

SA Junior Iron Ore Review

Companies Features

Centrex Metals Limited
IronClad Mining Limited
IMX Resources Limited
Iron Road Limited
Lincoln Minerals Limited
Stellar Resources Limited
Western Plains Resources

Analyst

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OVERVIEW

- Junior iron ore explorers and developers in South Australia are increasingly coming onto the radar of Chinese steel mills looking to secure long term supply.
- As a sector all of the stocks highlighted in this report have significant re-rating opportunities associated with decisions on the development of key infrastructure.
- The value of the junior iron sector in South Australia will be re-rated as a whole if a positive decision is made with respect to the development of a deep water multi-user port facility.
- All of the stocks in this report are classified as speculative with considerable exploration risk and infrastructure development risk for all stocks. Investment into these stocks should be viewed accordingly.
- The stocks best positioned to benefit from a positive outcome on the development of Port Bonython will be; IMX Resources, Western Plains Resources and IronClad.
- Provided that their latest Chinese joint venture is finalised successfully Centrex Metals will be well positioned to be a leader within the South Australian junior iron ore sector.

With the proposed merger of the BHP Billiton and RioTinto Pilbara operations potentially reducing the leverage that Chinese steel mills have used to extract favourable terms during iron ore price negotiations, we are starting to see the focus shift down the capitalisation list to junior iron ore explorers and developers. Whilst most of the focus is on the Pilbara and Mid West regions of Western Australia there is an emerging crop of South Australian focussed iron ore explorers and developers.

This group of companies has not escaped the attention of the Chinese, with several deals done to date and more in the wings. The main Chinese company to strike agreements is Wuhan Iron & Steel (Group) Co (WISCO). It would appear that WISCO are taking a long term approach to securing iron ore supply and are trying to tie up several projects at a time. Currently WISCO have agreements of varying maturity in place with Centrex, Western Plains Resources and IronClad. The agglomeration of projects, either by the owners or a third party, could result in the creation of a large enough resource to justify a stand alone infrastructure development.

As with their cousins in the west, the South Australian companies also face the hurdle of accessing suitable infrastructure. At present, South Australia has no deep water port suitable for the export of bulk minerals and until a clear decision is made with respect to the time frame for development of a port, the sector will struggle. Each of the companies in this sector has the opportunity to be significantly rerated if a decision is made on port development.

PORT BONYTHON

One option for the development of a deep water port is the construction of a facility at Port Bonython, located nearby to OneSteel's operations at Whyalla. The Port Bonython site is already used for the export of liquids from the Cooper Basin. Additional proposed developments at Port Bonython include a desalination plant as part of the potential expansion of Olympic Dam, also Stuart Petroleum (STU) have earmarked the site for the development of a fuel import, storage and distribution facility.

Late in 2008 the South Australian Government awarded preferred tenderer status for the construction of a multi-user facility at Port Bonython to a consortium including Flinders Ports. Since then the process appears to have lost momentum and direction. The quandary is that the port developers are reluctant to commit to building a port unless the export volumes are assured, however the iron ore developers are finding funding difficult to obtain without a firm commitment made to the development of the port. Some hope that the project might get a hurry up is in that it has now made it onto the Federal Government's, Infrastructure Australia register of National Infrastructure Priorities.

Construction is likely to take two years so the earliest that a facility could be operational would be 2011. In the mean time the aspiring iron ore producers are exploring other options such as barge operations, the use of smaller ships, co-use of grain exporting facilities and the use of Port Darwin or Port Adelaide.

OTHER PORT OPTIONS

In addition to Port Bonython other options do exist including:

Port	Comments	Stocks Affected
Port Lincoln	Access needs to be granted, conflicts with local fishing industries could limit access. Cape size vessels can not be filled to capacity.	CMX, LML, IRD, IFE
Port Adelaide	Can take up to Cape size vessels. Limited additional port infrastructure needs to be constructed.	IMX, WPG, IFE
Sheep Hill	Proposal by Centrex to construct a facility north of Port Lincoln.	CMX, LML, IFE, IRD
Whyalla	There is a very remote possibility that OneSteel would allow third party access to their facilities	IFE, IMX, WPG, IRD
Elliston	Iron Road is in the very early stages of investigating the possibility of building a port facility on western Eyre Peninsula outside Elliston	IRD

