



7 June 2012

Dear Shareholder

**COMPANY UPDATE**

As you will be aware, the Company has over the past several months been actively pursuing the objective of seeking to list its shares on the Australian Stock Exchange by way of an IPO.

In pursuit of this objective, the Company (together with its advisor RBS Morgans) undertook an international and domestic roadshow during the month of March to assess market appetite for the IPO.

Interest from retail investors was strong and whilst the initial responses from institutional investors were encouraging, as the volatility of the international and domestic equity markets increased into April, it became evident that the level of institutional support would not be achieved as earlier envisaged.

Given the ongoing deterioration of stock market conditions during May and the ongoing uncertainties with respect to Europe, the Company has (in consultation with RBS Morgans) decided to defer its IPO process until more suitable market conditions return. However, it remains our firm intention to proceed with an IPO at the earliest opportunity.

During the past several months, the Company has continued to negotiate with several parties on the possibility of becoming a cornerstone or strategic investor in Cashmere – at either the company or project level. Progress has been made with respect to both possible types of investment and it is expected that the Company will be in a position to report more definitively to you in the next two months or so.

A successful outcome with respect to either or both of these types of investment should significantly heighten future institutional interest in the Company under an IPO.

As previously reported, the Company holds a capacity reservation deed with the Port of Esperance for the export of up to 5m tonnes of iron ore, conditional upon completion of the proposed expansion and negotiation of definitive agreements. We note the recent statements of commitment by the Western Australian Government to Esperance Port's expansion. We understand that the government will be making a further announcement on Esperance Port in June 2012.

Whilst we are very disappointed that we have not been able to proceed with an IPO at this juncture, we remain committed to continuing to advance the development of the Cashmere Downs project and achieving a listing on the ASX at the earliest opportunity.

Yours faithfully,

**Cashmere Iron Limited**

**Derek La Ferla**  
*Chairman*