

# IRD.AU

## Iron Road Limited

A\$ 0.60

17 June 2010  
 Iron Ore  
 Australia (WA,SA)  
 Advanced Exploration  
 Exchanges: ASX:IRD

**An imminent resource upgrade at the Central Eyre Iron Project (SA) will contribute to IRD's target for 2010, of 500mt (currently 110mt), and the long term target of 4 billion tonnes magnetite mineralisation. Drilling at Gawler Project (DSO) continues to return strong results.**

### Capital Profile

|  |              |
|--|--------------|
| Share price (A\$)                        | 0.60         |
| 52 week range (A\$/share)                | 0.16 to 1.05 |
| Number of shares (m)                     | 74           |
| Options and warrants (m)                 | 51           |
| Convertible notes (m)                    | 0            |
| Fully diluted (m)                        | 125          |
| Market capitalisation (undiluted) (A\$m) | 44.3         |
| Debt (A\$m) - Jun 10F                    | 0.0          |
| Enterprise value (A\$m)                  | 44.3         |
| Major shareholders:                      |              |
| The Sentient Group (25%)                 |              |
| Avg monthly volume (m)                   | 2            |
| Cash (A\$m) - Jun 10F                    | 4.8          |
| Price/Cash (x)                           | 9.2          |
| Price/Book (x)                           | 5.1          |
| Listed company options:                  | IRDO         |

### Production and Financial Forecasts

| YEAR END: June                           | Mar-10a | Jun-10F | 2009a  | 2010F  | 2011F  |
|--|---------|---------|--------|--------|--------|
| Exploration and evaluation (A\$m)        | 2.18    | 1.00    | 3.01   | 4.55   | 4.00   |
| Corporate (A\$m)                         | 0.22    | 0.25    | 0.56   | 0.97   | 1.00   |
| Exploration/(Expl.+ Corporate) (%)       | 91      | 80      | 84     | 82     | 80     |
| Funding duration at current burn (years) | 1.7     | 3.8     | 0.4    | 0.9    | 1.1    |
| Shares on issue (pr end) (m shares)      | 70.6    | 73.9    | 54.7   | 73.9   | 99.8   |
| Drilling - RAB (m)                       | 0       | 0       | 0      | 0      | 0      |
| Drilling - Other/Diamond (m)             | 5,000   | 5,000   | 11,675 | 20,000 | 20,000 |
| Land holding ('000 ha)*                  | 410     | 410     | 410    | 410    | 410    |
| Tenement costs (\$k per year)            | -       | -       | -      | -      | -      |
| Capital raisings (A\$m)                  | 4.26    | 2.00    | 0.26   | 8.88   | 5.18   |
| Funding from JV partners (A\$m)          | 0.0     | 0.0     | 0.0    | 0.0    | 0.0    |
| Cash (A\$m)                              | 4.0     | 4.8     | 1.5    | 4.8    | 5.4    |
| Cash backing (Ac/share)                  | 5.7     | 6.5     | 2.8    | 6.5    | 5.4    |
| Net asset backing (Ac/share)             | 9.8     | 11.8    | 3.4    | 11.8   | 13.3   |

\*Iron Ore prospective tenements only, both held and under application. Quarters stated on calendar year basis.

### Investment Points

Iron Road is 100% focused on iron ore exploration and development in WA and SA.

Central Eyre (SA): magnetite exploration project - 110mt initial resource announced Aug '09 on 1.7km strike; 95km untested, exploration target 4 bill. tonnes (Sep '09)

Stage II Warrambo metallurgical study (Nov '09) shows potential for coarse grind to produce ~68% Fe conc.

Central Eyre: infrastructure nearby, including rail, power and (potentially) five port options within 200km.

West Gawler (SA): 3380km<sup>2</sup> tenement with historical iron occurrences; geophysics shows hematite (DSO) and magnetite potential. Drilling multiple targets.

Pipeline of early stage iron ore projects in WA (Windarling, Murchison).

### Company Comment

**Overview:** IRD listed on the ASX in June 2008. It is an iron ore explorer with a focus on magnetite mineralisation in SA. It also has grassroots projects in WA.