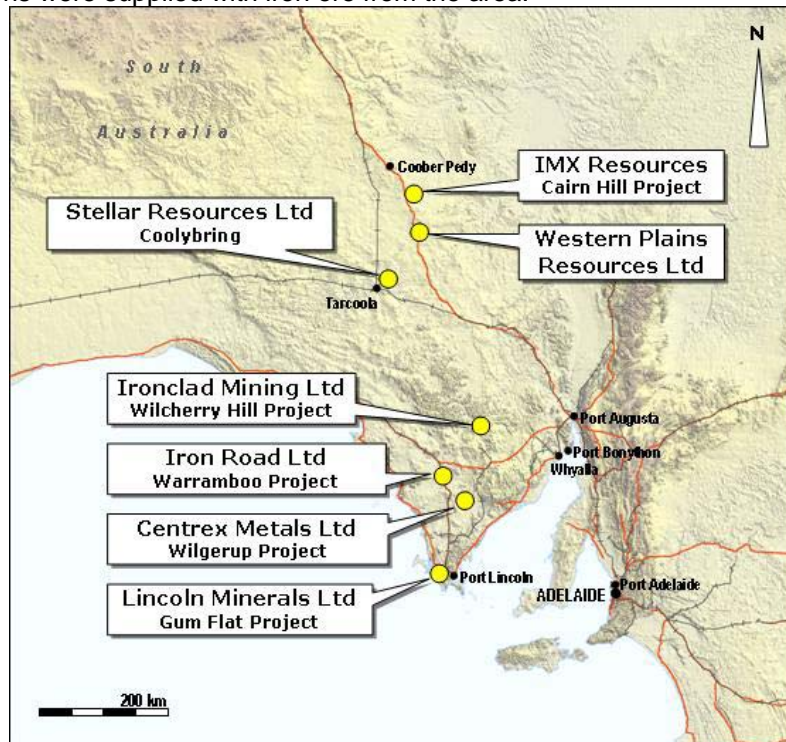
RESOURCES

The ores being developed include both hematite and magnetite mineralisation styles along with some high grade magnetite deposit that could be classed as Direct Shipping Ore (DSO).

The published JORC resources for the companies covered in this report include:

Company	Project	Hematite / Magnetite	Location	Total Resource (Mt)	Grade (%Fe)	Mkt Cap (dil) (\$M)
Centrex Metals	Wilgerup	Hematite	Eyre Peninsula	13.3	57.7	\$132
IronClad Mining	Wilchery Hill	Magnetite	Eyre Peninsula	215.6	27.7	\$15.0
	Wilchery Hill	Magnetite	Eyre Peninsula	59.9	30.6	
Iron Road Ltd	Warrambo	Magnetite	Eyre Peninsula	110	19.4	\$35.3
IMX Resources Ltd	Cairn Hill	Magnetite	Northern Gawler Craton	14.3	50.6	\$46
Lincoln Minerals	Gum	Hematite	Eyre Peninsula	1.2	57.7	\$24.3
	Flat/Indonesia	Magnetite	Eyre Peninsula	55.2	23.5	
Stellar Resources	Tarcoola	Magnetite	Central Gawler Craton	0	0	\$5.5
Western Plains Res	Peculiar Knob	Hematite	Northern Gawler Craton	37.4	62.5	\$34
	Peculiar Knob	Magnetite	Craton	570	36	

South Australia has a history of iron ore mining dating back to the late 1800's with continuous mining taking place from the Middleback Ranges since 1899. Iron Knob is located within these ranges and is widely recognised as the first commercial iron ore mine in Australia and until the 1960s all of BHP's major steelmaking operations were supplied with iron ore from the area.



Centrex Metals Ltd (CXM)

Hematite initially then upscale with magnetite

Summary

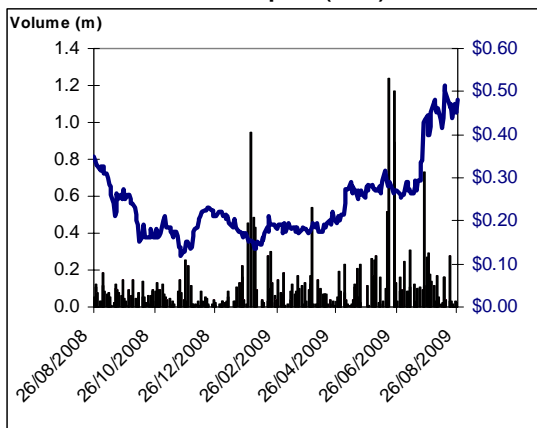
- In addition to an advanced hematite resource, Centrex has a portfolio of magnetite prospects; some of which are the subject of a joint venture with the Australian subsidiary of the Chinese company Wuhan Iron & Steel (Group) Co (WISCO). The JV consists of a sequence of resource based milestones with a potential total expenditure of up to \$186m.
- Centrex is well advanced in gaining the necessary approvals to commence construction of its Wilgerup hematite mine.
- There is downside risk associated with the access to Port Lincoln not being granted but there is also upside on offer if this hurdle is overcome.

