



TRAFFORD
RESOURCES LIMITED



**Company
Insight**

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Trafford Resources Limited

Highlights of interview....

- Explains Funding of Trafford & IronClad
- Outlines Value of Wilcherry Hill Iron Ore
- Gold Potential at Wilcherry Hill
- Plans & Value for Telephone Dam & Romang

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Title:

“MD Finch Explains Funding & Value”

Record of interview:

Background

Trafford Resources Limited (ASX code : TRF; market cap. of ~\$35m) is in a 20/80 joint venture with IronClad Mining Limited at the Wilcherry Hill Iron Ore Project in South Australia. Trafford owns 43.6% equity in IronClad and it's 20% direct interest in the project is free carried to production. Trafford also has a 100% interest in the gold, silver, base metals, and any other mineralisation within the 960sqkm Wilcherry Hill Project area. It also holds a strategic 9.28% interest in Robust Resources Ltd (ASX code: ROL), which owns the world-class Romang Island gold, silver, lead, zinc and copper project in Indonesia.

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IronClad has just announced a rights issue on a 1 for 4 basis with a free option for each new share issued, to raise \$11.3 million. Together with the \$6 million raised by way of a placement in December 2010, this largely funds the start-up of stage 1 of the Wilcherry Hill Iron Ore Project. Remaining funding is intended to be raised by debt funding. Why has Trafford announced that it only intends on taking up part of its rights issue?

MD Ian Finch

Current trends in China's iron ore consumption and pricing, together with the very low start-up costs and the robust nature of the Wilcherry Hill project mean that most of the remaining capital requirement of approximately \$9 million could be satisfied from debt facilities and repaid early from production. This removes the need to ask shareholders for further funding beyond the current \$11.3 million raising. It also minimizes dilution whilst preserving shareholder equity and future value in the project.

Trafford, which established IronClad and maintained a 50% shareholding through two previous rights issues, can now take a lesser equity role and turn more of its attention to its other existing, very promising projects and the development of new projects to drive growth. However, let me stress that we intend to take up part of our rights to maintain an interest in excess of 36% in IronClad after this rights issue. The combined 20% direct project interest and the indirect 36% equity interest means that Trafford shareholders will still retain an effective 49% interest in the Wilcherry Hill iron ore project. That part of Trafford's rights

not taken up will be available to the underwriters and other IronClad shareholders, contributing to greater liquidity of IronClad shares in the market.

Trafford will now have more flexibility in funding an exciting, expanding 2011 exploration program, details of which we will be announcing during the next few weeks.

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You sit on the boards of both companies. Can you please summarise IronClad's funding position after the rights issue and whether this is sufficient to get the project into production?

MD Ian Finch

With the successful conclusion of the current underwritten rights issue, IronClad will have raised approximately \$17 million, since December 2010, of the \$26 million start-up capital identified as being required by the feasibility study. That leaves approximately \$9 million for Ironclad to raise, which we intend to borrow. This very low cost total of \$26 million will allow Stage one of the Wilcherry Hill Iron Ore Project to proceed into production at a rate of up to 2 million tonnes per annum of high quality, low contaminant, high value Direct Shipping Ore. Because of the robust nature of the Project as indicated by the feasibility study, we anticipate debt funding to be paid back quickly from the proceeds of early production. This early pay back is also potentially underwritten by the short dated options being issued to shareholders under the current rights offer – assuming they are exercised in March 2012.

Several local and overseas financial institutions have expressed a strong interest in providing debt funding for stage one of the project and discussions are being held with a number of them.

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Why was the IronClad rights issue (at 75 cents per share – roughly the equivalent of the current share price) not discounted?

MD Ian Finch

It is the view of the IronClad Directors that the price of 75c a share **already** represents a significant discount to the real value of the Company, particularly as the share price at which IronClad was trading before the previous capital raising in December 2010 was approximately 95 cents. This current rights issue, which is fully underwritten by Intersuisse Limited, is in my view, very effectively discounted to give IronClad's loyal shareholders an equal opportunity, to participate fully in the low cost start up of iron ore production from the Wilcherry Hill Project. The added benefit of an attaching, free option also has the effect of offering shareholders the opportunity of maintaining a strong ownership of the project into the future.

