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Iron Road Limited

A\$ 0.55

8 December 2010
Iron Ore
Australia (WA, SA)
Advanced Exploration
Exchanges: ASX:IRD

Having raised A\$8.1m, IRD is well placed to complete (in 1Q11) a PFS of +10mtpa magnetite concentrate production, at the Central Eyre Iron Project (SA). A major resource upgrade is expected in Dec '10, with the target lifted to 700mt-1100mt after current drilling.

Capital Profile

Share price (A\$)	0.55
52 week range (A\$/share)	0.44 to 1.05
Number of shares (m)*	113
Options and warrants (m)	25
Convertible notes (m)	0
Fully diluted (m)	138
Market capitalisation (undiluted) (A\$m)	62.4
Debt (A\$m) - Dec 10F	0.0
Enterprise value (A\$m)	62.4
Major shareholders:	
The Sentient Group (27%)	
Avg monthly volume (m)	2
Cash (A\$m) - Dec 10F	8.2
Price/Cash (x)	7.6
Price/Book (x)	4.1
Listed company options:	No

* Post A\$8.1m placement at A\$0.55/share.

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)

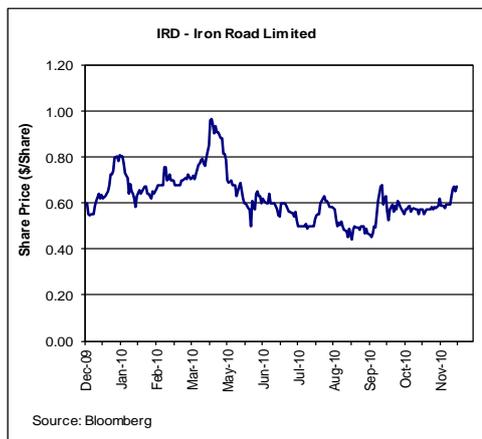
Ongoing CEIP metallurgical study (Aug '10) confirms potential for coarse grind to produce 68.5% Fe conc. Pre-Feasibility Study for +10mtpa conc. expected 1Q11.

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.

Share placement at A\$0.55/share has raised A\$8.1m.

Member of new Eyre Peninsula Mining Alliance (EPMA).



Production and Financial Forecasts

YEAR END: June	Sep-10a	Dec-10F	2010a	2011F	2012F
Exploration and evaluation (A\$m)	4.26	2.00	6.27	10.26	8.00
Corporate (A\$m)	0.27	0.15	0.89	0.82	0.80
Exploration/(Expl.+ Corporate) (%)	94	93	88	93	91
Funding duration at current burn (years)	0.5	3.8	0.4	0.4	-0.5
Shares on issue (pr end) (m shares)	98.7	113.4	73.9	113.4	113.4
Drilling - RAB (m)	0	0	0	0	0
Drilling - Other/Diamond (m)	15,309	13,500	24,490	48,809	40,000
Land holding ('000 ha)*	410	410	410	410	410
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	4.73	8.10	8.91	12.83	0.00
Funding from JV partners (A\$m)	0.0	0.0	0.0	0.0	0.0
Cash (A\$m)	2.2	8.2	3.1	4.0	-4.7
Cash backing (A\$/share)	2.3	7.3	4.2	3.6	-4.2
Net asset backing (A\$/share)	7.4	13.4	3.3	13.3	12.6

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

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.

Share placement: IRD has placed A\$8.1m at A\$0.55/share with sophisticated investors in Dec '10; also, option conversions in Sep '10 were \$4.7m. These funds should bring cash at Dec '10 to \$8.2m.

Central Eyre Iron Project (SA): 663km². IRD's most advanced project (formerly called the Warrambooboo 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% Fe, with low phosphorus and silica, 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 2.87bt-5.75bt) for the Warrambooboo, 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. **Stage 5 drilling is in progress** (27,197m to Dec '10) is in progress, focused on resource definition in 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. Near-term target, post the current drilling program, is 700mt to 1100mt magnetite gneiss. **Metallurgical studies:** IRD believes the CEIP material will benefit to a saleable product. Studies since 2009 have found low metallurgical variability across the Boo-Loo- Dolphin Prospect. METS (Aug '10) found that a coarse 125µm grind produced 68.5% Fe 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. Coarse grinds are favourable because they require less process energy, meaning lower costs. The material is suitable to secondary crushing by rolling (HPGR), which needs less power than SAG. 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.

Infrastructure: Underlying title is mostly freehold or leasehold over grain farms. The community is supportive of the project. The area has existing power. Future port options include Sheep Hill (160km SE), with concentrate moved by pipeline. There is rail 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. Drilling from Mar '10 found 40-90m thicknesses of magnetite gneiss, overlain in places by 20-55m thick hematite caps. Results include 61m @ 43.5% Fe at NW Fingerpost Hill 1. 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. Stage 2 drilling supported by an A\$60k PACE grant.

Investment Comment: IRD should raise ~A\$13m in Sep-Dec '10. With these funds, the company is in good shape to complete the PFS in 1Q11 and move to more advanced studies. The resource potential of the CEIP is in little doubt (large upgrade expected Dec '10). The key to development will be in showing that a saleable product can be economically produced. So far, the signs are positive.

