# IronClad Mining Limited

*ABN 79 124 990 405*

and

Controlled Entities

# Interim Financial Report

For the half-year ended

31 December 2014

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2014 and any public announcements made by IronClad Mining Limited during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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## CORPORATE DIRECTORY

**EXECUTIVE CHAIRMAN**
Ian D. Finch

**NON-EXECUTIVE DIRECTORS**
Neil W. McKay
Peter W. Rowe
Bruno Seneque

**COMPANY SECRETARY**
Neil W. McKay

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**STOCK EXCHANGE LISTING**
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: IFE

**BANKERS**
Westpac Banking Corporation
Murray Street
West Perth, WA 6005

## DIRECTORS' REPORT

Your directors submit the financial report of the Group for the half-year ended 31 December 2014.

**Directors**

The names of directors in office at any time during or since the end of the financial period are:

Mr. Ian Finch
Mr. Robert Mencel (resigned on 18 November 2014)
Mr. Neil McKay
Mr. Peter Rowe
Mr. Bruno Seneque (appointed on 22 December 2014)

**Company Secretary**

The following person held the position of Company Secretary at the end of the financial period:

Neil McKay — Bachelor of Business

**Dividends**

No dividends were paid or declared during the half-year or in the period to the date of this report.

**Principal Activities**

The principal activities of the Group during the course of the half-year were mineral exploration and project development. There were no significant changes in the nature of the principal activities during the financial period.

**Review of Operations**

**Overview**

IronClad Mining Limited ("IronClad") has been engaged primarily in exploration and project development activities on its Wilcherry Hill Iron Project in the northern Eyre Peninsula of South Australia over the past six months.

Highlights of the reported progress include:

- A Merger Implementation Agreement (MIA) was executed pursuant to which the Company intends to acquire all of the issued shares in its associate, Trafford Resources Ltd, under a Scheme of Arrangement ("Scheme").
- The Wilcherry Hill Joint Venture is continuing its discussions with Arrium Ltd ("Arrium") for use of transport and port facilities at Whyalla and the potential sale of its direct shipping iron ore to Arrium, with the intention of reaching a commercial agreement.

## DIRECTORS' REPORT

### Merger with Trafford Resources Limited

Under the proposed Scheme IronClad will offer one IronClad share for every one Trafford share. This will result in IronClad issuing an additional 128,653,065 shares, after taking into account Trafford's performance rights. This will mean that, upon completion of the transaction, IronClad will have a total of 236,856,935 shares on issue. The value of the 28.7 million IronClad shares currently owned by Trafford has been taken into account, by the independent directors in arriving at Trafford's value and hence the merger share ratio. Following completion of the transaction it is intended that those shares be cancelled.

There are 8,687,174 quoted Trafford options that have expired on 16th February 2015 at an exercise price of $0.10c. These options have lapsed before the Scheme becomes effective and not form part of the transaction.

There are 25,700,960 quoted Trafford options that expire on the 20th May 2015 at an exercise price of $0.20c. (TRFO). Under the Scheme, IronClad intends to offer holders of these options one new IronClad listed option for each one listed Trafford option owned. The new exercise date will be 20th May 2016 and the exercise price will remain at $0.20c.

**Strategy**

The merged entity intends to effect a largely non-equity re-capitalisation through;

- The finalisation of the Research and Development claims currently in progress.
- The sale of non-core fixed assets.

In addition, major cost savings are continuing to be made across both technical and administrative disciplines in both companies. The emergent, funded entity then proposes to;

- Fully assess the impact on the Wilcherry Hill iron ore project that related credit commodities are likely to have – such as the tin and gold occurrences at the main Weednanna Prospect. Such valuable mineral credits were previously unable to be factored into the project feasibility and financial studies.
- Similarly, the impact of a clean, 100% owned, project structure on costs and pricing will be carefully assessed.
- Re-assess the optimum sizing for maximum metal recoveries through the Dry Magnetic Separation (DMS) plant. Improved metal recoveries have been shown in earlier studies to have a significant impact on produced tonnes and grade.
- In these and other ways the Wilcherry Hill iron project will be further optimised, enhanced, and "made ready" for entry into production when overall economic factors improve.

At the same time, the merged entity intends to pursue its existing, advanced Tin and Manganese projects with a view to establishing pre-feasibility studies on both, at the earliest time.

The longer term goals will be to establish mining cash flow from all, or any, of the above projects should they prove to be economically viable. At the same time, the entity intends to retain a select investment portfolio from which future funds may also be drawn. Continuing pro-active new project generation is also planned – in order to replace those projects which fail to pass ongoing exploration and development tests.

The merger is unanimously recommended by the independent directors of both companies – in the absence of a superior proposal,

Mr Ian Finch and Mr Neil McKay did not participate in the Board deliberations as they are common directors on both companies.

**The Merger Implementation Agreement**

The merger will be implemented by a Scheme of Arrangement in compliance with the Australian Corporations

## DIRECTORS' REPORT

Act. Under the MIA each party has agreed to take the necessary steps to implement the Schemes. The offer is subject to a number of conditions, which are customary for a transaction of this type, including:

- Receipt of ASIC, ASX and other regulatory approvals;
- No material adverse change or prescribed event for either company. (See MIA announced on 24 December 2014).
- An independent expert report concluding that the Scheme is in the best interests of Trafford shareholders; and
- Receipt of Court and Trafford shareholder approval.

A copy of the full MIA is available from IronClad's website.

### Wilcherry Hill Development Project

In response to the falling iron ore price and heavy discounting of lower grade iron ores, IronClad continued to investigate opportunities to commence production upon a favourable change in the current markets and a return to sustained and stable iron ore prices.

