



TRAFFORD
RESOURCES LIMITED

ASX Release

23 February 2011

IRONCLAD TO RAISE \$11 MILLION FROM FULLY UNDERWRITTEN RIGHTS ISSUE.

- **Fully Underwritten by Intersuisse Limited.**
- **Offer to Shareholders on a 1 for 4 Basis.**
- **One Free Attaching Option per New Share.**
- **Robust Iron Ore Demand Encourages Non - Equity Funding For Remaining Stage One Capital.**
- **Current Funding Significantly Advances Wilcherry Hill Project. Towards Production.**

The Directors of Trafford Resources Ltd (ASX: TRF) advise that IronClad Mining Ltd (ASX:IFE) is to raise approximately \$11.3 million from a rights issue of 15,132,969 shares at 75c a share on the basis of one IronClad share and one free option for every four shares held, Application will be made for listing of the options which will be exercisable at 75c on or before 30th March, 2012.

Trafford and IronClad are operating a 20 % / 80% (respectively) Joint Venture at the Wilcherry Hill iron ore project, north of Kimba, in South Australia. Under the joint venture agreement Trafford is free carried through to production and has no obligation in respect of start up capital funding contributions.

In addition Trafford currently owns 26.4 million shares in IronClad, or approximately 43.6% of IronClad's issued capital. Trafford does not intend to exercise its full rights in the current issue. However, it does intend to take up **part** of its rights such that it maintains an interest in excess of 36% **after** the issue. The Company notes that the Joint Venture has considerably de-risked the project to the point that, subject to statutory approvals, production is projected to commence in the 4th quarter of this year. It further notes that a majority of the project start up funding will be in place at the conclusion of the current rights issue and that it is IronClad's intention to pursue the remaining capital through non dilutionary borrowings.

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The currently projected margins for the project indicate a cash operating surplus of \$11 / tonne due to Trafford, or an annual cash flow of \$22 Million per year at full production during stage one. The introduction of stage two should see Trafford's cash flow rise to over \$40 Million per year.

Current funds will be used for ongoing construction and fabrication for the \$26 million start up of stage one of the Wilcherry Hill Iron Ore Project, including the securing of long lead time items. Production is expected to commence in the final quarter of this year.

The issue, which is fully underwritten by Intersuisse Limited, will give shareholders another opportunity to invest in the low cost start up of iron ore production from the Wilcherry Hill Project.

IronClad shareholders will also have an opportunity to apply for additional shares from any shortfall in the take-up of rights.

Upon the successful conclusion of the current rights Issue, IronClad will have raised approximately \$17 Million, since December, of the \$26 Million start up capital outlined as being required in the feasibility study. Current trends in China's iron ore consumption and the robust nature of the Wilcherry Hill project means that most of the remaining capital requirement could be satisfied from debt facilities and repaid early from production. This would remove the need to ask shareholders for further funding while preserving their equity levels and future value in the project.

Several local and overseas financial institutions have expressed a strong interest in providing capital and the Company is currently in discussion with them.

The Wilcherry Hill Iron Ore Project is being developed to begin production of premium quality, Direct Shipping Ore (DSO) for sale to Chinese steel mills. Production is scheduled to begin in the December quarter, ramping up to 2 million tonnes a year of the premium product.

Sale of the first two years of production from stage one of the project have 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.

IronClad completed a feasibility study for stage one of the Wilcherry Hill Project late last year.

This indicated that, with an average iron ore price of A\$140 net of freight charges into China and initial operating costs of around A\$85 per tonne, the project would provide the IronClad / Trafford joint venture with margins of approximately A\$55 per tonne and an operating cash flow of around A\$110 million a year at full production during stage one.

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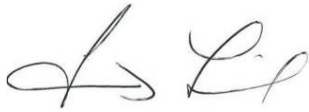
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The feasibility study also outlines how the Company can reduce its costs by up to \$19 / annum within the two year period after start up.

IronClad Executive Chairman Ian Finch said that demand for iron ore in China had continued to strengthen since the feasibility study was concluded and was now at A\$182 / tonne for premium grade ore such as produced by Wilcherry Hill. *(Current iron ore prices for 62% fines into China, net of freight charges, are in the vicinity of \$160 / tonne).

The continuing strong iron ore demand, the robust nature of the project and rapid payback of capital expected from Wilcherry Hill stage one had prompted the Directors to re-think plans for capital raising to maximise the value held by current shareholders, Mr Finch said.



Ian D. Finch
Managing Director

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