**Central Eyre Iron Project (SA):** 663km<sup>2</sup>. IRD's most advanced project (formerly called the Warrambo Project). Exploration is targeting magnetite, for production of a high-grade (~70% Fe, low impurity) concentrate. **The prospect has +95km of strike length, with magnetic and surveys used gravity to define targets.** Two stages of drilling along 1.7km strike at the **Boo Loo Prospect** (4465m and 7210m) demonstrated continuity and favourable metallurgical characteristics, including confirmation of coarse grained magnetite (av ~1½mm). There is a JORC Inferred resource of **110.5mt @19.4% Fe** (Aug '09). Mineralisation is ~40m-70m thick and dips 40-60 degrees. Resource drilling depths varied from 120m to 396m, with mineralisation open at depth. IRD has a **4 billion tonne exploration target** (range 2.8bt-5.7bt) for the Warrambo, Kopi and Hambridge area Fe occurrences of Central Eyre (Coffey, Sep '09). Priority 1 targets account for 25km of the 95km strike and 870mt-1750mt of the exploration target. IRD plans to increase the resource to ~500mt in 2010. Phase 3 drilling at Boo Loo and Dolphin (14,490m) was completed May '10 and a **resource upgrade is expected in Jun '10**. Phase 4 regional drilling (42 holes, 9,845m) should start in early June. **Metallurgical studies** (ProMet, Nov '09) indicate that a primary grind (80% to 350µm) and magnetic separation can double Fe grade and remove two thirds of plant feed as waste, optimising the overall cost of more energy-intensive finer grinds. A further, still relatively coarse, 65µm grind can produce ~68% Fe high grade blast furnace quality concentrate. Studies will now focus on reducing process costs and evaluating export routes. The aim is to build a resource that will allow production for 20+ years. A **Pre-Feasibility Study** for +10mtpa concentrate is under way and should be completed in 1Q11.

**Location and infrastructure:** Underlying title at Central Eyre is mostly freehold or leasehold over grain farms. The community appears supportive of the project. The area has existing power and there are several transport options. The closest location for a suitable port is 80km W, at Ellistown - this would require construction of a pipeline. There are rail links to Port Lincoln (175km S) and Ceduna (200km NW).

**Gawler Project (SA):** 3380km<sup>2</sup>, covering 10+ areas with known iron ore mineralisation (hematite and magnetite). The tenements are adjacent to the Trans Australian Railway and within 100km of Adelaide-Darwin Railway. **Mt Christie** beneficiation test work (1960s) produced concentrates of 56% - 65% Fe and recoveries of 70% - 90%. Rock chipping (252 samples) found hematite with an average grade of 53.4% Fe, 16.8% SiO<sub>2</sub>, 0.09% P and 0.05% S (Sep '09). Gravity and aeromagnetic surveys in 2H09 identified potential high-grade DSO targets, possibly of similar style to the K Deposit at Koolyanobbing (136.2mt, Cliffs). Drilling from Mar '10 found 40-90m thicknesses of magnetite gneiss, overlain in several locations by 20-55m thick hematite caps. Stage 2 drilling will be supported by an A\$60k PACE grant.

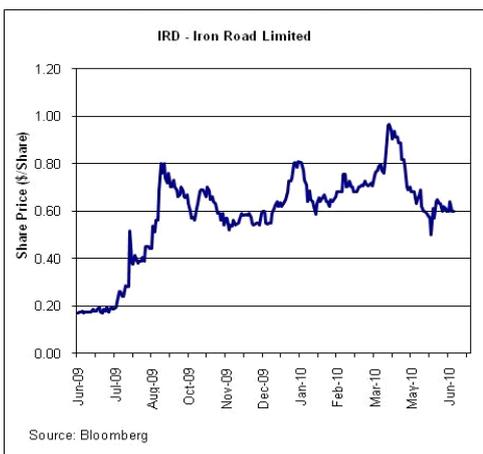
**Investment Comment:** IRD is trading in a broad share price range, running from A\$0.20 to A\$1.05 in 3Q09-2Q10 on strong exploration results, before dropping to A\$0.5 in the recent correction and recovering quickly to +A\$0.60. Progress towards the near-term 500mt resource target could see IRD reapproach the top of this range. Other value drivers could include the ongoing DSO exploration drilling at Gawler. The company is well funded, with a placement at A\$0.64/share raising A\$6.1m in late 1Q10 (supported again by The Sentient Group), with the exercise of A\$0.20 options likely bringing another A\$2.1m before end 3Q10.

### Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian: (JORC)

| Iron (Fe)   | Classification | Project | Ore   | Fe   | Cut off | Fe         | Fe Eqty    |
|---|----------------|---------|-------|------|---------|------------|------------|
|   |                | Equity  | Mt    | %    | %       | mt         | Mt         |
| <b>Reserves</b>   |                |         |       |      |         |            |            |
| <b>Resources</b>  |                |         |       |      |         |            |            |
| Warrambo (Boo Loo) *  |                |         |       |      |         |            |            |
|   | Inferred       | 100%    | 110.5 | 19.4 |         | 21.4       | 21.4       |
| <b>Mineralised Material (est., non compliant with JORC)</b> |                |         |       |      |         | <b>0.0</b> | <b>0.0</b> |

\* Other elements include SiO<sub>2</sub>, 50%, Al<sub>2</sub>O<sub>3</sub>, 11.4%, P, 0.09%.



