

# Nevada Iron Ltd

ACN 123 043 987



30 April 2012

## QUARTERLY REPORT FOR THE PERIOD ENDED 31 MARCH 2012

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### HIGHLIGHTS

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- **Appointment of experienced Board members with extensive finance and project development expertise.**
- **Change of Company name to Nevada Iron Ltd.**
- **\$3 million placement at 25c (a premium of 16 % to the 30 day VWAP as at the announcement date).**
- **Initial findings of project review and optimisation are:**
  - **increasing the throughput rate is beneficial for project economics, albeit with some capital cost increases;**
  - **scheduling higher grade mineralisation in the initial years of the project is possible, with substantial economic benefits;**
  - **development of a Phase 2 project enhances project economics and makes the project more attractive to offtake financing partners;**
  - **some areas of the previous capital cost estimate were not at a Definitive Feasibility Study level and capital costs will increase over the previously reported US\$161 million (excluding contingency) due to scope changes;**
  - **permitting will take longer than previously estimated due to the scope changes currently being investigated; and**
  - **additional US based management resources are required to execute the project.**
- **Review of historical drilling, at the Section 5 target, indicates potential for additional resources and higher grade magnetite mineralisation at Buena Vista.**
- **Spectacular total iron values, over considerable vertical distances, with numerous assays of over 50% Fe reported at Section 5.**

### Overview

Nevada Iron Ltd (ASX Code: NVI) is an Australian based resource company focused on the development of the Buena Vista Iron Project located in Nevada in the United States.

## **Corporate**

On 26 March 2012 the Company's name changed from Richmond Mining Limited to ***Nevada Iron Ltd*** ("Nevada Iron") and on 29 March 2012 the Company raised \$3,000,000 via the issue of 12,000,000 fully paid shares, at an issue price of \$0.25 per share. For ongoing advisory services, the Company also granted 12,000,000 options each with an exercise price of \$0.30 and a term of three years to nominees of MRI Advisory AG. Shareholder approval was also obtained for the granting of 5,000,000 options to Directors, each with an exercise price of \$0.50 and a term of three years.

In conjunction with the capital raising, Messrs Mick McMullen, Tom Duckworth and Andrew Brice were appointed as Directors and founding Directors Howard Dawson, Jim Malone and Greg Barns all resigned.

Messrs McMullen, Duckworth and Brice joined Messrs Nind and Jelenich on the Board, which now boasts considerable engineering, geological, metallurgical, corporate and project development expertise.

## **Buena Vista**

### ***Project Review and Optimisation***

The new Board of the Company commenced a review of the Buena Vista Iron Project, which aims to accurately assess changing the scope of the project and optimising it where possible.

The key components of this review and optimisation process are:

- increasing Phase 1 plant throughput from 4.8 Mtpa to a minimum of 6.0 Mtpa;
- schedule mining of other deposits, in addition to the West deposit, in the initial years to increase concentrate production to levels of up to 2.4 Mtpa;
- investigate the potential to develop a Phase 2 project after, a few years of operation, to produce in the order of 3.5 to 4.0 Mtpa of concentrate;
- accurately assess the capital cost estimate for the project based on higher throughput;
- accurately assess the permitting timeline for the project in light of potential scope changes; and
- strengthen the Company's project execution team.

This review is not yet complete, however, the initial findings are:

- increasing the throughput rate is beneficial for project economics, albeit with some capital cost increases;
- scheduling higher grade mineralisation in the initial years of the project is possible, with substantial economic benefits;
- development of a Phase 2 project enhances project economics and makes the project more attractive to offtake financing partners;
- some areas of the previous capital cost estimate were not at a Definitive Feasibility Study level and capital costs will increase over the previously reported US\$161 million (excluding contingency) due to scope changes;
- permitting will take longer than previously estimated due to the scope changes currently being investigated; and
- additional US based management resources are required to execute the project.

One of the key findings of the review process is that the previous study was based on a relatively small subset of the total iron mineralisation present within the greater project area. In order to more fully scope the project, the Company has committed to an aggressive exploration programme for the purpose of increasing and expanding the existing JORC resources and converting known higher grade exploration targets and prospects to JORC resources.

The delineation of higher grade exploration targets and prospects is expected to lead to a revision of the existing mine plan (for the purpose of maximising cash flow in the early years) and defining a larger project.

It is anticipated that the final project scope, costing and schedule will be determined by the end of December 2012. Following this, the Company intends to fast track the finalisation of all project approvals and permits.

As a consequence of enlarging the scope of the project, discussions with debt providers have been put on hold until the new financial model is finalised.

