per Million; a measure of grade</td>
</tr>
<tr>
<td>Pyrite</td>
<td>Common form of iron sulphide</td>
</tr>
<tr>
<td>Quartz</td>
<td>Common rock forming mineral, silicon dioxide (SiO₂)</td>
</tr>
<tr>
<td>RC</td>
<td>Reverse Circulation Percussion — A percussion drilling technique in which the cuttings are recovered up the inside of the drill rods to minimise contamination from the wall of the hole</td>
</tr>
<tr>
<td>Riebeckite</td>
<td>A sodium iron silicate, typically blue and fibrous</td>
</tr>
<tr>
<td>SG</td>
<td>Specific Gravity (density)</td>
</tr>
<tr>
<td>Si</td>
<td>Chemical symbol for Silicon</td>
</tr>
<tr>
<td>Strike</td>
<td>Trend or direction of rock strata in a horizontal plane; to extend in that direction</td>
</tr>
<tr>
<td>t</td>
<td>tonne — a metric tonne, 1 tonne = 1000 kilograms</td>
</tr>
<tr>
<td>TMI</td>
<td>Total Magnetic Intensity — one representation of the results of a magnetic survey</td>
</tr>
<tr>
<td>Total Fe/Head Fe</td>
<td>Total iron content of crude ore</td>
</tr>
<tr>
<td>VALMIN code</td>
<td>Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports</td>
</tr>
<tr>
<td>Winze</td>
<td>Vertical passage from the surface into a mine</td>
</tr>
</tbody>
</table>