



6 June 2013

CASHMERE IRON

Dear Shareholder

Shareholder Response to Proposal for Fund Raising and Listing

As you are aware, a letter dated 18 April 2013 was sent to shareholders outlining the terms of a proposed fund raising for the Company and, if that fund raising was proceeded with and successful, the eventual listing of the Company.

The Company received initial expressions of support for funding from shareholders in excess of \$1.1million however, this is not sufficient shareholder support to proceed with the capital raising and listing outlined in the abovementioned letter.

As a result of this, the Board has decided to:

- Seek to procure a loan to the Company by way of converting note in an amount of between \$500,000 and \$1,000,000 from interested parties;
- Subject to raising the above funds, progress the Cashmere project by:
 - Continuing with a modest drilling program designed to increase our DSO resource;
 - Continuing discussions with cornerstone and other strategic investors.

The range of \$500,000 to \$1,000,000 referred to above would, based on current budgeting, be sufficient to enable the company to operate for between (approximately) 12 and 18 months. During this period, the board would of course continue to monitor market conditions (particularly in the iron ore sector) and revert back to shareholders if market conditions became more favourable and a more substantive fund raising and subsequent listing could more likely be achieved.

The board expects to finalise the raising of funds by way of converting note by 30 June 2013. We will write to shareholders shortly after this date so as to update you further. At that time, and subject to the converting note funding arrangements being in place (so that continued operations are assured as outlined above), the Company may also undertake a rights issue, so as to enable current shareholders to invest if they wish to.

If you have any queries or require any further information in the meantime, please feel free to contact our Managing Director, David Hendrie or myself.

Yours sincerely,

Derek La Ferla
Non Executive Chairman