Share Price (25/08/09)	\$0.47
Issued Capital	269.3m ord 3.5m unlisted opts
Market Capitalisation (dil)	\$132m
Year high/low	\$0.52/\$0.12
Cash (June 30 2009)	\$7.5m

Directors & Management

David Lindh	Chairman
Gerard Anderson	Managing Director
David Klingerg	Non-Exec Director
Mr Kiat Poh	Non-Exec Director
Geoffrey Hill	Non-Exec Director

Share Price Graph (A\$)



Major Shareholders

South Cove Ltd	80,876,005	30.91%
Baotou Iron & Steel (Group) Company Limited	21,900,000	8.37%
Sel Holdings Limited	16,198,000	6.19%
United Iron Limited	15,000,000	5.73%
Davan Nominees Pty Ltd	12,876,335	4.92%

Key Points

- Hematite and magnetite projects on Eyre Peninsula.
- DSO hematite resource (13.3mt @ 57.7% Fe) defined with mine and associated infrastructure approval processing.
- The key approval required for the development of Wilgerup will be obtaining access to wharf facilities at Port Lincoln.
- A Joint Venture with the Chinese company Wuhan Iron & Steel (Group) Co (WISCO) has been signed, the last step associated with the formal ratification of the JV is the granting of the necessary government approvals.
- Purchased land 60km north of Port Lincoln suitable for a deep water port, capable of Cape class vessels. As part of the WISCO JV joint fund the port.

Project Overview

Joint Ventures

- In July 2009, CXM announced the signing of a Joint Venture (JV) with Wuhan Iron & Steel (Group) Corporation (WISCO) for the development of CXM's magnetite projects over 5 exploration licences in southern Eyre Peninsula. The JV is potentially worth \$186m with the first \$52m due to be allocated upon the JV being approved by both the Australian and Chinese governments. Payments from WISCO will be made to CXM as a reimbursement for exploration costs. Additionally the funds from WISCO will be able to be utilised towards the development of the Wilgerup hematite deposit.
- In addition to the WISCO JV Centrex recently announced the formal agreement to JV terms with Baotou Iron and Steel (Group) Company Ltd in the Bungalow Magnetite project. The JV process has been a protracted negotiation process taking over two years. The JV terms are for a series of staged investments totalling A\$40m for 50% interest in the project. THE JV is conditional on receiving all Government approvals.

Wilgerup Hematite Deposit

- The Wilgerup resource is:
13.3mt @ 57.7% Fe (SiO₂ 4.5%, Al₂O₃ LOI 5.0% P 0.51%)
- CXM has completed feasibility studies on the deposit and is currently seeking the necessary approvals to commence construction. Several key approvals, such as the granting of a Mine Lease, have been obtained. One of the last remaining hurdles to overcome will be the gaining of access to wharf facilities at Port Lincoln. The Development Application for the main wharf at Port Lincoln was lodged early 2009. The wharf application is currently with the relevant government agencies, CXM are hopeful of a decision being made during 3Q09.
- The targeted production rate is 1.6mtpa, with first ore planned to be exported in mid 2010. An off take agreement with Baotou for 0.6Mtpa has been signed.
- Centrex's plans to use Port Lincoln for hematite exports only – any future magnetite production is likely to be shipped through a new facility. The company is considering a site at Sheep Hill, approximately 65km north of Port Lincoln.

IronClad Mining Ltd (IFE)

Magnetite Resources with scope to grow

Summary

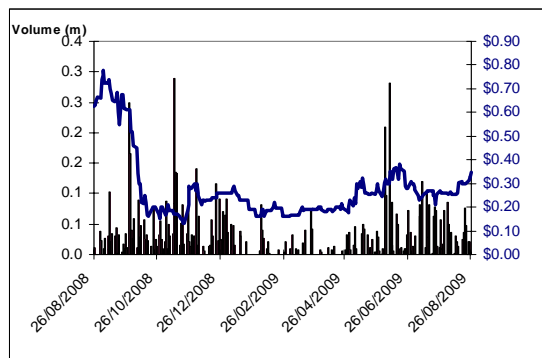
- IronClad have defined a large magnetite resource in relatively close proximity to either the proposed facility at Port Bonython and also OneSteel's operations in the Middleback Ranges.
- The team at IronClad are experienced and technically proficient.
- An investor into IronClad would have to consider the leverage that an investment into the parent company, Trafford Resources (ASX:TRF), would have to offer. Trafford has interests in IFE and Robust Resources (ROL)

Share Price (25/08/09)	\$0.33
Issued Capital	40.0m ord 10.3m unlisted opts
Market Capitalisation (dil)	\$15.0m
Year high/low	\$0.78/\$0.13
Cash (June 30 2009)	\$3.6m

