



IronClad Mining Limited

Highlights of Interview.....

- Funding
- Progress
- Upside

Record of interview:

companyinsight.net.au

IronClad Mining Limited (ASX code: IFE; market cap of ~\$50m) is forecasting first exports of Direct Shipping Ore (DSO) in late 2011 from its Wilcherry Hill Project in South Australia. Wilcherry Hill is an iron ore joint venture between Trafford Resources (20% - ASX: TRF) and its subsidiary IronClad Mining (80%). You have just completed the Stage 1 feasibility study. For Stage 1 of the project (potentially 2mtpa), can you update the latest financials including assumed iron ore price, operating costs and capital costs?

Executive Chairman, Ian Finch

Prices for 62% Fe fines are currently around US\$160-170 per tonne CIF to China and our operating cost is expected to be around A\$85 per tonne excluding freight costs. That will give us a margin of more than A\$60 per tonne and operating cash flow of around \$100 million per annum based on the 2mtpa production rate. There will of course be a ramp-up period to get to production capacity.

The capital costs are estimated to be around A\$26 million and in addition we have a provision for working capital of around A\$9 million. We have deliberately taken the approach of initially constructing a low capital cost operation in order to preserve shareholder funds and keep equity raisings – and therefore share dilution – to a minimum. This approach will also get us into production as quickly as possible and we expect first shipments in the final quarter of 2011.

Even at the relatively small scale of Stage 1, Wilcherry Hill is planned to generate very significant cash flows for a company of our size. It will obviously have a very quick capital pay-back.

Date of lodgement:

21 December 2010

Title:

Chairman Updates Wilcherry Hill iron ore

Company Insight

IronClad's Board announced that it is raising \$28.6 million through a 15% placement and a renounceable rights issue. How was the reaction to the placement, which you completed on 14 December? Why did the share price fall on the day?

Ian Finch

The placement to institutional and sophisticated shareholders has put institutional shareholders on our register for the first time since listing about 3.5 years ago. That is an important milestone for Ironclad and it illustrates strong support for the project. I think it's only natural that the share price moved back towards the placement price. It is quite normal in these circumstances to raise capital at a discount to the prevailing share price.

The Board has also been very careful in making sure that all shareholders that wish to participate in this capital raising, can do so at the same price as the institutions. For those shareholders who do not wish to further participate, then they have been given the opportunity to sell their rights to the open market, and benefit in that way.

Company Insight

Can you confirm the production profile across Stages One, Two and Three and the assumptions? What are the planned products and specifications?

Ian Finch

As with all mining projects, the scope of the project will change due to issues such as market conditions, the conversion of Exploration Target numbers into Resources and Reserves and the discovery of new, higher quality ore bodies.

In Stage 1, we will progressively ramp up to 1 mtpa in year one and then to 2mtpa in years 2 to 5. The DSO mined during these years will have an iron content of 62% after minor, low cost, dry processing and will be very low in impurities with SiO₂ at 2.9%, Al₂O₃ at 2.3%, CaO at 0.05%, MgO at 0.85%. and Phosphorous and Sulphur at negligible levels

During Stage 1 production we will be planning the more capital intensive Stage 2 which will require conventional crushing and wet magnetic separation. In Stage 2 we plan to produce around 5-6 mtpa of a high quality crystalline magnetite concentrate, and Stage 3, to be based on the Hercules mineralization, could be quite a significant size operation.

Company Insight

How robust are your capital and operating cost assumptions?

Ian Finch

As the project has advanced we have refined our capital cost estimates. The estimated cost of \$26 million includes 10 main components including a contingency. The major items include A\$5.0 million for an accommodation village, A\$4.1 million for bore fields and water storage, A\$3.0 million for the dry magnetic separation plant and A\$3.0 million for a train load-out. The contingency of around 10% is quite normal for a mining project.

The operating costs have also been refined as we progress. Mining and processing are both very simple. The ore will be crushed and screened and then will go through the dry magnetic

separation (DMS) plant. Transportation costs involve trucking the ore to a rail head just North of Whyalla from where it will be railed to Port Adelaide for export.

Company Insight

Can you give some commentary supporting your views on your iron ore price assumptions?

Ian Finch

The iron ore market remains very strong despite various countries still suffering from the debt crisis. The major driver of course is China and it is still experiencing strong GDP growth because of its continuing urbanization. The United States economy will also inevitably recover.

The global financial crisis delayed the expansion and construction of some projects because funding dried up and it takes several years to get mining projects into production after discovery; particularly iron ore because of the infrastructure requirements. We also understand that a reasonable proportion of Chinese domestic supply is high cost. So from a supply perspective, the market should remain tight for the foreseeable future.

