



# CASHMERE IRON

24 February 2014

Dear Shareholder

## Cashmere Iron Limited – Shareholder Update

I am writing to you on behalf of the Board to provide an update on the company's progress since our last communication to you which was by way of the Annual Report and Annual General Meeting held in November of last year.

### DSO Drilling Program

The company has completed the drilling program at Area 8 which resulted in a JORC compliant resource of 4.5 m/t of DSO @ 58%Fe. The full JORC report on Area 8 has been posted on the company's website at [www.cashmereiron.com](http://www.cashmereiron.com).

The company now has JORC resources of DSO and Detrital ore sufficient to produce 36m/t of DSO/Detrital product which represents the first 8 years of future production at the rate of 4-5 m/t per annum. This together with the 160m/t of JORC probable reserves of BFO and the magnetite resources represents approximately the first 40 years of production at Cashmere based on a targeted 10m/t per annum production.

### Potential Cornerstone Investors

The China party the company has been dealing with have not progressed with their investment and the company continues to have discussions with a major Korean entity and others.

To some extent, the Board's current view is that the company's ability to procure significant funds from any potential cornerstone investor is impacted by the access to infrastructure in the mid-west region and a clear pathway to port for the company in particular, which is dealt with further below.

### Esperance Port

While the company continues to consider all appropriate infrastructure and port possibilities, it remains the case that Esperance Port is the most likely port from which the Company could export ore.

The company has been in discussions with the two preferred proponents the Western Australian Government has selected for the expansion of Esperance Port (namely Qube/Brookfield and the Yilgarn Esperance Solution). The Government is due to make an announcement on its sole preferred proponent for the expansion of Esperance Port in March 2014. It is hoped that this announcement will:

- Encourage potential cornerstone investors to progress with more definitive discussions with the company; and
- Enable the company to enter into more detailed negotiations with the preferred proponent in terms of access allocation at Esperance Port.

### Funds

At this time and based on the company's current level of operations, the company has sufficient funds to operate for a further 10 to 12 months.

If you have any queries, please do not hesitate to contact David Hendrie or myself.

Yours sincerely

Derek La Ferla  
Non-Executive Chairman