IRONCLAD MINING LIMITED

Company Insight
the intelligent market update

IronClad Mining Limited Date of Lodgement: 24/10/11

Title: "Company Insight – Significance & Value of Mining Licence Approval"

Highlights of Interview

- **Remaining Approvals Process for Wilcherry Hill Iron Ore Project.**
- **Progress on Site.**
- **Production Targets & Operating Profits of $240m by Year 3.**
- **Views on Under-Valuation of Company.**
- **Funding & Future Sales Contracts.**
- **Growth Beyond Current Plans at Wilcherry Hill.**

Record of interview:

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IronClad Mining Limited (ASX code: IFE; market cap of ~$50m) this week announced that the South Australian Government had approved IronClad's Mining Licence Proposal for its Wilcherry Hill Iron Ore Project (IFE 80%, Trafford Resources 20%) in South Australia. Are all permits now approved to commence mining? If not, what is the process?

Executive Chairman, Ian Finch
Whilst the approval of the Mining Lease Proposal has been, by far, the biggest approval hurdle, there remains for us to lodge and have approved the Program for Environmental Protection and Rehabilitation (PEPR). This was formally known as the Mining and Rehabilitation Program (MARP). Its nature is self explanatory and sets out for the government how we intend to go about our business whilst making agreed and accepted provisions for environmental and mine rehabilitation management.

This extensive document has already been researched and completed by IronClad and will be submitted to the South Australian Government within days. We have been working closely with the authorities and expect approval of this final step to occur within a two to three month timeframe.

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Can you give an update on progress on site?

Ian Finch
Site works have, of course, been curtailed pending all approvals. As soon as final approvals are in we will be ready and eager to begin mining. In the meantime, we have been able to prepare for start up in certain areas outside of the mine site. For instance, we have recently completed the construction of a "mine village" within the township of Kimba, which will accommodate the initial workforce of 40 people. This will be expanded to house up to 80 personnel once mining gets underway.

With the help of the Kimba shire council, we have also been busy upgrading the road from the mine site to Kimba to ensure it will be capable of handling the increased traffic load. Elsewhere we have purchased a tug, placed orders on a barge, rotainers (loading equipment) and specialized containers.

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When do you expect to be in production and what are your targets?

Ian Finch
We are still on target for mining to commence either late this year or early next year depending on the date of receipt of the PEPR approval. Provided all goes well with that approval, we should be seeing our first ore exported within the first quarter of 2012. Thereafter our target is for a million tonnes of exported ore in year one with a proposed upgrade to 2 million tonnes in year two. By year three we propose to have our floating harbour in place, with a further upgrade to four to five million export tonnes anticipated.

Once the massive Hercules project comes on stream in year 4, we can reasonably expect exports to rise to over 10 million tonnes per annum. Of course, we appreciate some additional feasibility studies and government approvals will be required along the way.

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What operating cash flow do you expect to produce at these production levels?

Ian Finch
Our financial modelling estimates we will be able to not only maintain a $50 per tonne margin but indeed increase that margin, over time, to as much as $70 per tonne. This takes into consideration an anticipated drop-off in iron ore prices which is more than compensated for by the reduction in our operating costs over that period which is due to the higher tonnages (lower unit costs) and increased efficiencies affected by strategic capital injections.

In short we anticipate making a before tax profit of $50 million in year one and doubling that amount in year two. By year three our operating profits look like being in the region of $220 to $240 million.

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You described that a shareholding in IronClad will be a rare and valuable commodity with only 75 million shares on issue and with 36% owned by your associated company, Trafford Resources (ASX code: TRF). Why do you think the market capitalization does not reflect this large projected cash flow from the project? What risks lay ahead?

Ian Finch
There are probably a number of reasons as to why IronClad's market capitalization remains low. Not least of these would be the uncertainty in investors' minds about the world economy in general. I also believe that in many cases the paucity of tradable stock has not been fully understood. There may even be a residual cynicism that a junior company like IronClad can successfully compete in the iron ore market, away from the Pilbara and without recourse to Chinese capital. In any event, I'm sure I'm not the only CEO ruing the state of the current market.

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What funding options are you considering and what amount do you plan to raise?

Ian Finch
Having raised around A$17 million equity capital at the beginning of the year we calculate we will need to raise an additional A$30 million for the start up of operations. This can be broken down into three categories: the remaining capital requirements (barge, DMS plant, hard stand areas, road alignments etc), the initial working capital to cover the first 3 to 4 month start up period and the ongoing corporate expenses.

At present, the Company plans to raise all of that capital though borrowings, and numerous banks and other financial institutions have expressed interest in assisting us in that endeavour.

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You have already sold the first two years of production from Stage One of the project. When will you enter further sales contracts? What is the general interest from potential customers in the iron ore from the project?

Ian Finch
We have engaged OM Trading in Singapore to market our ore to China for two years. From the outset it was clear that our high quality, low contaminant ore would not be too difficult to sell in a market of decreasing grades and, generally, lower quality ores. We have the option to extend OM's contract, however, standing in the wings are a plethora of trading companies and end users who have expressed continuing interest in acquiring our ore and we look at each of those on the basis of how they can add value to IronClad.

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Can you explain the advantages of the floating harbour?

Ian Finch
The advantages of the introduction of a floating harbour at Lucky Bay are numerous. Firstly, it is of little use to construct a floating harbour of the type proposed without the means to adequately and economically transship ore to it. In Lucky Bay, we have a solution where, thanks to the help of Sea Transport Corporation and the government of South Australia, the stars have aligned perfectly.

From the outset our first corporate mantra was to "enter production at the lowest capital cost". Our second mantra was "to get our ore into capesize vessels at the earliest opportunity". The reason being that the volume of ore that can be exported in one go, via these massive carriers, means significant reductions in our per tonne operating costs. Significantly, no port in South Australia can presently accommodate this size of vessel.

Our initial feasibility study proposed export via Port Adelaide, where panamax ships (~70,000 tonnes) and small capesize ships (~100,000 tonnes) could be accommodated. However, this meant a journey for our ore of around 550 kilometres, with the attendant large transport cost. With the advent of the Lucky Bay / floating harbour concept, our transport distance has diminished to around 155 kilometres, with considerable cost savings as a result.

All of the above savings report to the financial bottom line and make IronClad stronger and more robust.

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What growth are you considering beyond Wilcherry Hill Iron Ore Project with so much cash flow at your disposal if the project works out as planned?

Ian Finch
Of course our plan from inception has been to start small with a view to growing from production. This philosophy was based on independent reviews that there existed strong potential to increase the high quality Wilcherry Hill ore from its current stated 70 million tonnes to well in excess of 500 million tonnes. Add to that a similar picture at the massive Hercules project where an existing resource of 197 million tonnes has an independently assessed upside potential of 1,500 to 2,000 million tonnes.

Once production commences, drilling can begin on realizing this very large upside potential. Our strategic plans, as previously mentioned, envisage the export of 10 to 12 million tonnes by 2016.

Beyond that, it seems to IronClad that, at some point, there is likely to be a rationalization of the junior iron ore sector in South Australia. IronClad plans to be well positioned to take advantage of such an occurrence with a view to becoming a significant player in the Australian iron ore market in the future.

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Thank you Ian.

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