### Contact

Mr Andrew Stocks  
 (Managing Director)  
 Tel: 61 (0) 8 9200 6020  
 West Perth, NSW, Australia  
[www.ironroadlimited.com.au](http://www.ironroadlimited.com.au)

### Directors

J Gosse (Chairman)  
 A Stocks (MD)  
 I Hume  
 M Keegan

Analyst: Dr Trent Allen  
 trentallen@rcresearch.com.au

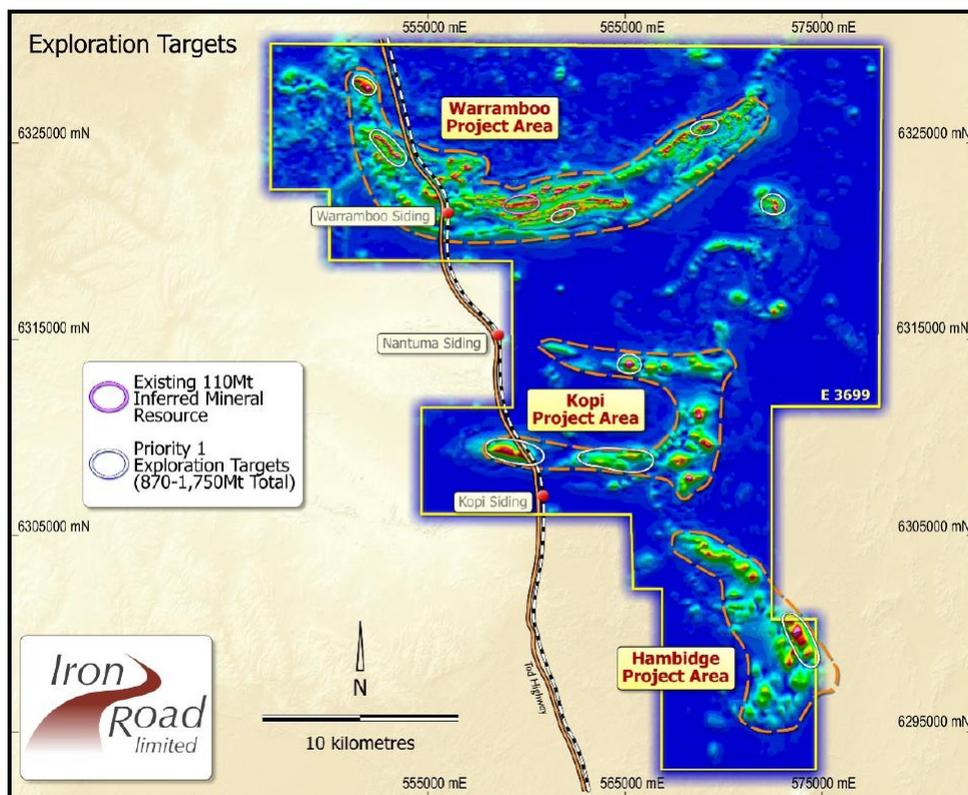
### Key Projects

| Project           | Ownership/Option | Metal | JV Partner | Target Type | Process Route | Project Status | Location |
|-------------------|------------------|-------|------------|-------------|---------------|----------------|----------|
| Central Eyre Iron | 100%             | Fe    | na         | Magnetite   | Beneficiate   | Mid Expl       | Aus (SA) |
| West Gawler       | earning 90%      | Fe    | na         | BIF         | na            | Early Expl     | Aus (SA) |
| Windarling Peak   | 100%             | Fe    | na         | BIF         | na            | Early Expl     | Aus (WA) |
| Murchison         | 100%             | Fe    | na         | BIF         | na            | Early Expl     | Aus (WA) |

Iron Road Limited, SA project location map: IRD is 100% focused on iron ore exploration. Its most advanced projects are the Central Eyre Iron Project (CEIP) and the Gawler Iron Project, which are both in areas well served by infrastructure (rail, power and port).



Total Magnetic Intensity (TMI) image showing Fe exploration targets at the Central Eyre Iron Project, SA: the area has an estimated 4bt of targets, along +95km of prospective strike of magnetite gneiss. The current 110mt resource covers 1.7km of strike. Drilling is ongoing, to test a 2010 target of 500mt.



## Disclosure and Disclaimer

### Disclosure and Disclaimer

#### Important Information

Resource Capital Research Pty Limited (referred to as “we”, “our”, or “RCR” herein) ACN 111 622 489 holds an Australian Financial Services Licence (AFS Licence number 325340). General advice is provided by RCR’s Authorised Representatives Dr Tony Parry (Authorised Representative number 328842) and Dr Trent Allen (Authorised Representative number 331960). The FSG is available at [www.rcresearch.com.au](http://www.rcresearch.com.au). All references to currency are in Australian dollars unless otherwise noted.

