

ASX RELEASE

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SOUTH AUSTRALIAN GOVERNMENT APPROVES IRONCLAD'S MINING LEASE PROPOSAL (MLP)

The emergence of Australia's newest iron ore mine has taken a significant step forward following the South Australian Government's approval of IronClad Mining's (ASX: IFE) ("IronClad" or "the Company") Mining Lease Proposal (MLP) for its Wilcherry Hill Iron Ore Project in South Australia.

"This represents a major milestone for our Company, it signifies the start of IronClad's transformation from an explorer/developer to an iron ore producer," IronClad Mining Executive Chairman, Mr. Ian Finch, said today.

"Our MLP, prepared in conjunction with Coffey Environments over a two-year period, is an incredibly detailed and comprehensive document, and to finally have it approved by the S.A. Government is a significant development for us," he said.

"IronClad thanks the S.A. Government, all stakeholders and shareholders for the encouragement and support given to the Company over the past few years.

"We are highly enthusiastic about the potential of Wilcherry Hill, and look forward to developing this in-demand iron ore project."

On target for production start-up

Mr. Finch said the Wilcherry Hill project – located near Kimba on Eyre Peninsula – remained on target to produce its first shipment of Direct Shipping Ore (DSO) for sale to Chinese steel mills in the first quarter of the 2012 calendar year.

"We have already sold the first two years of production from Stage One of the project, under a comprehensive sales contract and marketing agreement with our Singapore based agents," he said.

"The Wilcherry Hill project is already attracting worldwide attention several months out from its maiden production, including widespread interest in a number of unique concepts that we have embraced in order to export our ore.

"These include a South Australian 'first' multi-user bulk shipping port facility with a floating harbour. Interestingly, our first ore will be direct shipping magnetite – probably, also an Australian, if not a world, 'first'."

Mr. Finch said a feasibility study for Stage One of the project established that, with an average iron ore price of A\$135 per tonne FOB (net of freight charges) into China and initial operating costs of around A\$85 per tonne, the project would provide IronClad with strong margins of approximately A\$50 per tonne and an operating surplus of around A\$100 million a year at full production during the first stage.



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Image 1. Floating harbour concept

“Although the Wilcherry Hill Project, an 80:20 Joint Venture between IronClad and its associated company, Trafford Resources Limited (**ASX-TRF**), will begin life as a relatively small project by iron ore industry standards, it will be producing a premium grade product,” he said.

“Further, IronClad plans to rapidly expand the project in three stages to a total production target of over 10 million tonnes of iron ore a year.

“Our strategic plan for the future will see us rapidly escalate from a ramp up 1 million tonnes in the first year to two million tonnes in the second year of production. The third year will see the commissioning of the floating harbour to coincide with the introduction of ore from the project’s massive Hercules deposit.”

Mr. Finch said work was recently completed on the accommodation village within the township of Kimba, with initial accommodation for 40 workers and the capacity to be expanded to house up to 80 workers.

He said IronClad had been overwhelmed at the international interest its flagship project has attracted, not just for the demand of the high quality ore but also its floating harbour concept.

IronClad has signed an agreement with Sea Transport Development SA Pty Ltd (SEATS), the proponents of the port facility at Lucky Bay, near Cowell, on South Australia’s Spencer Gulf.

The Company proposes to trans-ship its iron ore from a holding warehouse at the Lucky Bay port site to a floating harbour about seven-to-10 kilometres offshore.

IronClad will finance and develop the floating harbour which will enable cape-sized vessels with a capacity of up to 150,000 tonnes to be loaded with Wilcherry Hill iron ore.

“We had previously announced plans to transport iron ore from the mine site via road to a site near Whyalla, where it was to be loaded onto rail to Port Adelaide, before being transferred to Panamax and small cape-size vessels,” Mr Finch said.

“The multi-user, bulk shipping port facility we are now developing allows us to transport our initial iron ore by road from Wilcherry Hill to onshore Lucky Bay where it will be loaded onto customised barges to be transported to the floating harbour. It will then be transferred to cape size ships docked alongside the offshore facility,” he said.

“This option will reduce the land transport distance from Wilcherry Hill to port from the initially proposed 520km to only 154km.

“Crucially, we expect to reduce operating costs significantly as a result of the shortened transport distance which will in turn allow us to bring forward production plans and self-fund those plans to a greater degree.”

“Financing well underway”

Mr. Finch said financing for the start-up production phase was well underway, with keen interest shown by a large number of banks and other financial institutions.

“If all goes according to plan, IronClad will remain a wholly Australian-owned and operated iron ore company – something of which we are extremely proud.

“With just 75 million shares on issue (approximately 36% owned by Trafford Resources), and with remaining funding likely to be raised through borrowing and paid back from early production, a shareholding in IronClad will be a rare and valuable commodity.”

Mr. Finch said the approval of the Mining Lease Proposal paved the way for final government go-ahead, and thus the start up of operations.

“The Company is finalising with the S.A. government [full] operational approvals for the mine, with the imminent submission of its extensive Program for Environmental Protection and Rehabilitation (PEPR) (formerly Mining and Rehabilitation Program - MARP), and expects that process to be completed within two to three months, in time for the scheduled mine start-up very early next year,” he said.

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