



IRONCLAD
MINING LIMITED



**Company
Insight**

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IronClad Mining Limited

Highlights of Interview.....

- **New Floating Harbour – significance on Wilcherry Hill project returns**
- **\$600 million margins in Stage One alone**
- **Logistics of the floating harbour**
- **Overall progress at the project**

Record of interview:

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IronClad Mining Limited (ASX: IFE; market cap of ~ \$50m) is preparing to export Direct Shipping Ore (DSO) from its Wilcherry Hill Iron Ore Project in South Australia. The project is an 80:20 joint venture between IronClad and Trafford Resources (ASX: TRF). IronClad has just announced a plan to develop a multi user bulk shipping port for the project, including a floating harbour, on Spencer Gulf. Can you explain the cost benefits of this type of export facility to IronClad? Taking the new port option into account what are your updated cash flow numbers?

Ian Finch, Executive Chairman

The Lucky Bay port option will cut the land transport distance of iron ore from Wilcherry Hill into ships from 540km for our previous Port Adelaide option to only 154km for Lucky Bay. We estimate this will reduce operating costs by about A\$20- A\$25 per tonne from A\$85 to A\$60- A\$65 per tonne. Assuming an average iron ore price of A\$140 net of freight into China, this will increase our margin to approximately A\$75– A\$80 per tonne for Stage One of the project.

Stage One is planned to ship 2 million tonnes of premium priced Direct Shipping Ore per year over a period of four years; based on the assumed iron ore price of A\$140, we are looking at potential margins totalling more than \$600 million during Stage One. The current price is about \$160 net of freight. Measured against the current iron ore price, our cash flow estimates are relatively conservative. IronClad and Trafford will share the benefits on an 80:20 basis, making this Lucky Bay port and floating harbour proposal good news for the shareholders of both companies.

From the time IronClad decided to produce Direct Shipping Ore from the Wilcherry Hill crystalline magnetite, the project has looked to be a commercially robust undertaking. The Lucky Bay port option makes it even more robust, delivering cost reductions in the region of 25% - 35%.

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Can you explain the dimensions and capacity of the floating harbour? Who else will use the harbour?

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9 May 2011

Title:

“Company Insight – Benefits & Economics of Floating Harbour”

Ian Finch

The concept of the multi-user port facility at Lucky Bay has been developed by an Australian company, Sea Transport Corporation, which already operates a car ferry service at Lucky Bay. The bulk shipping port will be developed in two stages. In Stage One, iron ore will be trucked from the mine to the port in containers and stockpiled in containers to await delivery to ships.

For the first two years the ore containers will be loaded into a barge which will be towed by tug to iron ore carriers equipped with cranes and dust suppression systems. The containers will be crane-lifted and emptied into the hold. IronClad has already purchased a tug and construction of the barge will begin shortly.

As mine production increases, the tug and barge system will be augmented with customized motorised feeder barges, additional onshore port facilities and an offshore floating harbour. The floating harbor, with its own stockpiling space and docking facilities, will be permanently anchored 5-10km offshore in Spencer Gulf, in water deep enough for 150,000 tonne iron ore carriers. The harbour itself will have the capacity to store up to 90,000 tonnes of ore.

The port will be available for use by other bulk commodity shippers. There may be other mineral producers or, for example, wheat shipments. In underwriting the development of this project, IronClad is also contributing to the economic development of the Eyre Peninsula area, and this holds us in good stead with the local community.

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Are there any additional capital cost requirements for IronClad?

Ian Finch

At this stage we are getting a feel for the cost of the Stage One arrangements. All up, the tugboat will cost about \$2 million after the refit. We have put a deposit on the barge and we are looking further into the requirements for stages two and three. It is likely that the start-up capital costs for the Lucky Bay option will be about the same as the capital requirements of the Port Adelaide option. The big attraction for Lucky Bay is the 25% - 35% reduction in operating costs.

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What is the development timetable for the harbour? Can you describe the transport logistics from the mine site to the ships?

Ian Finch

The first stage of this trans-shipment system will be fully operational in readiness for the first shipments of iron ore early in 2012, subject to receipt of all government approvals. We already own the tug. We are building the barge. The motorised trans-shipment barge and floating harbour will be ready to transport growing tonnages within two years.

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Can you give a general update on Wilcherry Hill iron ore project? When do you expect first production?

Ian Finch

The Wilcherry Hill project is in very good shape. The boxes already ticked include our Native Title Agreement with the Gawler Range Native Title Claim Group. Environmental Studies have been completed in compliance with the Mining Lease Approval process and we are awaiting the approval of the South

Australian Government; we expect to receive the mining lease approvals by July or August, and full approvals by September or October.

We have let the contract for the construction of the mine village within the township of Kimba. Many early works on the mine site have been completed. We have quite a simple construction phase to complete for Stage One of the project and that will get underway as soon as the Mining Lease is issued.

Our project team, led by Allen Cauvin, who joined us as General Manager Projects in January, is very focused on achieving the deadlines we have set to get this premium product into the market place and generating cash flow as quickly as possible. Allen's most recent appointment prior to joining IronClad was as Project Manager for Iluka Resource's Jacinth-Ambrosia mineral sands mine at Ceduna in South Australia. This project finished under budget and ahead of schedule with zero lost time incidents and was awarded the Engineers Australia Engineering Excellence award for Project Management in 2010. The South Australian Government has been very helpful in facilitating the project. With their continued support we expect to meet our target of first production and exports later this year.

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Thank you Ian.

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