#### Trial pit

On the 21 August 2014 the Company, as manager of the Wilcherry Hill Joint Venture, announced that it was progressing discussions regarding the potential sale of direct ship ore to Arrium in Whyalla, South Australia.

If agreement is reached with Arrium, it is the Joint Venture's intention to mine an initial trial pit at the Weednanna deposit. A trial pit has been designed to generate both high grade iron ore for direct sale and bulk samples for ongoing beneficiation test work.

In late August 2014 negotiations were held with Department of State Development – Mining Projects (Formerly DMITRE) regarding the approval requirements to support the commencement of the trial pit.

As a result, an executive summary style amendment to the current Program of Environmental Protection and Rehabilitation (PEPR) outlining the details of the proposed trial project, is in preparation. Discussions with Arrium remain ongoing.

The trial pit's commencement date is dependent on a number of factors including :-

- a favourable iron ore price outlook.
- a commercially viable agreement being reached with Arrium; and
- the finalisation of mining and haulage contracts.

#### Lucky Bay Common User Export Facility (CUEF)

Detailed design of the land-based facilities was completed during the period. IronClad has now progressed as far as possible with all approvals and infrastructure tasks for Lucky Bay.

Sea Transport Ltd as the nominated port operator for the Lucky Bay CUEF is progressing negotiations with SA Government Minister for Transport over the granting of a formal Port Operating Agreement for the CUEF through the Harbours and Navigation Act.

### Exploration Activities

During the half-year, the Company's focus for exploration was on re-evaluating the near surface DSO potential at the Hercules Prospect. Results for the previous year's reverse circulation drilling at the Hercules East and North Prospects were released during this period.

#### Iron Exploration at Hercules Prospect

A program of detailed geological mapping and sampling to re-evaluate the near surface DSO potential at the Hercules Prospect commenced during the half-year. The prospect lies approximately 15km to the south east of the Company's iron deposits held by the Wilcherry Hill Joint Venture (Figure 1).

## DIRECTORS' REPORT

Two phases of exploration have been carried out at the prospect previously. In 2008 a drilling campaign led to the delineation of an Inferred Resource of 194Mt @27.1% FE (IFE ASX Release 22 December 2008). A second round of broad spaced drilling in early 2013 sought strike extensions to the resource. Prospective banded iron formation (BIF) stratigraphy was intersected over a 7km strike length (IFE ASX Release 1 May 2013).

The information collected, along with a reinterpretation of the existing geological drilling data, will be used to update existing exploration models to generate targets for evaluation. Drilling programs will be planned pending positive reassessment of the prospectivity.

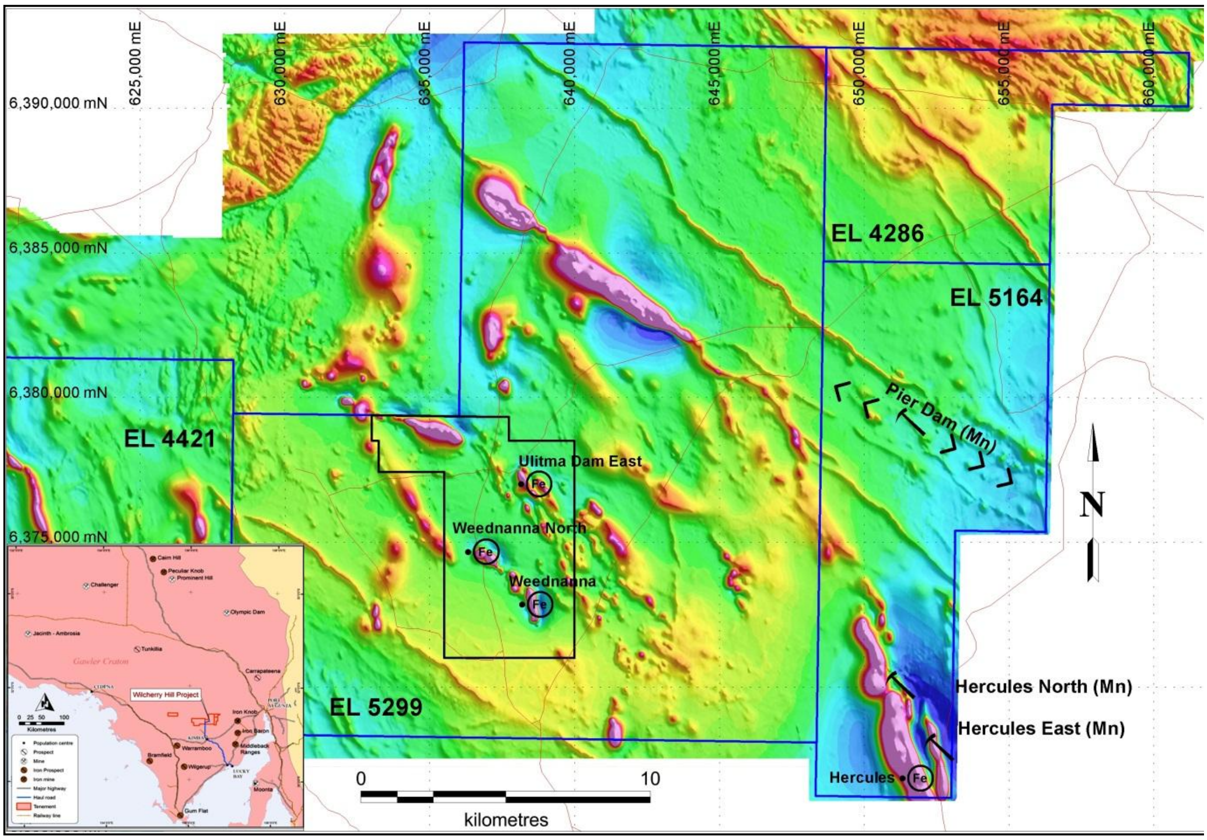


*Figure 1 Pier Dam, Hercules Fe and Hercules East / North Mn Prospect Location Plan (image is total magnetic intensity)*

**Manganese Exploration**

Limited exploration for manganese continued with a focus on the Hercules East, North and Pier Dam Prospects (Figure 1). Both these prospects lie within the Joint Venture's 100% owned Eurilla Dam EL 5164 tenement approximately 15km south east of the Company's Wilcherry Hill iron deposit.