Directors & Management

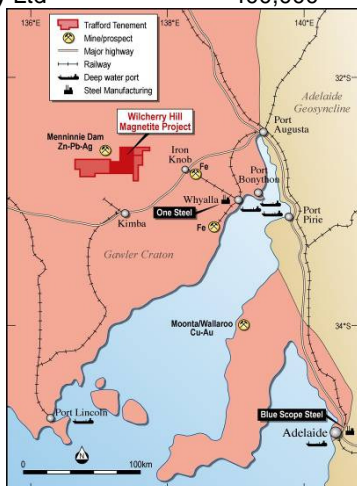
Ian Finch	Executive Director
Peter Rowe	Non Exec. Director
Neil Mckay	Non Exec. Director & Company Secretary

Share Price Graph (A\$)



Major Shareholders

Trafford Resources Ltd	20,000,003	50.0%
Fortis Clearing Nominees	1,015,083	2.5%
J P Morgan Nominees Aust Ltd	850,000	2.1%
Pennock Pty Ltd	400,000	1.0%



Key Points

- IronClad have defined a potential DSO grade magnetite resource in addition to a conventional magnetite resource at their Wilcherry Hill and Hercules Projects, located on the northern Eyre Peninsula of South Australia.
- IFE recently announcement that they intend to fast-track the development of their DSO magnetite, as part of this process drilling has commenced. Any "fast-tracking" will depend on accessing suitable infrastructure.
- IFE has the second largest resource base of all the companies reviewed in this report.
- Infrastructure options for IFE revolve around either the development of the multi-user facility at Port Bonython or negotiating access to OneSteel's facilities at Whyalla.
- A non binding Memorandum of Understanding has been signed with Wuhan Iron and Steel Corporation of China (WISCO).
- Trafford Resources (TRF) holds 50% of the stock and retains a 20% free-carry interest in a majority of the tenements.

Project Overview

- The project area is located in the northern Eyre Peninsula region of SA, about 120km west of the proposed multi-user deep water port at Port Bonython.
- The Wilcherry Hill Project comprises five exploration licenses, four in Joint Venture with Trafford Resources (ASX:TRF) and one in Joint Venture with Lincoln Minerals (ASX:LML)
- JORC Compliant Resources for the two main project areas are:
 - Wilcherry Hill 59.9mt @ 30.6% Fe
 - Hercules Prospect 215.6mt @ 27.7% Fe

The magnetite resources are conceptually broken into three subdivisions based on iron content and physical properties, being:

- Coarse grained (>1mm) crystalline magnetite which could be a DSO product.
- Magnetite with an iron grade above 40% which could be exported after dry magnetic separation upgrade.
- Material of ~30% Fe which would require conventional pelletisation processing to produce a saleable product.

The main port development option for IFE centres around accessing the proposed new development at Port Bonython. Other options include: connection to the proposed facility at Sheep Hill, mine gate sales to OneSteel (OST) or use of OST's loading facilities. At this stage we would see the most probable option being that of Port Bonython.

Iron Road Limited (IRD)

Encouraging Early Results

Summary

- Iron Road has defined a maiden resource at its Warrambo magnetite project.
- Having a resources fund as the cornerstone investor and major stock holder is an endorsement of the Company's projects and management team.
- The company is also progressing greenfields projects in SA and WA.

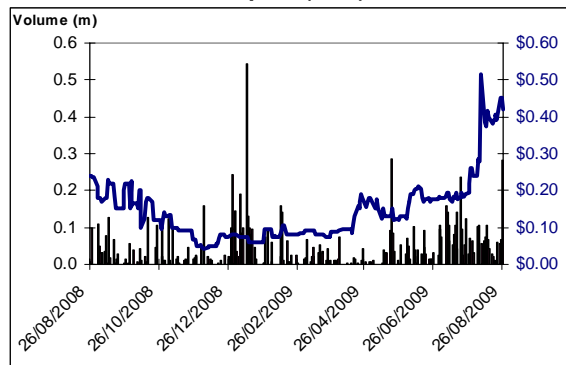
Share Price (25/08/09)	\$0.45
	36.8m ord
Issued Capital	26.0m restricted 27.3m listed opts 19.6 unlisted opts
Market Capitalisation (dil)	\$35.3m
Year high/low	\$0.61/\$0.04
Cash (June 30 2009)	\$1.5m*

*does not include \$2.46m raised through placement 25/08/09

Directors & Management

Julian Gosse	Chairman
Ian Hume	Non-Exec Director
Larry Ingle	General manager
Matthew Keegan	Non-Exec Director
Andrew Stocks	Managing Director
Graham Anderson	Company Secretary

Share Price Graph (A\$)



Major Shareholders

The Sentient Group 15,711,875 25.0%



Key Points

- Early stage magnetite projects located on central Eyre Peninsula.
- Several infrastructure options are available, including rail to Port Lincoln or construct a slurry pipeline and potential pellet plant outside Elliston.
- Targeted production of +5mtpa magnetite concentrate.
- A maiden resource of 110Mt magnetite at 19.4% Fe has been released.

