

# 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%.



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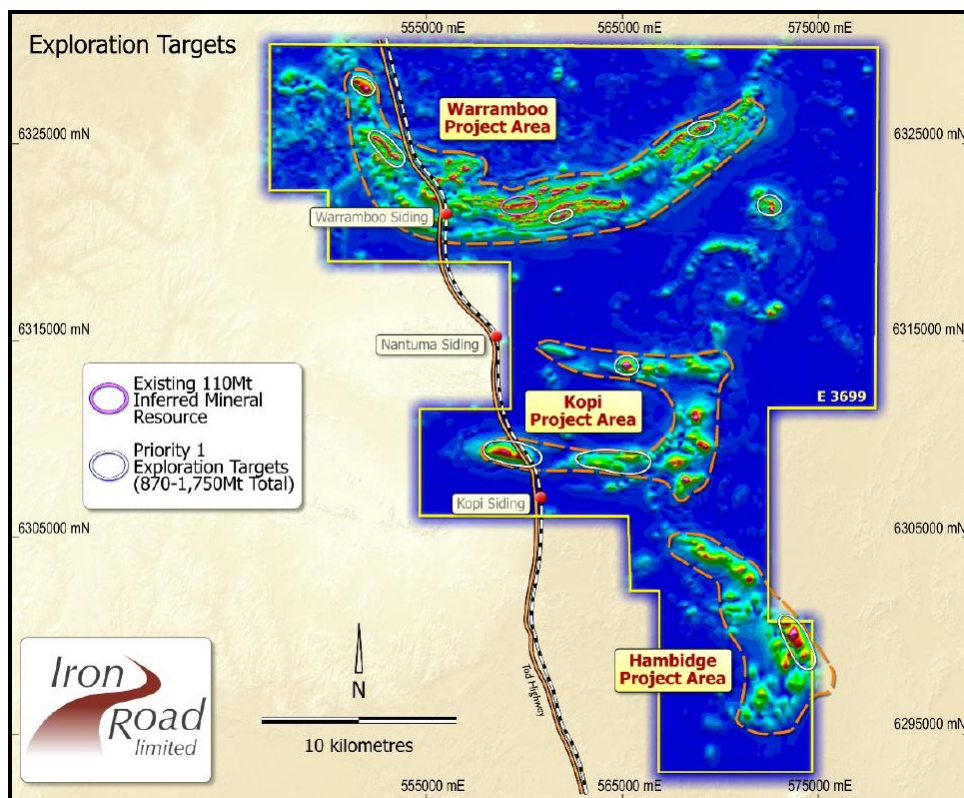
### Key Projects

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

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