Hercules East

The Company followed up drilling at the Hercules East Manganese Prospect designed to test for up dip and strike extensions to the mineralisation intersected during 7-hole drilling campaign in January 2014. Encouraging intercepts of manganese mineralisation were again recorded.

Highlights include:

8m @ 16.8% Mn (14HCRC014, 32 - 40m)

5m @ 28.22% Mn (14HCRC017, 11-16m)

5m @ 19.46% Mn (14HCRC023, 33 – 38m)

5m @ 24.72% Mn (14HCRC031, 8 – 13m)

Fifteen holes at nominal 50m x 50m spacing were completed. The results extended the mineralisation intersected in January 2014 to a total strike length of 250m. Mineralisation was extended up dip to the east by 35m.

## DIRECTORS' REPORT

Seven of the holes intersected anomalous manganese (Mn) mineralisation. Significant downhole intercepts greater than 10% Mn and minimum downhole width of 3m are listed in Table 1 below. A complete listing of results is contained in the supporting information section of IFE ASX Release 18 September 2014.

| | Depth (m) | | Length | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Hole ID | From | To | (m) | Mn% | Fe% | SiO2 % | Al2O3 % | P% | S% | LOI% |
| 14HCRC017 | 11 | 16 | 5 | 28.22 | 17.59 | 11.14 | 4.29 | 0.09 | 0.01 | 14.97 |
| 14HCRC023 | 33 | 38 | 5 | 19.46 | 26.66 | 23.77 | 1.19 | 0.18 | 0.01 | 8.64 |
| 14HCRC033 | 55 | 58 | 3 | 21.13 | 22.72 | 25.26 | 1.96 | 0.11 | 0.02 | 9.64 |

*Table 1: Hercules East Manganese Prospect. Composite Intercepts above a 10% Mn cut off and 3m downhole width.*

Banded iron formation (BIF) stratigraphy was intersected in all holes. Nine of the holes intersected iron grades of +30% Fe over broad widths up to a maximum of 26m downhole.

<u>Hercules North</u>

Eleven drill holes were completed in this prospect area. Nine holes were aimed at testing a broad lag geochemical anomaly (IFE ASX Release 1st May 2014) and 2 were designed to follow up the previous manganese intersection in hole 13HCRC001 (7m @ 20.2%). Drill holes spacing were up to 200m x 50m

Significant downhole intercepts greater than 10% Mn with a minimum down hole width of 3m are listed below in Table 2. A complete listing of results is contained in the supporting information section of IFE ASX Release 18 September 2014.

| | Depth (m) | | Length | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Hole ID | From | To | (m) | Mn% | Fe% | SiO2% | Al2O3% | P% | S% | LOI% |
| 14HCRC014 | 32 | 40 | 8 | 16.81 | 16.27 | 25.68 | 9.89 | 0.14 | 0.05 | 12.40 |
| 14HCRC016 | 14 | 17 | 3 | 17.53 | 9.32 | 47.23 | 3.70 | 0.09 | 0.09 | 8.91 |
| 14HCRC031 | 8 | 13 | 5 | 24.72 | 12.83 | 21.30 | 9.30 | 0.10 | 0.26 | 12.93 |

*Table 2: Hercules North Manganese Prospect. Composite Intercepts above a 10% Mn cut off and 3m downhole width.*

Four of the reconnaissance holes intersected anomalous manganese mineralisation at greater than 10% Mn, the highlight being 14HCRC031 returning 5m @ 24.7% Mn from 8 – 13m down hole. Drill hole spacing was up to 200m x 50m in this area. At this stage it is believed that the source of the Manganese geochemical anomaly has not been fully tested.

Follow up drilling of hole 13HCRC001 confirmed an up dip extension to the mineralisation with 14HCRC014 intersecting 8m @ 16.8% Mn from 32m – 40m. Banded iron formation sequences similar to those intersected at Hercules East were logged in all 11 holes.

<u>Pier Dam Prospectivity</u>

Geological mapping and surface rock chip sampling has now been completed over the 50km$^2$ area that is the Pier Dam Manganese prospect. The results verify the corridors of historically, significant manganese mineralisation noted at this prospect since the late 1970's by previous explorers. Scattered outcrops and sub-crops of surface enriched manganese oxide mineralisation occur throughout the prospect area and define the 8km NW trending Pier Dam manganiferous corridors.

A compilation of recent and historic surface rock chip samples is shown in Figure 2. Mn% values, plotted as scaled circles clearly illustrate this highly prospective manganiferous trend. High grade manganese values range from 15.5% - 44.2% Mn.

A reconnaissance Rotary Air Blast (RAB) program has been designed to test the depth continuation of the surface mineralised zones at a number of locations.