Project Overview

Warrambo Project

- IRD has undertaken two phases of drilling at the Warrambo Project. The first phase of drilling tested regional targets and the second phase of drilling defined a maiden resource at the Boo-Loo prospect. The inferred resource is: **110Mt @ 19.4% Fe, 50% SiO₂, 11.4%Al₂O₃, 0.08%P & 2.5% LOI**. Whilst the tonnage of the resource is greater than the company had previously indicated as a target resource, the grade would have to be considered on the low side.
- Drilling at Boo-Loo has confirmed that the magnetite mineralisation is continuous along the 1.7kms strike length tested. The mineralisation is contained in two units with combined true thicknesses of 70m and 40m each. The units dip at 45-60° and are open at depth.
- From the resource drilling at Boo-Loo the following average DTR results were obtained (P80 at 40µm):

Fe	Mass Rec	SiO ₂	Al ₂ O ₃	P	LOI
70.25%	21.8%	1.3%	1.0%	0.00%	-2.8%

- Within the Warrambo Project up to 50kms of geophysically defined strike length is yet to be tested.
- Assay and metallurgical testing of the second phase drilling samples are currently in progress.

West Gawler Project

- The project is located west of Tarcoola in central South Australia, in close proximity to the Trans Australian Railway.
- Numerous hematite and magnetite occurrences have been reported in 1960's vintage exploration. Historic metallurgical work highlighted recoveries of 70-90% and concentrates of 55-65%
- Iron Road is planning to fly a detailed airborne magnetic survey to define targets later this year.
- In addition to the South Australian projects Iron Road has acquired several early stage hematite and magnetite projects in Western Australia

IMX Resources Ltd (IXR)

Mine Development Started But Now On Hold

Summary

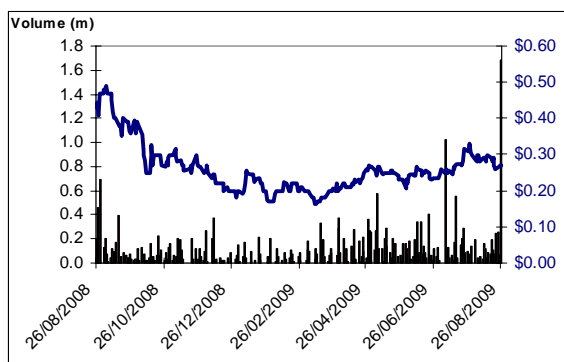
- IMX has started development of its mine but has become a casualty of the Global Financial Crisis. A re-rating of the stock is contingent on IMX gaining project financing.
- In the short term, the use of Port Adelaide might present a viable option for IMX to get into production.
- As well as an advanced stage iron ore project, IMX has an attractive portfolio of investments.

Share Price (25/08/09)	\$0.27
Issued Capital	174.5m ord 11.4m unlisted opts
Market Capitalisation (dil)	\$46m
Year high/low	\$0.50/\$0.16
Cash (June 30 2009)	\$7.6m

Directors & Management

Johann Jacobs	Non-Exec. Chairman
Duncan McBain	Managing Director
Stephen Hunt	Non-Exec. Director
Tony Haggarty	Non-Exec. Director
Cao Xiang Kui	Non-Exec. Director

Share Price Graph (A\$)



Major Shareholders

Jilin Tonghua Iron & Steel (Group) Mining Co Ltd	16,394,000	9.4%
Anglo American	9,147,770	5.2%
Directors	6,316,565	4.7%



Key Points

- In terms of project development IXR is the most advanced of the SA iron ore companies, with trial mining completed and construction of key mine infrastructure well advanced.
- The ore is a DSO magnetite with copper credits.
- However the project has stalled due to a lack of available capital.
- IXR has a Chinese partner for part of the production and is trying to secure another partner to fund final construction.
- Through investments held by IXR the stock provides leverage to quality nickel and uranium projects.

