

Reporting Exploration Results

JORC Seminar

19 November 2008

Background

The company concerned is a listed company involved in exploration for Iron Ore.

Early on in its history it attracted the interest of day traders and had consistently high share turnover.

The following three announcements relate to one of the company's projects.

High grade iron mineralisation : Somewhere : WA

- **Sampling in August, 2007 located zones of high grade haematite mineralisation .**
- **Follow-up sampling in September, 2007 defined a total of 8.8km of mineralised strike length comprising:**
- **a 2km long high grade haematite zone at the XX prospect.**
- **a 2.8km long medium grade haematite zone at the YY prospect.**
- **a 4km long medium grade haematite–goethite zone at the ZZ prospect.**
- **First pass RAB drilling due to commence in mid October.**

- The company (ASX code : XXX) is pleased to announce that rock chip sampling at its wholly owned iron project, near of Leanora, in Western Australia has been completed and all assay results received. Results are detailed in Table 1.
- Three zones of iron mineralisation have been defined within a sequence of Banded Iron Formation (BIF) and ferruginous sediments. At the XX Prospect rock chip samples averaged 61.3% Iron (Fe) over two kilometers of strike, at the YY Prospect rock chip samples averaged 58.5% Fe over 2.8km of strike. Within the ZZ Prospect mineralisation was traced over a 4km strike with rock chip samples averaging 59.14% Fe. The zones vary in width from 5 to 30m with an average in the order of 20m. The location of samples and the prospect areas are shown in Figure 1.
- The company is awaiting statutory approval from the Department of Industry and Resources in order to undertake a RAB drilling program to test the down dip continuity and grade of the iron mineralisation. The drilling program is expected to start in October 2007.

This was followed by a table of results, a signature, a consent paragraph and location plans.

Reaction

The company expected a lift in the share price, maybe in the order of \$0.05 on the then share price of \$ 0.15.

The market however over reacted and the shares traded up to \$ 61.5 a 400 + percent increase on massive volume

There was no hint of insider trading or any queries from the exchange.

Somewhere in WA

RC drilling confirms significant Fe mineralisation

Potential for on strike and parallel extensions

- The company (ASX Code XXX) has completed an RC drilling program at its wholly owned iron project near Leonora in Western Australia. Assay results confirm extensive high grade iron mineralisation encountered with an earlier RAB program.
- Twenty Nine (29) holes with an average depth of 84 metres were drilled with an average spacing between lines of 200 metres and along lines of 25 metres.
- The drilling program has identified several pods of haematite mineralisation with sufficient grade and tonnage to be considered for economic exploitation. Further infill drilling will test the continuity of the **ore body** and provide data for a **JORC compliant resource** in the range of 3 to 5 million tonnes at better than 60% Fe.
- In addition, further drilling will test both on strike and parallel extensions to the mineralisation once Ground Disturbance Applications lodged with the Western Australian Department of Industry and Resources are finalised.

This was followed by a table of intersections, a signature, a consent paragraph and a series of 3 figures showing the locations of intersections

What is a JORC compliant resource?

A resource which can be reported in accordance with the JORC Code

Somewhere in WA confirms significant Fe mineralisation on strike and parallel extensions

These are exploration results; the words “ore body” should not be used

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This is a Clause 18 exploration target and should be reported accordingly with the associated cautionary statements

Reaction

The market barely reacted to the announcement.

The share price moved from \$0.25 to \$ 0.30 on a volume of around 0.5 million shares

The companies listing officer however pointed out to the company that the release was not compliant with the JORC code.

The company produced the following supplementary announcement.

Clarification of resource potential

- In the company's announcement to the ASX of 14 February the company stated :
- "The drilling program has identified several pods of haematite mineralisation with sufficient grade and tonnage to be considered for economic exploitation. Further infill drilling will test the continuity of the ore body and provide data for a JORC compliant resource in the range of 3 to 5 million tonnes at better than 60% Fe."
- The company has realised that this statement is not fully compliant with Paragraph 18 of the JORC code, which states in part that "Any statement referring to potential quantity and grade of the target must be expressed as ranges and must include (1) a detailed explanation of the basis for the statement, and (2) a proximate statement that the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource."...."
- The relevant paragraph of our release should therefore read "The drilling program has identified several pods of haematite mineralisation with sufficient grade and tonnage to be considered for economic exploitation. Further infill drilling will test the continuity of the ore body and, provide data for a JORC compliant resource statement in the range of 3 to 5 million tonnes at a grade of between 60% and 65% Fe. It should, however, be noted that at this stage there is insufficient data to confirm the presence of a resource, and that it is possible that the infill drilling may result in a downgrade of the tonnage and or grade of the areas currently identified as having resource potential."

This was followed by a signature and a consent paragraph

Clause 18: The terms Resource(s) or Reserve(s) must not be used in this context.

Clarification of resource potential

What grade and tonnage, there is no resource estimate

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i.e. no need to use the term downgrade, but downgrade from what there is estimate

Reaction

After two days the share price was back
down to \$ 0.25

However if the punters didn't think much of it
others did ...

What is a “JORC compliant Indicated or Measured Resource”?

One that can be reported in accordance with the JORC Code and based on documentation prepared by a Competent Person

- The Company (ASX code: XXX) is pleased to announce that it has received a letter from ZZZ Ltd (ASX code : ZZZ) confirming their completion of due diligence work and their intention to proceed with the option over the company’s XX tenement E xx/yyy and the other application E ww/aaa.
- The option agreement, announced byXXX on August 2008, gives ZZZ rights to explore for Iron Ore on the tenements during the option period with XXX retaining a 2% royalty on the FOB price of Iron Ore products produced after the option is exercised. XXX have previously announced encouraging results from work it has carried out on its Mt Richardson tenement E xx/yyy where it has defined several pods of haematite mineralisation and identified further potential both on strike and parallel to the currently drill tested areas.
- The agreement will provide an initial cash injection of \$3,000,000 into XXX on or before October 2008 and a total of \$ 10,000,000 subject to agreed milestones, should the option be exercised.
- In addition XXX will receive a once only payment of \$0.50 per dry tonne on tonnages in excess of 10,000,000 tonnes of independently confirmed **JORC compliant Indicated or Measured Resource** defined on the tenements under option.
- The money received under the option agreement will allow XXX to conduct further exploration at its projects without the need to dilute shareholder equity.

This was followed by a signature and a JORC consent paragraph

Reaction

The share price dropped from
\$ 0.25 to \$ 0.20

The company received \$3,000,000 on 30 September

The option holder is very keen on the project and is
expected to pay the balance of the option price of \$
7,000,000 over the next two years

Assuming the area proves up and around 25,000,00 tonnes
of ore is mined the vendor will receive in excess of \$
30,00,000.

With the current bearish market the company is currently
valued at below cash backing.