**DIRECTORS' REPORT**

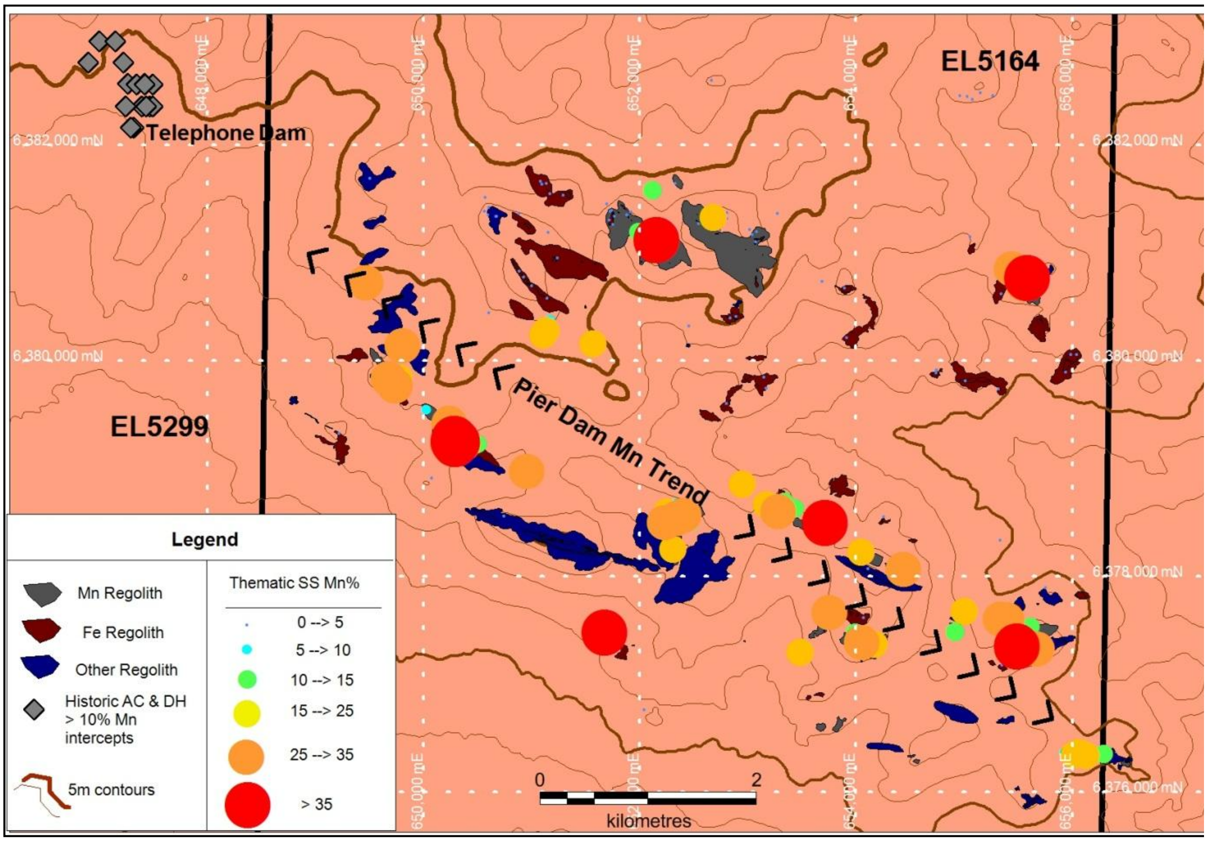


*Figure 2 Pier Dam Prospect showing manganese results of historical and recent surface rock chip sampling. Circles are coloured and scaled according to Mn values.*

*Manganese Processing Desktop Study*

A preliminary desktop study into the processing of manganese ores from Ironclad's Hercules and Pier Dam prospect was completed. Surface ore samples and drill chips have shown a declining iron ore content with increasing manganese grade which may lead to production of at least two products - a manganese ore with low iron content and a manganese/iron ore with higher iron content.

Initial tests via gravity concentration indicate the ability of upgrading manganese concentration via simple processing. Additional work needs to be completed to show a defined processing route for manganese ore to become a saleable product. (IFE ASX Release 30 October 13).

## Indigenous Access Survey

Following the completion of indigenous clearances in May-June 2014, a further supplementary clearance was carried out in July 2014. The supplementary clearance was required to reduce the exclusion areas recommended in the previous clearance and gain more understanding of the nature of the sensitivities and negotiate access to key target areas.

The final reports were received, reviewed and finalised in August 2014 with the support of the Gawler Ranges Aboriginal Corporation. Approval is now in place and Black Hills South West, Reddon Dam, Olympic Hill and Pier Dam are now cleared for exploration to begin as required.

**Corporate**

*Share rights*

On 31 July 2014, 300,000 ordinary shares were issued upon the exercise of performance share rights.

## DIRECTORS' REPORT

### Operating Results and Financial Review

*Profit and loss*

The Group's loss for the half-year after providing for income tax amounted to $288,406 (2013: $1,689,622).

*Financial position*

The directors believe the Group is in a strong and stable financial position to expand and grow its current operations. The Group's net assets as at 31 December 2014 are $10,588,773 (30 June 2014: $10,878,792).

*Liquidity and capital resources*

The Company's principal source of liquidity as at 31 December 2014 is cash of $427,879 (30 June 2014: $1,926,306); $397,746 of which (30 June 2014: $1,919,834) has been placed as short term deposits.

The Company's main source of cash during the period was from the proceeds from borrowings.

### Significant Changes in State of Affairs

In the opinion of the Directors there are no significant changes in the state of affairs of the Group that occurred during the half-year not already disclosed in this report, the financial statements or notes attached thereto.

### Significant Events After Balance Date

There has been no significant event after balance date.