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Can you explain how the Wilcherry Hill Iron Ore Project will contribute value to Trafford's shareholders?

MD Ian Finch

Sale of the first two years of production of up to two million tonnes per year of premium grade ore from stage one of the Wilcherry Hill Project has already been secured under a comprehensive sales contract and marketing agreement between IronClad and OM Materials Ltd of Singapore.

OM Materials will ship the ore to a stockpile in southern China for selling directly to the steel mills at prevailing market prices.

The IronClad feasibility study for stage one of the Wilcherry Hill Project indicated total cost of production of Wilcherry Hill DSO at \$85 a tonne fob. Revenue, net of freight costs, has been forecast at \$140 per tonne. The margin per tonne, therefore, is anticipated to be around \$55/tonne. Trafford's share of that margin is \$11 per tonne, or 20% of the total. Multiply that by projected annual production of 2 million tonnes a year and Trafford's annual cash flow should be in the order of \$22 million.

IronClad have said, however that they expect a first year ramp up of 1 million tonnes leading to full stage one production of 2 million tonnes in year 2. Trafford can therefore reasonably expect a flow through of \$11 million in year one and \$22 million thereafter.

The start up of stage two of the Wilcherry Hill Iron Ore Project in three to four years time should see Trafford's cash flow rise to over \$40 million per year.

The start of production at the Wilcherry Hill Iron Ore Project by IronClad will put Trafford in a much stronger financial position than many other junior exploration companies.

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Can you describe your understanding of the gold mineralisation, which occurs in conjunction with the crystalline magnetite iron ore on the Weednanna prospect at Wilcherry Hill?

MD Ian Finch

We are working to get a better understanding of the regional structure and distribution of this gold before we can realize its potential for shareholders. We have assayed more than 5,000 samples from historic drilling, holes drilled by Trafford targeting gold and from IronClad's intensive drilling program for iron ore.

This work indicates two distinct styles of gold mineralisation. There is gold directly associated with the crystalline magnetite which is common along the 1,200 m length of the Weednanna anomaly. There is also gold adjacent to, but not directly associated with the magnetite bodies.

All of this has been reported previously as has the fact that we are working on metallurgical test work and recovery and processing options, on structural analysis including geological imaging and on geological interpretation. These are complex matters, but we have a very strong exploration team with the capacity to resolve all of the issues.

I can see no evidence that the potential value of this gold has added any value to Trafford's current share price.

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You have previously indicated a strong interest in the exploration of the Telephone Dam lead zinc and silver mineralisation only a short distance from Wilcherry Hill Iron Ore Project. What is happening there and does it add value for Trafford at the moment?

MD Ian Finch

We plan to announce a new drilling program for the Telephone Dam lead, zinc and silver mineralisation very soon. Previous drilling has indicated the strong potential for commercial grade lead, zinc and silver, which is one of eight lead, zinc and silver prospects identified within the Wilcherry Hill Project area. All are within 250km of the Port Pirie lead, zinc smelter and of course very close to the mine infrastructure now being developed by our subsidiary company IronClad Mining. Currently, however, Telephone Dam also does not appear to contribute to Trafford's share price value.

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Finally can you tell us the status of Trafford's 9.28% investment in Robust Resources Limited which is the owner of the Romang Island gold and base metals project in Indonesia?

MD Ian Finch

Romang Island is a very significant gold and base metals discovery and our investment in Robust Resources is both a valuable asset and a strategic position. In theory, our 9.28% shareholding in Robust Resources should add approximately 20 cents to the price of each of Trafford's 84.6 million shares.

If you were to add the approximate 35 cents per share value of our IronClad investment to the 20c per share value of our Robust investment you could reasonably conclude that Trafford's 84.6 million shares are each worth a minimum of 55 cents against their current market value of around 40 cents. This excludes any enterprise value or cash at bank!

There is already real, not speculative, value for shareholders in Trafford Resources. During 2011 we will be working to create value, at Telephone Dam, with Wilcherry Hill gold, and also from new exploration initiatives in southern Africa and perhaps also in South America.

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Thank you Ian.

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