



IronClad Mining Limited

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Title: “Company Insight – New MD Mencil on 2013 Outlook”

Highlights of Interview

- **Reasons for joining IronClad.**
- **View on iron ore prices.**
- **Mining background & skill set, particularly in iron ore.**
- **Explains the significance of latest 2 important ASX announcements.**
- **Progress on site & main issues required to get into production.**
- **Update on exploration.**
- **Current scope of project.**
- **Off take agreements & longer term value creation initiatives for shareholders.**

Record of interview:

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IronClad Mining Limited (ASX code: IFE; market cap of ~\$25m) last week made two important announcements for its Wilcherry Hill Iron Ore Project (IFE 80%, Trafford Resources 20%) in South Australia. You joined IronClad in April 2012 as Chief Operating Officer and were appointed Managing Director commencing 1 January 2013. Can you briefly summarise what influenced you to join IronClad?

Managing Director, Robert Mencil

I've been talking to IronClad about joining since about 2011. It's an exciting opportunity in iron ore with near term production, a very strong technical team and a relatively open shareholder register.

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Clearly it's difficult to forecast iron ore prices, particularly given the recent volatility in spot prices, but it's very important for emerging producers. What's your view?

Managing Director, Robert Mencil

For an emerging producer timing for first production is important. We're currently experiencing relatively high iron ore prices and it's important to take advantage of this and generate surplus cash flows early.

What mining background and skill set do you bring to the position, particularly in iron ore?

Managing Director, Robert Mencil

I've been working in the mining industry for 25 years and for the last 7-8 years specializing in iron ore. I started as a 17 year old on mine sites and have a Bachelor of Engineering in mining, an MBA and various mine manager tickets. I progressed on to developing mines for various publicly listed and private mining companies.

I spent more than 6 years at Mount Gibson Iron Limited and was part of a team which took it from a one to a three mine company. That saw it move roughly from a \$200 million market capitalisation company to around a \$3 billion company at one stage. Initially, I was the General Manager for Talling Peak, which was the first mine and we expanded that from 1 million tonnes per annum to 3 million tonnes per annum of iron ore. Then I went to be the General Manager at Koolan Island which was Mount Gibson's largest investment at more than \$1 billion capital and I oversaw the transition from contract mining to owner-operated mining.

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Can you explain the importance of your two latest announcements – firstly the South Australian Government sponsoring your application for amendments to the Lucky Bay Port approval and secondly the successful trial of the offshore loading system?

Managing Director, Robert Mencil

We made these two announcements last week. The first was that the South Australian Government had sponsored Wilcherry Hill Iron Ore Project under Section 49 of the South Australian Government's Development Act. This Act facilitates approvals for infrastructure projects which are deemed essential for South Australia's development. It means that we were able to vary our proposed development with the Government's support; that in itself doesn't mean the project has final approval, but it was important for us to vary the project to save on capital and operating costs also, moving forward, the final approval process is likely to be a much more streamlined process. We're very confident now that, having received this sponsorship, final approval will come quickly.

The second announcement of the successful trial of the offshore loading system was significant in itself. This revolver unit system is currently well understood and widely used in ports and sheltered waterways, but not offshore as we will be using it. The main technical risk to the project was the efficiency of our transshipment process. We wanted to test this physically through a staged approach. We purchased two revolver units which were made to our specifications. We initially trialled the system onshore, next on the Port River in Adelaide and finally after making some design improvements, we successfully trialled it offshore.

To achieve our initial shipping targets we only need the offshore loading system to operate 110 days a year, but we're confident it will be able to operate 250 days a year and so it will have plenty of excess capacity. We plan to transport ore to Lucky Bay Port, 156km from the mine site, by road train and then transport it by barge to 70,000t Panamax vessels anchored in the Spencer Gulf.

As we said in our ASX announcement last week this offshore loading system that we successfully trialled could be used elsewhere in the World. We believe that once we have proven its success, our experience will be a real competitive advantage. It is a very low capital cost approach compared with traditional ports shipping iron ore.

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Can you give an update on development progress on site?

Managing Director, Robert Mencil

The immediate tasks are to get all State Government approvals and then we will get on-site and start investing more money. That should happen fairly quickly after Development Assessment Commission approval.

We'd be disappointed if we didn't receive Development Assessment Commission approval in the next 2 and half months. Subject to Board approval, we anticipate around 5 months of intense construction primarily at the port and to be shipping first ore 6 months after Board approval.

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In your announcement of 11 February, you stated that "With iron ore prices also rebounding recently, the SA Government approvals give us further strong impetus to commence production as soon as possible." What are the specific challenges in bringing the project into production?

Managing Director, Robert Mencil

The main issue is to get State Government approvals and as I indicated before, we expect a reasonably clear path forward.

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You've recently reported some encouraging exploration results when encountering additional possible Direct Shipping Ore (DSO) material. Can you give a general update on your exploration program and plans?

Managing Director, Robert Mencil

Over the last 12 months we've conducted some regional exploration. The first program of drilling at Zealous and Black Hills West was quite successful and we were pleased with the results. That has given us the confidence that we can generate additional resources and reserves relatively quickly. At this stage we're happy with our current Resources and Reserves numbers to support initial production, but I'd expect that roughly 3 months into production that we would significantly ramp up our regional exploration. That would primarily be looking for near surface DSO resources so that we will be mining the lowest cost tonnes early in the project. We'd also look for feed that could be processed through a Dry Magnetic Separation (DMS) plant or a Gravity Separation (GS) plant.

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What scope of project is now envisaged, taking into account possible additions to your DSO resource?

Managing Director, Robert Mencil

The initial production will be DSO and we'll try to extend the production of DSO for as long as possible. Once that has been exhausted, we'll continue with feed processed through a DMS plant. Following that, we'll require a GS plant. For a small, emerging producer it's important to ship as much DSO as possible - so that's our main focus.

Overall we plan a staged development starting with 1 million tonnes per annum of DSO and feed through a DMS. Stage Two will introduce a GS plant.

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What rough timetable do you have to add to JORC Resources to support those production plans?

Managing Director, Robert Mencil

We are doing some desk top exploration work, but we're going to wait until we're in production before doing any additional drilling. It will probably be 15 months before we announce any change to Resource. That is very deliberate though as we have more than enough ore to produce over that period - we're happy

with what we already have - and we want to conserve as much cash as possible. As I said, we are confident of significantly adding to our Resources when we seriously address it.

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You currently have an offtake agreement for 50% of production for the first four years. When will you enter further sales contracts? What is the general interest from potential customers in the iron ore from the project?

Managing Director, Robert Mencil

As you said, we have offtake agreements in place for 50% of production for the first four years. The offtake for the other 50% actually expired recently and that has given us the opportunity to talk with the market. Discussions are currently underway with various parties which include certain benefits that we can negotiate.

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Can you summarise your strategy as the new Managing Director and the longer term value creation initiatives for shareholders?

Managing Director, Robert Mencil

My immediate priority is to get Development Assessment Commission approval and then secure funding for a successful start-up to production. In the medium term, once we're generating positive cash flow it's really a question of which investments will give us the best return on that capital at Wilcherry Hill. Long term, it's how best to take into account the skills we have in the Company and where best to apply those in order to add value and achieve an attractive return for shareholders.

Overall, we're very much looking forward to IronClad becoming an iron ore producer.

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Thank you Robert.

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