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
Reserves						0.0	0.0
Resources							
Warrambooboo (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%.

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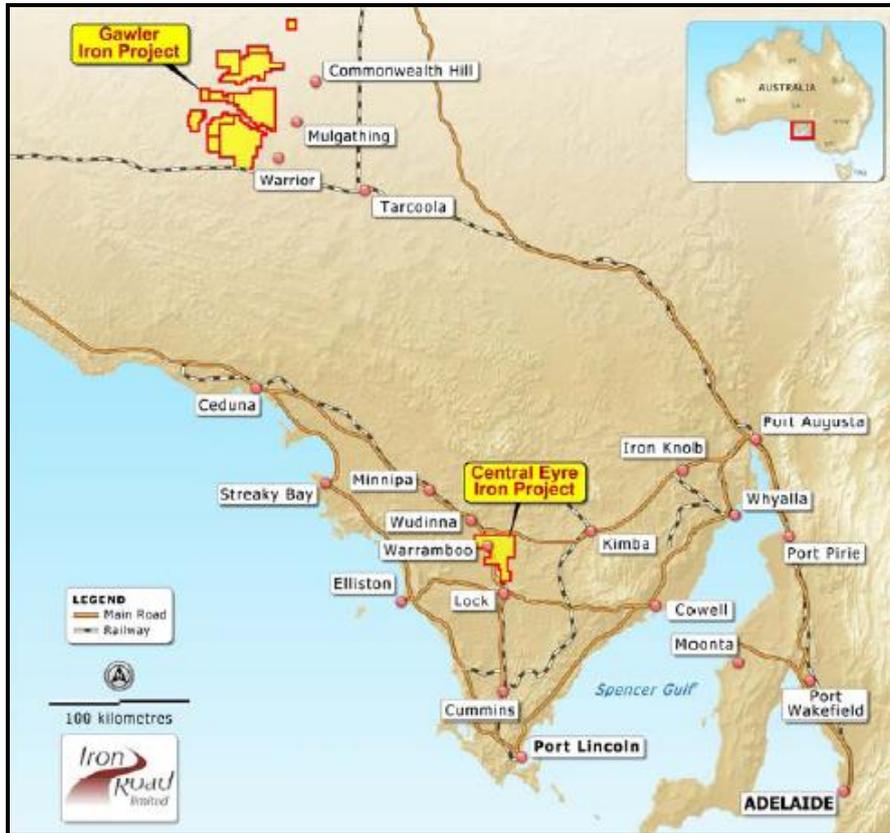
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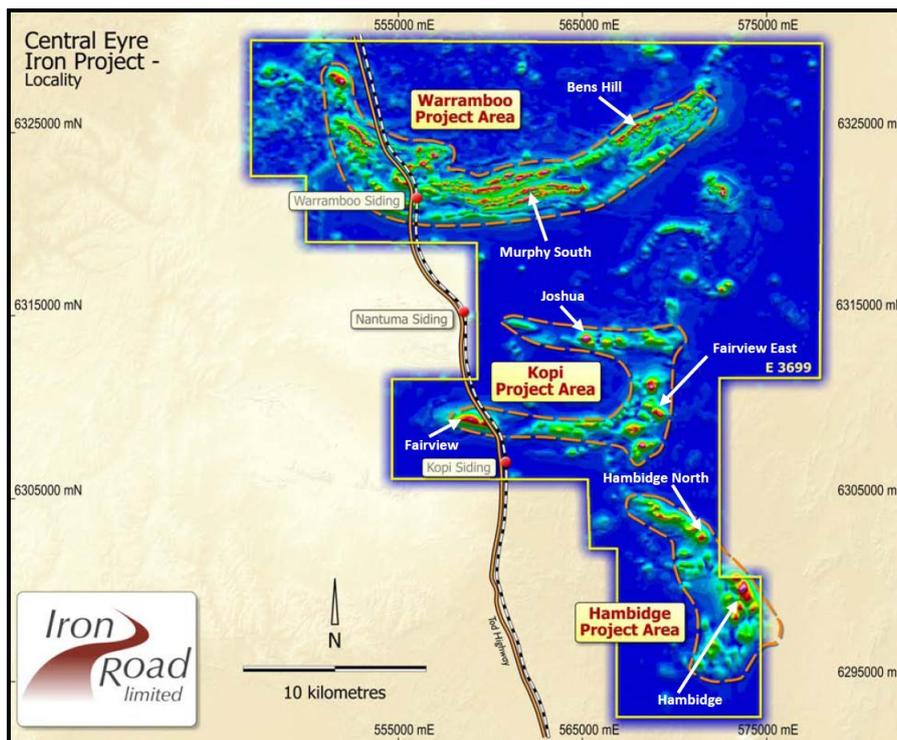
Key Projects

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)
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 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 328mt resource covers 4.2km of strike. Drilling is ongoing, to reach a 2010 target of 700-1100mt.



Disclosure and Disclaimer

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