Project Overview

- The Cairn Hill project, located in South Australia, is a magnetite deposit relatively high in iron content when compared to other magnetite deposits. The deposit is also atypical in that with copper grades of up to 0.7% (0.29% JORC compliant) it could potentially be regarded as a low grade copper project.
- The original production plan was to produce a DSO magnetite with minimal dry magnetic separation undertaken on site. The ore was to be transported by rail approximately 2000kms to the Port of Darwin. A purpose built plant has been partially constructed in China. Since the Global Financial Crisis, funding for the construction of the Australian based infrastructure has dried up, leaving the project in hiatus.
- IMX recently announced a switch from shipping through Darwin to shipping through Adelaide which more than halves the capital requirements for the project. IMX has a Heads of Agreement for the use of Port Adelaide covering both Phases 1 & 2.
- The JORC compliant resource at Cairn Hill (**14.3mt @ 50.6% Fe and 0.29%Cu**) supports the current mine design of a six year mine life. Initial production will target 1.3mtpa with up to 3.0mtpa, a goal dependant on port availability.
- The Company is actively continuing to source capital to complete construction of the mine and associated infrastructure.
- An off-take agreement in place is for a portion of the total resource and totals 4.5mt of production.
- The recently acquired aeromagnetic and gravity data over IMX's tenements has delineated several IOCG targets. Which are currently being drill tested as part of a 10,000m RC program. In addition drilling along strike at Cairn Hill will be also undertaken.

Investments

In addition to the Cairn Hill Mine and surrounding exploration targets IMX has exploration tenements in Tanzania and investments in:

- Uranex (ASX:UNX) 34.25% ~ value A\$13m
- Continental Nickel (TSXV:CNI) 47.3% ~ value A\$20m
- 30% interest in Nachingwea nickel Project (Tanzania)

Lincoln Minerals (LML)

Exploring SA, Mining Indonesia

Summary

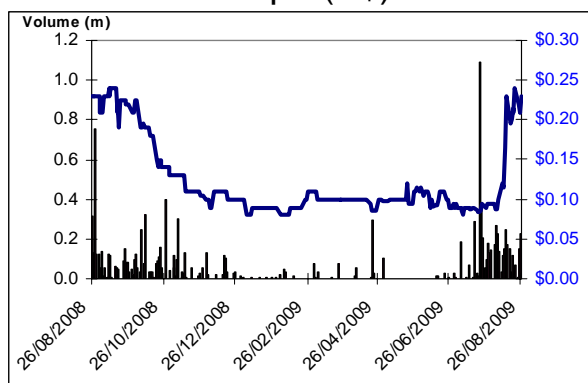
- Lincoln Minerals has moved from explorer to producer, albeit on a small scale, with the first transportation of iron ore from its mine in Indonesia.
- Our view is that this project can deliver short term cash flow to assist in the exploration of its South Australian projects. A recent land access issue has slowed down progress at the site.
- If Centrex is successful in developing export facilities at Port Lincoln or Sheep Hill then Lincoln stands to benefit.

Share Price (11/08/09)	\$0.21
Issued Capital	100.5m ord 4.9m unlisted opts
Market Capitalisation (dil)	\$24.3m
Year high/low	\$0.27/\$0.08
Cash (June 30 2009)	\$3.5m

Directors & Management

Richard V Ryan	Chairman
Allan John Parker	Managing Director
Robert A Althoff	Non-Executive Director
Peter Cox	Non-Executive Officer & Company Secretary

Share Price Graph (A\$)



Major Shareholders

South Cove Ltd	14,084,176	14.01%
Mineral Enterprises group	8,179,056	8.14%
Eng Hoe Lim & Sui Lan	8,029,385	7.99%
Lawrence Tam	5,250,000	5.22%
Lodge Ltd	4,775,000	4.75%
Tigermoth Investments Ltd	4,500,000	4.48%



Key Points

- Lincoln recently released a small hematite and magnetite resource at their project on southern Eyre Peninsula and is also developing a small scale DSO hematite operation in Indonesia.
- The South Australian project is a joint venture with Mineral Enterprises Limited of India. For this project the infrastructure options in the short term revolve around accessing Port Lincoln and then in the longer term Sheep Hill.

Project Overview

Gum Flat (60% LML, 40% Mineral Enterprises Limited)

- The **Gum Flat Project** is located 20 km from Port Lincoln at the bottom of Eyre Peninsula, South Australia. Lincoln is advancing the project with the Indian company, Mineral Enterprises Limited.
- A small hematite and magnetite resource has been defined:

Gum Flat Inferred Resource	
Hematite	1.2 Mt @ 51.6% Fe
Magnetite	55.2 Mt @ 20.6% DTR (11.3 Mt mag concentrate @ 65.3% Fe)

Indonesia (45% LML)

- The Desa Mirah Iron Ore Mine is located in Kalimantan (Borneo)
- Lincoln has commenced transporting previously stockpiled ore to a wharf facility. The ore will then be barged to customers, with the first 10,000t of ore presold.
- The main constraint on the operation will be the road from the mine to the wharf. At present the 70km road haulage can only be tackled by small trucks (<10t) in dry conditions.
- Our estimates are that production of approximately 200,000t pa is possible. If the road and associated infrastructure is upgraded 500,000tpa production is possible.
- Based on ground magnetics Lincoln has an exploration target for the mine lease of 0.9 to 2.6Mt @ 60-68% Fe.
- Resource definition drilling of the lateritic ore is required
- Recently LML announced that access issues have emerged with the local palm oil farmer limiting access.

