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Iron Road Limited

A\$ 0.63

30 September 2010
Iron Ore
Australia (WA, SA)
Advanced Exploration
Exchanges: ASX:IRD

IRD seems likely to hit its 2010 goal, of 500mt iron mineralisation at the Central Eyre Iron Project (SA), and so strengthen its regional resource target of 4 billion tonnes. A Pre-Feasibility Study for +10Mtpa concentrate production is expected in 1Q11.

Capital Profile

Share price (A\$)	0.63
52 week range (A\$/share)	0.44 to 1.05
Number of shares (m)	99
Options and warrants (m)	24
Convertible notes (m)	0
Fully diluted (m)	122
Market capitalisation (undiluted) (A\$m)	62.2
Debt (A\$m) - Sep 10F	0.0
Enterprise value (A\$m)	62.2
Major shareholders:	
The Sentient Group (27%)	
Avg monthly volume (m)	3
Cash (A\$m) - Sep 10F	6.1
Price/Cash (x)	10.1
Price/Book (x)	4.5
Listed company options:	IRDO

Production and Financial Forecasts

YEAR END: June	Jun-10a	Sep-10F	2010a	2011F	2012F
Exploration and evaluation (A\$m)	2.72	2.00	6.27	5.00	0.00
Corporate (A\$m)	0.17	0.15	0.89	0.90	0.40
Exploration/(Expl.+ Corporate) (%)	94	93	88	85	0
Funding duration at current burn (years)	1.1	2.9	0.4	0.4	5.7
Shares on issue (pr end) (m shares)	73.9	99.8	73.9	99.8	99.8
Drilling - RAB (m)	0	0	0	0	0
Drilling - Other/Diamond (m)	7,245	15,309	24,490	48,809	40,000
Land holding ('000 ha)*	410	410	410	410	410
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	2.03	5.18	8.91	5.18	0.00
Funding from JV partners (A\$m)	0.0	0.0	0.0	0.0	0.0
Cash (A\$m)	3.1	6.1	3.1	2.6	2.3
Cash backing (Ac/share)	4.2	6.2	4.2	2.6	2.3
Net asset backing (Ac/share)	11.8	13.8	11.8	13.2	12.9

*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 Iron Project (SA): resource upgraded to 328mt @ 17.3% Fe (Jul '10) on 4.2km strike; +95km untested, mid-range exploration target 4bt (Sep '09)

Ongoing CEIP metallurgical study (Aug '10) confirms potential for coarse grind to produce 68.5% Fe conc. Pre-Feasibility Study for +10mtpa conc. expected 1Q11.

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

West Gawler (SA): 3380km² tenement with historical iron occurrences confirmed by Stage 1 drilling, both hematite (DSO) and magnetite, Stage 2 planned.

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

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): 663km². IRD's most advanced project (formerly called the Warramboe Project). Exploration is targeting magnetite, for production of a high-grade (~70% Fe, low impurity) concentrate, as well as associated hematite. The prospect has 95km strike length of magnetite gneiss and associated hematite. Mineralisation is ~40m-70m thick and dips 40-60 degrees. Current JORC Inferred resource is **328mt @ 17.3% Fe** (July 2010), with Davis Tube Recovery (DTR) concentrate at ~70% for ~21% mass recovery, defined at the Boo Loo and Dolphin prospects. Of this, ~18.5% is transitional or oxidised material including hematite; fresh mineralisation is magnetite. There is a **4 billion tonne exploration target** (range 2.8bt-5.75bt) for the Warramboe, 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. Four stages of drilling have been completed and a 5th (19,025m) is in progress, focused on the Murphy South area, which has an Exploration Target of 400-800mt at 17-20% Fe. The aim is to build a resource that will allow production for 20+ years. **Metallurgical studies:** Studies have been ongoing since 2009. Most recently, METS (Aug '10) found that a coarse 125µm grind produced 68.5% Fe high grade blast furnace (BF) quality concentrate, with 2.4% SiO₂, 79.8% Fe recovery, 24.9% mass recovery. At 50µm all concentrates should be direct reduction (DR) grade. There was low variability in metallurgical characteristics across the Boo-Loo- Dolphin Prospect. Coarse grinds are favourable because they require less process energy and mean lower costs. Also, hematite material from the prospect (Aug '10) is upgradeable to an average 60% Fe and 5% SiO₂ concentrate by gravity (Wilfrey table 212µm) and magnetic separation (WHIMS at 10k Gauss). These results are part of a **Pre-Feasibility Study (PFS)** for +10mtpa concentrate, which 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 Elliston - this would require construction of a pipeline. There are rail links to Port Lincoln (175km S) and Ceduna (200km NW).