### Competent Persons Statement

The information in the Directors Report that relates to Exploration Results, Mineral Resources or Ore Reserves is based, and fairly represents, information and supporting documentation compiled by Ian D. Finch, who is the Executive Chairman of IronClad Mining Limited and a Member of the Australian Institute of Mining and Metallurgy and who has more than five years experience in the field of activity being reported on.

Mr. Finch has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Finch consents to the inclusion in the Directors Report of the matters based on his information in the form and context in which it appears.

### Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 9 of the Financial Report for the half-year ended 31 December 2014.

This report is signed in accordance with a resolution of the Board of Directors.

Ian D. Finch
Executive Chairman
Perth, 20th day of February 2015

Bentleys
THINKING AHEAD

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To the Board of Directors

## Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the review of the financial statements of IronClad Mining Limited for the half year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

Bentleys / Mark Delaurentis

**BENTLEYS**
**Chartered Accountants**

**MARK DELAURENTIS CA**
**Director**

Dated at Perth this 20th day of February 2015

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

| | **Note** | **31 December 2014 $** | **31 December 2013 $** |
|---|---|---|---|
| Revenue | | 15,324 | 65,169 |
| Administration expense | | (14,440) | (31,834) |
| Consultancy expenses | | (92,851) | (184,034) |
| Compliance & regulatory expenses | | (26,732) | (34,021) |
| Director fees | | (45,205) | (50,353) |
| Depreciation and amortisation expense | | (9,013) | (8,883) |
| Finance costs | | (61,785) | (7,734) |
| Legal fees | | (3,281) | (2,818) |
| Occupancy costs | | (33,616) | (90,088) |
| Public relations cost | | (150) | (26,775) |
| Staff costs expenses | | (793,163) | (930,097) |
| Net asset impairment reversal | 16 | 239,246 | - |
| Development costs written off | | (1,069,787) | - |
| Exploration costs written off | | (175,926) | (286,744) |
| Other expenses from ordinary activities | | (29,996) | (101,410) |
| **Loss before income tax expense** | | (2,101,375) | (1,689,622) |
| Income tax benefit | | 1,812,969 | - |
| **Net loss for the period** | | **(288,406)** | **(1,689,622)** |
| Other comprehensive income | | - | - |
| **Total comprehensive loss for the period** | | **(288,406)** | **(1,689,622)** |
| Basic loss per share (cents per share) | | (0.27) | (1.57) |

*The accompanying notes form part of these financial statements.*

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

| | Note | 31 December 2014 $ | 30 June 2014 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 2 | 427,879 | 1,926,306 |
| Trade and other receivables | 3 | 1,901,227 | 89,405 |
| Assets classified as held for sale | 4 | 3,600,000 | 2,123,143 |
| **TOTAL CURRENT ASSETS** | | 5,929,106 | 4,138,854 |
| **NON-CURRENT ASSETS** | | | |
| Trade and other receivables | | 315,200 | 442,943 |
| Property, plant and equipment | 5 | 6,164,124 | 7,363,425 |
| Exploration and evaluation costs | 6 | 250,000 | 250,000 |
| Mine development expenditure | 7 | - | - |
| **TOTAL NON-CURRENT ASSETS** | | 6,729,324 | 8,056,368 |
| **TOTAL ASSETS** | | **12,658,430** | **12,195,222** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | | 1,247,620 | 1,189,650 |
| Borrowings | 8 | 800,000 | - |
| Provisions | | 22,037 | 126,780 |
| **TOTAL CURRENT LIABILITIES** | | 2,069,657 | 1,316,430 |
| **TOTAL LIABILITIES** | | **2,069,657** | **1,316,430** |
| **NET ASSETS** | | **10,588,773** | **10,878,792** |
| **EQUITY** | | | |
| Issued capital | 10 | 69,399,128 | 69,365,041 |
| Option Reserves | | - | 2,834,224 |
| Accumulated Losses | | (58,810,355) | (61,320,473) |
| **TOTAL ENTITY INTEREST** | | **10,588,773** | **10,878,792** |

*The accompanying notes form part of these financial statements.*

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

| | Issued Capital | Accumulated Losses | Option Reserve | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance at 1 July 2014** | **69,365,041** | **(61,320,473)** | **2,834,224** | **10,878,792** |
| Loss for the period | - | (288,406) | - | (288,406) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the period | - | (288,406) | - | (288,406) |
| *Transaction with owners, in the capacity as owners, and other transfers* | | | | |
| Expiry of share-based payments | - | 2,798,524 | (2,798,524) | - |
| Options issued during the period | - | - | - | - |
| Shares issued during the period | 35,700 | - | (35,700) | - |
| Transaction costs | (1,613) | - | - | (1,613) |
| **Balance at 31 December 2014** | **69,399,128** | **(58,810,355)** | **-** | **10,588,773** |
| | | | | |
| **Balance at 1 July 2013** | **69,365,041** | **(37,260,314)** | **2,798,524** | **34,903,251** |
| Loss for the period | - | (1,689,622) | - | (1,689,622) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the period | - | (1,689,622) | - | (1,689,622) |
| *Transaction with owners, in the capacity as owners, and other transfers* | | | | |
| Options issued during the period | - | - | - | - |
| Shares issued during the period | - | - | - | - |
| Transaction costs | - | - | - | - |
| **Balance at 31 December 2013** | **69,365,041** | **(38,949,936)** | **2,798,524** | **33,213,629** |