Longer term the many projects undergoing expansions, being planned or developed will bring more iron ore onto the market. Our plan is quite simply to maximize the production of DSO from Wilcherry Hill initially and while the market is strongest, using the cash generated to advance production, and reduce production costs, for the lesser grade ores of both Wilcherry Hill and Herculese.

Company Insight

What is the nature of your marketing arrangement with OMS?

Ian Finch

IronClad has a 2 year contract with Singapore-based, Australian listed trading company OMS to sell all the Company's production into stockpiles in Southern China. OMS are contracted to supply appropriate vessels at the request and timing of IronClad and are also required to pay the Company 95% of the agreed price of each vessel's contents within 30 days of the ship departing Port Adelaide.

OMS will sell to a range of end users from the stockpile and price adjustments will be made according to prices received by OMS.

This Ironclad arrangement with OMS neatly side-steps the potential for conflicted relationships which some other iron ore juniors have dealt themselves into by taking in Chinese equity funding or signing up exclusive product offtake contracts direct with Chinese steelmakers.

Company Insight

What is your funding strategy for Stage 2 having a forecast capital cost of \$300 million?

Ian Finch

As I've said previously, our strategy is to avoid large capital raisings and the capital required for Stage 1 is not large, particularly in a market willing to support emerging, quality iron ore producers.

As I've outlined above, Stage 1 will produce very significant cash flows and we hope that it will finance much of the \$300 million required for Stage 2 of the project. A major component of Stage 2 could be a transport pipeline, filtration, drying and water return although we are yet to commit to a development concept for Stage 2.

Company Insight

Can you outline the development progress you've made at the project? What is the structure of the senior management team?

Ian Finch

Recent progress has been good and I'm very pleased with how the project is taking shape. Site works have commenced, we have identified our water source and plan to equip the 7 water bores that have already identified the necessary supply for construction and early operations phases.

Once our Mining Lease Application is approved, we will then submit a Mining/Rehabilitation Plan and after that we can commence mining. We expect to commence mining in September or October 2011 with first shipments likely in December 2011.

We have steadily been recruiting an experienced and high quality management team. The management team now consists of me as Executive Chairman, a Group Accountant, BDM and Investor Relations Manager, Project Infrastructure Manager, Project Manager, Chief Geologist, Grade Control Geologist, Approvals Manager and General Manager Marketing. We're extremely pleased with the team we've attracted to the project to date. In the very near future we expect to announce a major new appointment which will further strengthen the project team.

Company Insight

What is the process flow sheet for the production of the DSO for Stage 1 of the project?

Ian Finch

The stage 1 mining plan establishes a detailed production schedule for years 1-5 which has been designed to maximize cash flow during the initial stages of the project and therefore to ultimately maximize net present value of the project.

DSO from the processing plant will be loaded into containers and transported via flatbed triple road trains from the mine site to a rail siding near Whyalla, then by rail to Port Adelaide where the ore will be loaded onto Panamax or small Cape Size vessels.

This transport system is the biggest single cost element of stage 1 of the project. However Ironclad has already identified transport options for stages 2 and 3 which should substantially reduce overall operating costs for those stages. So planned cost reduction measures could help to maintain healthy margin levels for Wilcherry Hill even if iron ore prices retreat over the longer term.

Company Insight

What are the major risks for the project as you lead up to first iron ore shipments?

Ian Finch

We face all of the major risks of any project of this nature such as unexpected falls in iron ore demand and prices, difficulty in recruiting a competent workforce, operational difficulties, and interruptions to transport and so on. We know that this project is so robust under present market conditions that the current upside far outweighs any potential downside. Also, we have worked very hard to protect this very robust project against potential risks.

Company Insight

You've previously mentioned an Exploration Target of 600 to 700 million tonnes at Wilcherry Hill. You also have an Exploration Target of 1.0-1.5 billion tonnes at the nearby Hercules deposit (which also has a 198mt JORC Resource). How have you justified those Exploration Targets?

Ian Finch

The exploration target potential of 600 to 700 million tonnes at Wilcherry Hill has been calculated from a combination of analyses of all exploration by previous explorers and the exploration drilling by IronClad Mining during 2008. The Wilcherry Hill tenements covering 976sq km have 40km of known strike length of similar magnetic anomalies. The JORC Resource has been defined in a small part of this area. The current indicated and inferred resource shows that both the Wilcherry Hill and Hercules areas have a potential in ground resource of 15 million tonnes of crystalline or skarn magnetite for every 1 km of strike length of magnetic anomaly.

Company Insight

What is the longer term potential for IronClad from what you and your geologists have seen at Wilcherry Hill and the adjacent deposits and iron ore mineralization?

Ian Finch

The Wilcherry Hill project is showing far greater potential than when we first acquired it. The potential to prove up significantly larger Iron Ore resources as I've just described could underpin a very large project indeed.

Creating significant shareholder value from Wilcherry Hill will remain our major focus.

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Thank you Ian.

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