Gawler Project (SA): 3380km², covering 10+ areas with known magnetite and overlying hematite. 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%. There is potential for 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. Results include 61m @ 43.5% Fe at NW Fingerpost Hill 1, with at least one new prospect (Boomer) found beneath cover (25m). A pilot met study produced a coarse-ground (P100 @ 75µm) magnetite concentrate in the range 69-70% Fe with 1.1-2.0% SiO₂, 0.6-1.4% Al₂O₃ and 0.00% P. The hematite may also be upgradeable. Stage 2 drilling will be supported by an A\$60k PACE grant.

Investment Comment: Good progress is being made towards IRD's 2010 resource target of 500mt at the CEIP. Reaching this milestone would provide confidence that the regional 2.8bt-5.7bt target can be reached. Metallurgical studies show that saleable concentrate grades are achievable at coarse (i.e. lower cost) grinds. The PFS in 1Q11 should provide a base from which to assess the CEIPs full economic potential.



Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian: (JORC)

Iron (Fe)	Classification	Project	Ore	Fe	Cut off	Fe	Fe Eqty
Reserves						0.0	0.0
Resources							
Warramboe (Boo Loo) *	Inferred	100%	328	17.3		56.7	56.7
Mineralised Material (est., non compliant with JORC)						0.0	0.0

*Also SiO₂ 52.4%; Al₂O₃ 11.5%; P 0.095%; LOI 2.1%. DTR conc: mass rec 21%; Fe 70%; SiO₂ 1.3%; Al₂O₃ 1%; P 0%; LOI -3.3%.

Contact

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

Directors

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

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

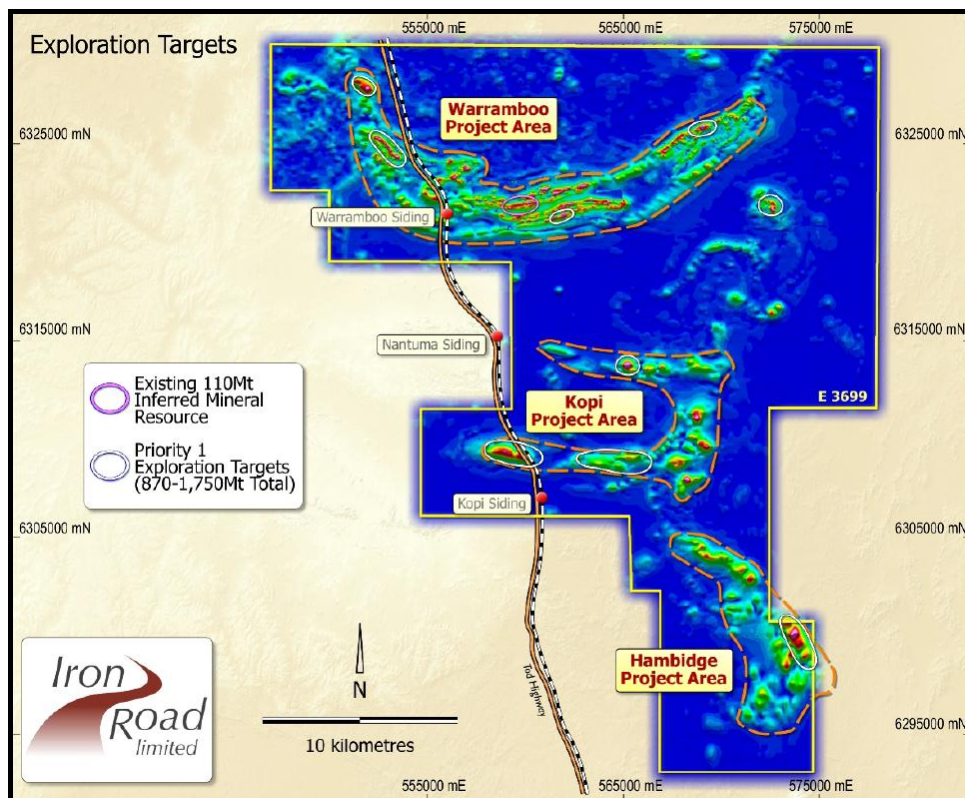
Key Projects

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)
Windaring Peak	100%/25%	Fe	ASX:CVG	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 Eye 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 Eye Iron Project, SA: the area has an estimated 4bt of targets, along +95km of prospective strike of magnetite gneiss. The current 328mt resource covers 4.2km of strike. Drilling is ongoing, to reach a 2010 target of 500mt.



Disclosure and Disclaimer

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