*The accompanying notes form part of these financial statements.*

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

| | 31 December 2014 $ | 31 December 2013 $ |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Payments to suppliers and employees | (1,035,802) | (1,520,300) |
| Payments for exploration and evaluation activity | (284,026) | (306,337) |
| Interest received | 15,442 | 58,150 |
| Interest and other charges paid | (4,752) | (5,393) |
| **Net cash used in operating activities** | (1,309,138) | (1,773,880) |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from disposal of plant and equipment | - | 1,200,000 |
| Acquisition of property, plant and equipment | (300) | (24,666) |
| Receipt on security deposits | 127,743 | 2,992 |
| Tenement acquisition cost | - | (250,000) |
| Development of mineral tenements | (1,015,627) | (2,092,524) |
| **Net cash used in investing activities** | (888,184) | (1,164,198) |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from / (repayment of) borrowings | 700,473 | (45,074) |
| Fundraising costs | (1,613) | - |
| **Net cash provided by (used in) financing activities** | 698,860 | (45,074) |
| | | |
| **Net increase (decrease) in cash held** | (1,498,462) | (2,983,152) |
| | | |
| **Cash and cash equivalents at 1 July** | 1,926,306 | 4,967,241 |
| Effects of exchange rates on cash holdings in foreign currencies | 35 | 5 |
| **Closing Cash and Cash Equivalents** | 427,879 | 1,984,094 |

*The accompanying notes form part of these financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

**Statement of compliance**

The interim financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The interim report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

**Basis of preparation**

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the company's 2014 annual financial report for the financial year ended 30 June 2014, except for the impact of the Standards and Interpretations described below, and the change in accounting policy as described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

**New accounting standards and interpretation**

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 1031 'Materiality' (2013)
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non Financial Assets'
- AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting '
- AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'
- AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'
- AASB 2014-1 'Amendments to Australian Accounting Standards'
    - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
    - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
    - Part C: 'Materiality'
- Interpretation 21 'Levies'

The adoption of the above standards has not had a material impact on this half year financial report.

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

**Going Concern**

The half-year financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business.

The Group incurred a loss for the period of $288,406 (2013: $1,689,622) and net cash outflows from operating activities of $1,309,138 (2013: $1,773,880).

As at 31 December 2014, the Group had a working capital of $259,449 (30 June 2014: $699,281) which excludes assets classified as held for sale. The ability of the Group to continue as a going concern is principally dependent upon the ability of the Group to secure additional funds and developing its mineral assets.

The directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this half-year financial report.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- The proposed merger between the Company and Trafford Resources Ltd will allow significant cost savings by pooling the administration and technical expertise of both companies;
- The Directors have an appropriate plan to sell the assets classified as held for sale;
- The Directors have already commenced claiming Research and Development Rebate for the 2014 financial year;
- The Directors have an appropriate plan to raise additional funds as and when they are required. In light of the Group's current exploration and project development, the Directors believe that the additional capital required can be raised in the market; and
- The Directors have an appropriate plan to contain certain expenditure if appropriate funding is unavailable.

Should the Group not achieve the matters set out above, there is material uncertainty whether it would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

| | 31 December 2014 $ | 30 June 2014 $ |
|---|---|---|
| NOTE 2: CASH AND CASH EQUIVALENTS | | |
| Cash at bank and in hand | 30,133 | 6,472 |
| Short-term bank deposits | 397,746 | 1,919,834 |
| | **427,879** | **1,926,306** |

Cash at bank and short term bank deposits earn interest at floating rate based on daily bank deposit rates.

| | | |
|---|---|---|
| NOTE 3: TRADE AND OTHER RECEIVABLES | | |
| Research and Development Rebate | 1,812,969 | - |
| Other receivables | 88,258 | 89,405 |
| | **1,901,227** | **89,405** |
| Note 4: ASSETS CLASSIFIED AS HELD FOR SALE | | |
| Barge (i) | 3,600,000 | 2,123,143 |
| | **3,600,000** | **2,123,143** |
| (a) Reconciliation | | |
| Carrying amount at beginning of period | 2,123,143 | 5,948,680 |
| Additions: | | |
| Barge | 86,829 | 275,643 |
| Disposal: | | |
| Tug boat | - | (1,200,000) |
| Impairment reversal | 1,390,028 | - |
| Barge | - | (2,901,180) |
| Carrying amount at end of period | **3,600,000** | **2,123,143** |

(i) The Group intends to dispose of its barge as it is no longer suitable for its operation methodology. As at 31 December 2014, the Directors believe that the barge is valued at the lower of cost and fair value less selling costs.

| | | |
|---|---|---|
| NOTE 5: PROPERTY, PLANT AND EQUIPMENT | | |
| RESIDENTIAL CAMP | | |
| At cost | 4,500,000 | 5,056,585 |
| Accumulated depreciation | - | - |
| | **4,500,000** | **5,056,585** |
| (a) Reconciliation | | |
| Carrying amount at beginning of period | 5,056,585 | 5,056,585 |
| Asset impairment | (556,585) | - |
| Depreciation expense | - | - |
| Carrying amount at end of period | **4,500,000** | **5,056,585** |

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

| | 31 December 2014 $ | 30 June 2014 $ |
|---|---|---|
| NOTE 5: PROPERTY, PLANT AND EQUIPMENT (CONT'D) | | |
| PLANT AND EQUIPMENT | | |
| At cost | 2,458,820 | 1,941,856 |
| Accumulated depreciation | (794,696) | (745,877) |
| | **1,664,124** | **1,195,979** |
| (b) Reconciliation | | |
| Carrying amount at beginning of period | 1,195,979 | 250,975 |
| Asset impairment | (58,336) | - |
| Transfer from assets under construction | 575,000 | 1,083,034 |
| Equipment additions | 300 | 965 |
| Depreciation expense | (48,819) | (138,995) |
| Carrying amount at end of period | **1,664,124** | **1,195,979** |
| | | |
| UNDER CONSTRUCTION | | |
| At cost | - | 1,110,861 |
| Accumulated depreciation | - | - |
| | **-** | **1,110,861** |
| | | |
| (b) Reconciliation | | |
| Carrying amount at beginning of period | 1,110,861 | 2,193,257 |
| Additions: | | |
| Loader and container | - | 638 |
| Reclassification for constructed assets | (575,000) | (1,083,034) |
| Asset impairment | (535,861) | - |
| Carrying amount at end of period | **-** | **1,110,861** |
| | | |
| Total Property, Plant and Equipment | **6,164,124** | **7,363,425** |