**This report and its contents are intended to be used or viewed only by persons resident and located in the United States, Canada and Australia and therein only where RCR’s services and products may lawfully be offered.** The information provided in this report is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject RCR or its affiliates to any registration requirement within such jurisdiction or country.

**This report and its contents are not intended to constitute a solicitation for the purchase of securities or an offer of securities.** The information provided in this report has been prepared without taking account of your particular objectives, financial situation or needs. You should, before acting on the information provided in this report, consider the appropriateness of the purchase or sale of the securities of the companies that are the subject of this report having regard to these matters and, if appropriate, seek professional financial, investment and taxation advice. RCR does not guarantee the performance of any investment discussed or recommended in this report. Any information in this report relating to the distribution history or performance history of the securities of the companies that are the subject of this report, should not be taken as an indication of the future value or performance of the relevant securities.

**In preparing this report, RCR analysts have relied upon certain information provided by management of the companies that are the subject of this report or otherwise made publicly available by such companies. The information presented and opinions expressed herein are given as of the date hereof and are subject to change. We hereby disclaim any obligation to advise you of any change after the date hereof in any matter set forth in this report.** THE INFORMATION PRESENTED, WHILE OBTAINED FROM SOURCES WE BELIEVE RELIABLE, IS CHECKED BUT NOT GUARANTEED AGAINST ERRORS OR OMISSIONS AND WE MAKE NO WARRANTY OR REPRESENTATION, EXPRESSED OR IMPLIED, AND DISCLAIM AND NEGATE ALL OTHER WARRANTIES OR LIABILITY CONCERNING THE ACCURACY, COMPLETENESS OR RELIABILITY OF, OR ANY FAILURE TO UPDATE, ANY CONTENT OR INFORMATION HEREIN.

**This report and the information filed on which it is based may include estimates and projections which constitute forward looking statements that express an expectation or belief as to future events, results or returns. No guarantee of future events, results or returns is given or implied by RCR.** Estimates and projections contained herein, whether or not our own, are based on assumptions that we believe to be reasonable at the time of publication, however, such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from the estimates and projections provided to RCR or contained within this report.

This report may, from time to time, contain information or material obtained from outside sources with the permission of the original author or links to web sites or references to products, services or publications other than those of RCR. The use or inclusion of such information, material, links or references does not imply our endorsement or approval thereof, nor do we warrant, in any manner, the accuracy or completeness of any information presented therein.

RCR, its affiliates and their respective officers, directors and employees may hold positions in the securities of the companies featured in this report and may purchase and/or sell them from time to time and RCR and its affiliates may also from time to time perform investment banking or other services for, or solicit investment banking or other business from, entities mentioned in this report. Iron Road Limited commissioned RCR to compile this report. In consideration, RCR received a cash consultancy fee of less than \$15,000. RCR may receive referral fees from issuing companies or their advisors in respect of investors that RCR refers to companies looking to raise capital. Those fees vary, but are generally between 0 - 1% of the value of capital raised from referrals made by RCR. RCR received referral fees in relation to recent capital raisings for Globe Uranium Limited, PepinNini Minerals Limited, Uranex NL and Toro Energy Limited. At the date of this report, neither RCR, nor any of its associates, hold any interests or entitlements in shares mentioned in this report with the exception that either or both of John Wilson (either directly or through Resource Capital Investments Pty Limited (RCI)) and associates, or RCI, as trustee of the Resource Capital Investments Fund owns shares in BHP and Rio Tinto.

**Analyst Certification:** All observations, conclusions and opinions expressed in this report reflect the personal views of RCR analysts and no part of the analyst’s or RCR’s compensation was, is, or will be, directly or indirectly related to specific recommendations or views expressed in the report. Officers, directors, consultants, employees and independent contractors of RCR are prohibited from trading in the securities of U.S. companies that are, or are expected to be, the subject of research reports or other investment advice transmitted to RCR clients for a blackout window of 14 days extending before and after the date such report is transmitted to clients or released to the market.

**Cautionary Note to U.S. Investors Concerning Estimates of Measured, Indicated and Inferred Resources:** RCR publishes mineral resources based on standards recognized and required under securities legislation where listed mining and exploration companies make their exchange filings and uses the terms “measured”, “indicated” and “inferred” mineral resources. U.S. investors are advised that while such terms are recognized and required under foreign securities legislation, the SEC allows disclosure only of mineral deposits that can be economically and legally extracted. United States investors are cautioned not to assume that all or any part of measured, indicated or inferred resources can be converted into reserves or economically or legally mined. We recommend that US investors consult Securities and Exchange Commission Industry Guide 7 – “Description of Property by Issuers Engaged or to Be Engaged in Significant Mining Operations” for further information about the use of defined terms and the presentation of information included in this report.