

ASX Company Announcement



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Shougang Update

- 10 year takeoff contract for 50% of production being negotiated
- Minimum projected tonnage is 25 million tonnes over ten years when expansion is completed, at a value of US\$1.8 Billion at current FOB prices
- Six senior Shougang executives to Visit Cia Minera Santa Barbara in June 2008

We reported in our March 08 quarterly update that Shougang International had signed a confidentiality agreement, giving it the right to negotiate on an exclusive basis a take off contract on a FOB basis from our joint venture's Caleta Port facility and other ports closer to the mine as we commission them over the next two years. Cia Minera Santa Barbara intend to provide 50% of all production to Shougang and 50% to WISCO. Shougang has asked for substantial due diligence information and this has been provided to them on a confidential basis, that is, it is for their use only.

We are very excited to have the President and Deputy President of Shougang International and their technical and business team currently making arrangements to visit the nine "retired" mines on our 7,400 hectares of iron ore magnetite tenements and operation at the Santa Barbara mine, the 3,500 hectare magnetite deposit at Pampa Tolofo yet to be developed, and existing and future port locations the main one being Punta Alcalde near the town of Huasco.

We will keep the ASX informed of contract negotiations as they progress as the terms of the US loan facility with National Australia Bank have not yet been fully determined. However, once the status of the security or standby letter of credit to be provided is determined, and the loan facility agreed and signed, details will be immediately released to the ASX. The loan security forms part of the contractual negotiations to allow Santa Barbara to expand its production operations, award drilling contracts for JORC resource estimates and commence detailed scope of engineering works for its port locations close to the mines.

Both Shougang and WISCO (Wugung Iron and Steel Corporation) will have a major input into the development of the mines in terms of the product specifications being size of fines and final chemical composition. They may also assist with development of the various infrastructure options to transport up to 10 million tonnes of iron ore fines per annum 60 kilometres from the mine to the ports.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R.M. Clarke', written in a cursive style.

Robert Michael Clarke
Managing Director