There is no plant and equipment of the Group that has been pledged as collateral.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

| | **31 December 2014 $** | **30 June 2014 $** |
|---|---|---|
| NOTE 6: EXPLORATION AND EVALUATION COST | | |
| Carrying amount at beginning | | |
| Addition: | | |
| Manganese exploration rights at Wilcherry Hill* | 250,000 | 250,000 |
| | **250,000** | **250,000** |

* In accordance with manganese joint venture agreement with Trafford Resources Ltd.

| | | |
|---|---|---|
| NOTE 7: MINE DEVELOPMENT EXPENDITURE | | |
| Carrying amount at beginning | - | 17,497,956 |
| Expenditure incurred during the year | 1,069,787 | 3,207,092 |
| Written-off during the year | (1,069,787) | (20,705,048) |
| | **-** | **-** |

The above costs relate to the development of the Wilcherry Hill iron ore project located in South Australia to which the Company has an 80% beneficial interest to its iron ore rights.

The Group has assessed its carrying amount of the Mine Development Expenditure, and in light of the current iron ore spot prices as at the date of this report, the Group has taken the conservative view to write off the capitalised development expenditure in its entirety. The directors have the long term view that iron ore prices will stabilise, however, current conditions indicate uncertainty in forecasting the anticipated results.

NOTE 8: BORROWINGS

| | **Effective Interest Rate** | **Maturity** | **31 December 2014 $** | **30 June 2014 $** |
|---|---|---|---|---|
| $900,000 loan facility | 16% | 10 March 2015 | 800,000 | - |
| | | | **800,000** | **-** |

The loan facility is secured against the Research and Development Rebate for the year ended 30 June 2014.

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 9: OPERATING SEGMENTS

**Segment Information**

**Identification of reportable segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of its exploration projects. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating tenements where the tenements are considered to form a single project. This is indicated by:

- Having the same ownership structure.
- Exploration being focused on the same mineral or type of mineral.
- Exploration programs targeting the tenements as a group, indicated by the use of the same exploration team, and shared geological data, knowledge and confidence across the tenements.
- Shared mining economic considerations such as mineralisation, metallurgy, marketing, legal, environmental, social and government factors.

**Basis of accounting for purposes of reporting by operating segments**

*Accounting policies adopted*

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

*Segment assets*

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

*Unallocated items*

Items of revenue, expense, assets and liabilities that are not considered part of the core operations of any segment are classified as unallocated items.

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 9: OPERATING SEGMENTS (CONTINUED)

| | **Wilcherry Joint Venture $** | **Coastal Shipping Logistics P/L $** | **Manganese Joint Venture $** | **Total $** |
|---|---|---|---|---|
| **(i) Segment performance** | | | | |
| **Period ended 31 December 2014** | | | | |
| **Segment revenue** | **-** | **-** | **-** | **-** |
| *Reconciliation of segment revenue to Group's revenue* | | | | |
| Interest received | | | | 15,324 |
| **Total revenue** | | | | **15,324** |
| **Segment result** | **(2,359,381)** | **1,388,703** | **(37,113)** | **(1,007,791)** |
| *Reconciliation of segment result to Group's net loss before tax* | | | | |
| *Unallocated items:* | | | | |
| Net corporate charges | | | | (1,084,571) |
| Depreciation expense | | | | (9,013) |
| Net loss before income tax | | | | (2,101,375) |
| Income tax benefit | | | | 1,812,969 |
| **Loss for the year** | | | | **(288,406)** |
| **Period ended 31 December 2013** | | | | |
| **Segment revenue** | **-** | **-** | **-** | **-** |
| *Reconciliation of segment revenue to Group's revenue* | | | | |
| Net interest received | | | | 65,169 |
| **Total revenue** | | | | **65,169** |
| **Segment result** | **(286,744)** | **(68,798)** | **-** | **(355,542)** |
| *Reconciliation of segment result to Group's net loss before tax* | | | | |
| *Unallocated items:* | | | | |
| Net corporate charges | | | | (1,325,197) |
| Option issue forfeited | | | | (8,883) |
| Net loss before income tax | | | | (1,689,622) |
| Income tax benefit | | | | - |
| **Loss for the year** | | | | **(1,689,622)** |