Other projects

In addition to their iron ore projects, Lincoln has an extensive portfolio of tenements and joint ventures throughout the Eyre Peninsula region. The projects are prospective for other metals including uranium and nickel-cobalt. Lincoln has joint ventured the iron ore rights from their Wilchery Hill tenement to IronClad (IFE).



Stellar Resources (SRZ)

Strategically Located Magnetite

Summary

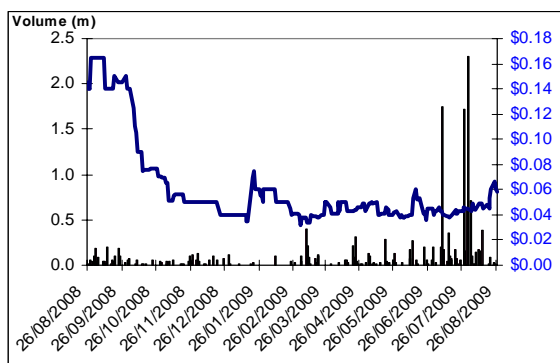
- The iron ore project being advanced by Stellar Resources is in the early stages of exploration.
- The project is located in a good position for potential access to rail infrastructure.
- Value for the company can be leveraged by additional drilling and metallurgical testing of their prospects.
- There is scope to joint venture with a significant partner, which would inject much needed funds.

Share Price (11/08/09)	\$0.06
Issued Capital	94.8m ord 2.0m unlisted opts
Market Capitalisation (dil)	\$5.5m
Year high/low	\$0.17/\$0.03
Cash (June 30 2009)	\$1.8m

Directors & Management

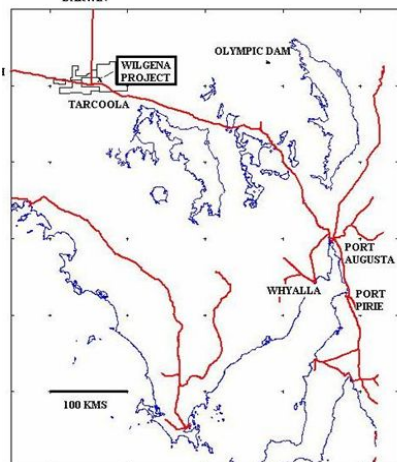
Tom Burrowes	Non-Executive Chairman
Christopher Anderson	Executive Director
David Isles	Non-Executive Director
Peter Blight	Chief Executive Officer
Tom Whiting	Manager Generation
Melvyn Drummond	Company Secretary

Share Price Graph (A\$)



Major Shareholders

Acorn Capital Limited	7.5%
JPC International Pty Ltd	5.3%



Key Points

- Early stage explorer with initial drilling and metallurgical testing of a potentially large 100% owned magnetite prospect in central South Australia.
- A scoping study is in progress, due for completion late 2009.
- Located in Central South Australia in close proximity to the Trans Australia and Ghan Railways and outside of the Woomera Prohibited Area.
- Two drilling programs have been completed resulting in the identification of magnetite mineralisation over a strike length of 1500m and 300m plus sections.
- Discussions with interested joint venture parties, including Chinese steel mills, are continuing.

Project Overview

Stellar Resources is in the process of evaluating the magnetite prospect at Coolybring in the Tarcoola region of South Australia.

The project is located east of Tarcoola, in close proximity to the Trans-Australian and Ghan Railways. The project is situated outside of the Woomera Prohibited Area. Which offers advantages in access to the project and also possible access to rail infrastructure.

Limited drilling has been undertaken on the Coolybring prospect, with drilling mainly focussed on two sections. Based on the drilling results magnetite mineralisation has been defined as dipping steeply to the west with an approximate width of 300m to 350m, depth of cover is approximately 100m.

At Coolybring, drilling has shown that the deposit is: open at depth (deepest hole 222m), grades range from 29% to 39% Fe. The initial Davis Tube Recovery testing has shown that a high grade concentrate (~65%) is possible.

A conceptual mining study has been undertaken with highlights being: a strip ration of 1.44:1 for a pit of 425m depth.

3Q09 work program to include: metallurgical and water studies.

Fe %	Mass Recovery %	Fe Recovery %	Concentrate				
			Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	LOI %
34.3	39.2	74.2	64.9	8.1	0.1	0.0	-2.2

Other projects

In addition to its iron ore projects, Stellar are currently advancing its portfolio of projects including:

Tin – Heemskirk Project (SRZ 60%)(Tasmania).

