

COMMENTS ON PROJECTS/PROSPECTS IDENTIFIED BY THE PILBARA INFRASTRUCTURE PTY LIMITED

REPORT BY RICHARD HARMSWORTH

Background

I have been asked by BHP Billiton Iron Ore Pty Ltd (**BHPBIO**) to provide an opinion on the projects or prospects identified by The Pilbara Infrastructure Pty Ltd (**TPI**) in its application and supplementary submission to the National Competition Council for access to BHPBIO's Goldsworthy Railway Line.

The projects or prospects identified by TPI are Atlas' Pardoo iron ore project, Palmary's Woodie Woodie manganese project, Jupiter Mines' Shay Gap iron ore project, Polaris' Goldsworthy JV iron ore project and API's Mount Grant iron ore prospect.

In preparing this report, I have considered and reviewed a number of public announcements and information. **Attachment 1** to this report sets out references to those documents that I have directly relied upon in reaching my conclusions.

Atlas and Palmary

Of the five projects/prospects identified by TPI, only two – Atlas' Pardoo bedded hematite iron ore project and Palmary's Woodie Woodie manganese project – have defined Mineral Resources and Ore Reserves.

Of these two projects only Palmary's Woodie Woodie manganese project is currently operating. The Woodie Woodie project currently produces about 0.9 Mt/a (million tonnes per annum) of manganese.

Production from Atlas' Pardoo iron ore project is planned to commence in October 2008, subject to environmental approvals. Initial production is planned to be 1 Mt/a, increasing to 3 Mt/a by 2010.

Neither Atlas nor Palmary have given any indication in any of their public announcements that access to the Goldsworthy Railway Line is necessary for operation or development of their projects. Manganese ore from Palmary's Woodie Woodie Project has been trucked to Port Hedland (a road distance of approximately 400km) since 1999. Similarly, Atlas' Managing Director, David Flanagan, has stated recently that its Pardoo iron ore project is "... only 75 kilometres from port [Port Hedland] and not constrained by needing a rail agreement."

Jupiter, Polaris and API

Jupiter Mines' Shay Gap iron ore project has no bedded hematite potential and is targeting channel iron deposits (**CID**) and detrital mineralisation. Exploration at this project is at an early stage.

Further, Jupiter Mines has recently announced that its "...primary focus [is] on two high quality projects ... Central Yilgarn iron ore project [CYIP], Widgiemooltha nickel project" and that no exploration is planned for the Shay Gap iron ore project. This can reasonably be assumed to mean that no exploration is planned for the short to medium term. It is also notable that no exploration results for the Shay Gap iron ore project were announced in the Jupiter Mines' September 2007 or December 2007 quarterly reports.

At the Polaris Goldsworthy JV iron ore project, poor exploration (including drilling) results to date show that no "Mt Goldsworthy" type hematitic mineralisation (the primary target) has been found, and that thin low grade CID was intersected in only one in 43 holes drilled. Surficial detrital material is also stated to be of interest. Exploration is at an early reconnaissance stage and it would appear that no exploration targets have been set, as none have been reported.

This is consistent with indications from recent company reports of Polaris' current emphasis on other Polaris projects – particularly the 100% Polaris-owned Yilgarn iron ore project (YIOP) and the Poondano iron ore project – which are described as Polaris' "flagship" projects in the Polaris Investor Fact Sheet. This document is undated but appears to be recent as it refers to Polaris' cash position as at 31 January 2008. This suggests that the Goldsworthy JV iron ore project is currently not seen by Polaris as having a high exploration priority.

Virtually no information is available for API's Mount Grant prospect near to BHPBIO's Mt Goldsworthy mine. It would appear that little or no exploration has been undertaken, and that no exploration targets have been set, as none have been reported.

Thus, any consideration of possible exploration targets in terms of tonnages for these three projects/ prospects (Shay Gap, Goldsworthy JV and Mount Grant) would be purely speculative at this stage due to lack of exploration information.

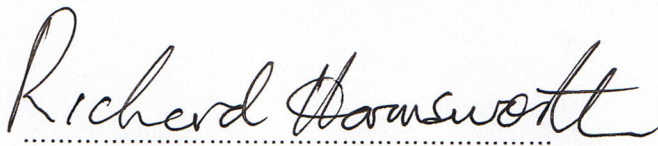
Nevertheless, with respect to grades it would appear that the potential for high grade bedded hematite deposits is limited, as indications from the Pardoo iron ore project are of low grade (56-57% Fe) goethitised mineralisation with high levels of impurities (phosphorus and silica) and relatively low grade CID.

It would thus appear that Polaris, Jupiter Mines and API have a long way to go before it can be shown if any of these prospects might have reasonable prospects of economic extraction. None of them have demonstrated any Mineral Resources, or even set exploration targets, and the only indications reported to date, based on early stage exploration, are of low grade, largely untested mineralisation.

Conclusion

In conclusion, there are only two of the identified projects that have defined Mineral Resources and Ore Reserves. Neither of these projects appears to require rail access for operation or development. The Woodie Woodie manganese project has been operating since 1999 using road haulage. The Pardoo iron ore project may be operating as early as October 2008 (subject to environmental approval) using road haulage.

The other three prospects (a more appropriate description than "projects", given their early exploration stage and the lack of any defined Mineral Resources) have not yet demonstrated any significant or economic iron mineralisation.



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