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

NOTE 9: OPERATING SEGMENTS (CONTINUED)

| | **Wilcherry Joint Venture $** | **Coastal Shipping Logistics P/L $** | **Manganese Joint Venture $** | **Total $** |
|---|---|---|---|---|
| **(ii) Segment assets** | | | | |
| **Period ended 31 December 2014** | | | | |
| **Segment assets** | 6,414,999 | 3,600,000 | 250,000 | 10,264,999 |
| *Reconciliation of segment result to Group's assets* | | | | |
| *Unallocated items:* | | | | |
| Cash and cash equivalents | | | | 427,879 |
| Trade and other receivables | | | | 1,901,428 |
| Property, plant and equipment | | | | 64,124 |
| **Total assets** | | | | **12,658,430** |
| **Additions to /(Reduction in) segment assets for the period:** | | | | |
| Asset (impairment) / impairment reversal | (1,150,782) | 1,390,028 | - | 239,246 |
| Capital expenditure | 300 | 86,829 | - | 87,129 |
| Development expenditure | 1,069,787 | - | - | 1,069,787 |
| Development expenditure written- off | (1,069,787) | - | - | (1,069,787) |
| **Net increase / (reduction) in segment assets** | **(1,150,482)** | **1,476,857** | **-** | **326,375** |
| **Period ended 30 June 2014** | | | | |
| **Segment Assets** | 7,565,481 | 2,123,143 | 250,000 | 9,938,624 |
| *Reconciliation of segment result to Group's assets* | | | | |
| *Unallocated items:* | | | | |
| Cash and cash equivalents | | | | 1,926,306 |
| Trade and other receivables | | | | 217,349 |
| Property, plant and equipment | | | | 112,943 |
| **Total assets** | | | | **12,195,222** |

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 9: OPERATING SEGMENTS (CONTINUED)

| | Wilcherry Joint Venture $ | Coastal Shipping Logistics P/L $ | Manganese Joint Venture $ | Total $ |
|---|---|---|---|---|
| **Additions to segment assets for the period:** | | | | |
| Exploration expenditure | - | - | 250,000 | 250,000 |
| Development expenditure | 3,207,092 | - | - | 3,207,092 |
| Development expenditure written-off | (20,705,048) | - | - | (20,705,048) |
| Capital expenditure | 638 | 275,643 | - | 276,281 |
| Asset impairment | - | (2,901,180) | - | (2,901,180) |
| Asset disposal | - | (1,200,000) | - | (1,200,000) |
| **Total additions/(reductions) in segment assets** | **(17,497,318)** | **(3,825,537)** | **250,000** | **(21,072,855)** |

NOTE 10: ISSUED CAPITAL

| | | No of shares | Total $ |
|---|---|---|---|
| a. | **Ordinary shares** | | |
| | Balance at beginning of reporting period | 107,903,871 | 69,365,041 |
| | Exercise of performance share rights | 300,000 | 35,700 |
| | Transaction costs relation to share issues | | (1,613) |
| | Balance at end of reporting period | 108,203,871 | 69,399,128 |

NOTE 11: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since last annual reporting date.

NOTE 12: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no significant event after reporting date.

NOTE 13: DIVIDEND

No Dividend has been paid during or recommended for the half year ended 31 December 2014.

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

| | 31 December 2014 | 30 June 2014 |
|---|---|---|
| | $ | $ |
| NOTE 14: COMMITMENTS | | |
| *Lease Commitments* | | |
| Not longer than one year | 377,413 | 474,313 |
| Longer than one year, but not longer than five years | 450,000 | 617,833 |
| Longer than five years | - | - |
| | **827,413** | **1,092,146** |
| *Capital Commitments* | | |
| Not longer than one year | 508,486 | 512,119 |
| | **508,486** | **512,119** |

If the Group decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the consolidated statement of financial position may require review to determine appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

NOTE 15: FINANCIAL INSTRUMENTS

The Group's financial instruments consist of cash and cash equivalents, trade and other receivable, trade and other payables and borrowings. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amount of the financial assets and liabilities approximate their fair value.

NOTE 16: RELATED PARTY INFORMATION

Transactions with related entities:

*Technical and Administration Services*

The Company has an agreement with Trafford Resources Limited whereby the Company could acquire technical and administration services from Trafford Resources Ltd while the Company focused its resources on its development. Invoices for these services are issued to IronClad on a monthly basis. As at 31 December 2014, $50,847 is due to Trafford Resources Ltd for these services.

*Scheme of Arrangement*

Trafford Resources Ltd has executed a Merger Implementation Agreement with the Company. Under the Agreement, the Company intends to acquire all of the issued shares in Trafford Resources Ltd under a Scheme of Arrangement, whereby the Company will offer one IronClad share for every Trafford share.

NOTE 17: NET ASSET IMPAIRMENT REVERSAL

As part of Merger Implementation Agreement, the Company has obtained an independent external valuation of its assets, which resulted in the recognition of the following impairment/impairment reversals during the period.

| | Carrying Value | Independent External Valuation | Impairment Reversal / (Impairment) |
|---|---|---|---|
| *Property, plant and equipment* | | | |
| Dry magnetic separators | 1,110,863 | 575,000 | (535,863) |
| Ram spreader revolving bulk container system | 1,083,334 | 1,025,000 | (58,334) |
| 80 person mining camp | 5,056,585 | 4,500,000 | (556,585) |
| *Assets classified as held for sale* | | | |
| Barge | 2,209,972 | 3,600,000 | 1,390,028 |
| | **9,460,754** | **9,700,000** | **239,246** |

## DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 10 to 23:
   a. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001; and
   b. give a true and fair view of the company's financial position as at 31 December 2014 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Ian D. Finch
Executive Chairman
Perth, 20th day of February 2015

Bentleys
THINKING AHEAD

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# Independent Auditor's Review Report

## To the Members of IronClad Mining Limited

We have reviewed the accompanying half-year financial report of IronClad Mining Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

### Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independent Auditor's Review Report
To the Members of IronClad Mining Limited (Continued)

### Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of IronClad Mining Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

### Emphasis of Matter

#### Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the half-year financial report which indicates that the Consolidated Entity incurred a loss of $288,406 during the half-year ended 31 December 2014. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

Bentleys

**BENTLEYS**
**Chartered Accountants**

Mark Delaurentis

**MARK DELAURENTIS CA**
**Director**

Dated at Perth this 20th day of February 2015