Interpretation of data gathered to date continues.

Uranium – The Warrior Palaeochannel project located in the Tarcoola region and Cowell joint venture with Uranium SA (ASX:USA). Stellar holds 9.3m USA shares (11%)

Gold – Sunshine Project, Tarcoola region (SA)(100% SRZ), access clearance process is continuing, drilling is planned for 3Q09.

Western Plains Resources (WPG)

Well positioned to leverage off Port Developments

Summary

- **Western Plains has the largest defined hematite and magnetite resources of all the companies covered in this report.**
- **Additional exploration and metallurgical testing has scope to provide upside through increasing the resource base and a better understanding of the project economics.**
- **The projects are located, in central South Australia 55kms to the east of the Adelaide to Darwin railway line.**
- **Like all of the juniors in this report, access to a port is a key hurdle to overcome.**

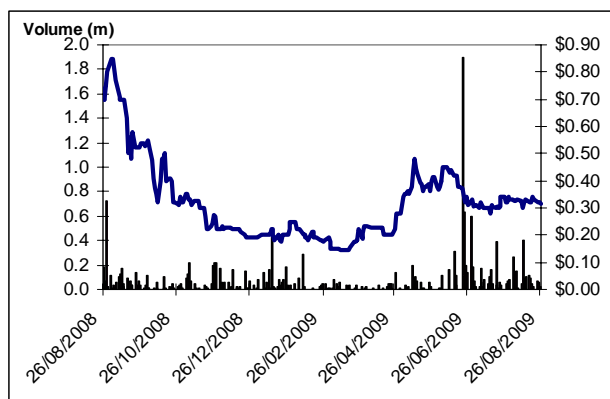
Share Price (11/08/09)	\$0.32
Issued Capital	103.5m ord 12.8 m unlisted opts
Market Capitalisation (dil)	\$34m
Year high/low	\$0.85/\$0.14
Cash (June 30 2009)	\$1.9m

Directors

Bob Duffin	Executive Chairman
Heath Roberts	Executive
Gary Jones	Executive
Bob Richardson	Non Exec. Director
Len Dean	Non Exec. Director
Lim See Yong	Non Exec. Director

Major Shareholders

National Nominees Limited	11,888,659	11.71%
Platsearch NL	6,916,250	6.81%
Irrawaddy Investments Pty Ltd	6,662,500	6.56%
Xin Sheng International	6,298,449	6.21%



Key Points

- *An agreement with the Australian subsidiary of Wuhan Iron and Steel (Group) Co (WISCO) has been signed and is progressing towards a joint venture agreement.*
- *\$45m 50/50 JV to undertake feasibility study and potentially develop the magnetite deposits at Hawks Nest*
- *Expenditure rate cut back to preserve cash.*
- *Permitting on the Peculiar Knob hematite resource is well advanced.*

Projects Overview

- WPG has two main projects, both located in central South Australia in close proximity to OZ Minerals Prominent Hill Mine.
- The **Peculiar Knob** DSO hematite resource (100% WPG) is the most advanced in terms of resource definition and project approvals. WPG expect the approval process to be completed during 4Q09. The major hurdle to be overcome by WPG prior to DSO operations commencing from Peculiar Knob is accessing suitable port facilities. An option exists of going through Port Adelaide but at this stage WPG are reluctant to commit to this option due to the increased freight costs
- The resource at Peculiar Knob is: 19mt @ 63.7%Fe, 0.02%P, 7.5%SiO₂, 0.3Al₂O₃, 0.5%LOI. With a strip ratio of 3.6:1 and lump to fines ratio 35:65
- The second project area, **Hawks Nest**, is located ~50km to the southwest of Peculiar Knob and contains a large magnetite resource (570mt @ 36% Fe) and approximately 18mt DSO material.
- All projects lie within the Woomera Prohibited Area.
- Transport options include Port Bonython, Darwin or Port Adelaide. Port Bonython is the closest and most favourable location provided that the port is developed.
- Total DSO Resources from three deposits are

Resource	Fe %	P %	SiO ₂ %	Al ₂ O ₃ %	LOI %
37.4mt	62.6	0.03	8.2	0.8	0.7

WISCO Joint Venture

- The joint venture agreement announced on 12 June 2009 is still to be formally approved with pending conditions still to be met, these include approval by both the Chinese and Australian Governments. A FIRB application has been lodged.
- The JV allows for WISCO to earn a 50% interest in the Hawks Nest Project (excluding the DSO material at Buzzards) for the expenditure of \$45m. The minimum spend is \$25m to earn 28%. A placement of 15% of WPG stock will be made to WISCO.

Other projects – In addition to the Hawks Nest and Peculiar Knob projects WPG has several other greenfields iron ore projects in South Australia.

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