### ***Beneficiation Plant Design***

Samuel Engineering of Denver, Colorado completed the design and capital cost estimate for a 6 Mtpa plant based on used comminution equipment for the Primary Crushing, SAG and Ball Milling. All costs used in the feasibility report were then standardised to reflect the local US mining environment. In addition, the plant throughput has been increased from 4.8 Mt to 6 Mt per year.

All costs have been based on first quarter 2012 to allow for escalation over the 12 months since the previous capital cost estimate was developed by GRES in Perth. The process route in the GRES study was based on three stages of crushing followed by two stages of grinding in rod and ball mills, all based on used comminution equipment, some of which is now unavailable.

Currently, Samuel Engineering are making a comparison of capital costs for new comminution equipment as against used and are obtaining budget prices and deliveries for new mills from manufacturers in USA.

Samuel Engineering also standardised capital costs to US conditions for the dewatering and rail load-out facilities at Colado, as designed for the feasibility study. The storage capacity of the concentrate shed has also been increased to allow for the proposed increase in production rate and changes to train scheduling.

An appropriate level of contingency and EPCM costs are being incorporated into a revised capital cost estimate that is based on the updated scope of works. This estimate will also include all owners costs associated with financing and managing the project. This work is incomplete, but the initial findings are that the capital cost will be greater than the previously announced US\$161 million (excluding contingency).

Once the project scope is finalised and design work completed, a revised capital cost estimate will be released along with the project economics.

### ***Concentrate Pipeline Design***

A 20 kg sample of concentrate was submitted for detailed laboratory test work, the results of which are being used as the basis for the pipeline design. The design work is proceeding

based on a throughput range of 220 to 280 dry tonnes per hour of concentrate (approximately equates to a range of wet concentrate of 1.9 to 2.4 Mtpa).

### ***Permitting***

During the first quarter of 2102, Federal and State permitting processes for the Buena Vista project focused on data collection and on-going agency consultations.

The Environmental Assessment (EA) of the project's linear infrastructure (bore field pipeline, concentrate pipeline and transmission power line) being prepared for the US Bureau of Land Management (BLM) required extensive coordination with BLM to facilitate a revision to the project description, reflecting the realignment of the concentrate pipeline to better access the proposed Colado rail facility.

Additionally, Nevada Iron's consultants have conducted raptor surveys, endangered species surveys and cultural resource inventories of all of the major project elements, in accordance with BLM guidelines for the EA process. The initial survey reports have been submitted to and discussed with BLM. No significant environmental issues that would affect the Federal or State permitting processes have been identified.

The major focus of the permitting effort, in the quarter, centred on the Water Pollution Control Permit (WPCP). The WPCP has six project elements that require detailed evaluation, including:

1. pit lake characterisation;
2. soil and groundwater collection beneath the proposed tailings facility;
3. soil and groundwater collection beneath the proposed waste rock facility;
4. soil and groundwater collection beneath the proposed concentrate and return water pipelines;
5. soil and groundwater collection beneath the proposed processing facility; and
6. soil and groundwater collection beneath the proposed rail loading facility at Colado.

Nevada Iron's consultants are continuing to work with the Nevada Department of Environmental Protection to ensure that soil and groundwater data collection techniques and laboratory analytical procedures conform to the requirements of the WPCP application. They are also working on how to best modify future data collection to optimise the WPCP application review.

As part of the WPCP data collection process, Nevada Iron drilled numerous holes in the vicinity of the pit and proposed tailings facility. The holes, drilled to a maximum depth of 120 metres, were intended to identify depth to groundwater and allow collection of ambient water, if present, for water quality analysis.

The drilling program identified minimum depth to groundwater at about 110 metres below the existing ground surface and initial water quality laboratory results indicate poor background water quality.

Preliminary geochemistry results from the soil samples indicate that water percolating through the tailings and/or waste rock disposal sites would not likely further degrade the groundwater.

During the first quarter of 2012, Nevada Iron also pursued permits and authorisation from the State of Nevada to drill groundwater wells to support data collection for the WPCP and to conduct a 15 day pump test on the first production well to be drilled in the bore field. All

of the State authorisations to evaluate groundwater beneath the proposed project elements and pump test requests were approved.

### ***Logistics***

Primary goals for this quarter were to continue to negotiate agreements with the railroads, ports and railcar leasing companies. In addition, work continued into opportunities to improve the project's economics by investigating more efficient and lower cost port sites.

The Company met with port developers and visited alternate deeper water port sites that have the potential to provide more efficient port options in the San Francisco bay/delta area.

Recognising that the US domestic railcar market is buoyant, with lead times for rail car orders exceeding 12 months, the Company negotiated a term sheet for the leasing of a fleet of up to 400 rapid discharge bottom dump aggregate hopper rail cars. This term sheet is non-exclusive and it is intended that other corporations be approached in order to secure the most competitive deal.

### ***Management Team***

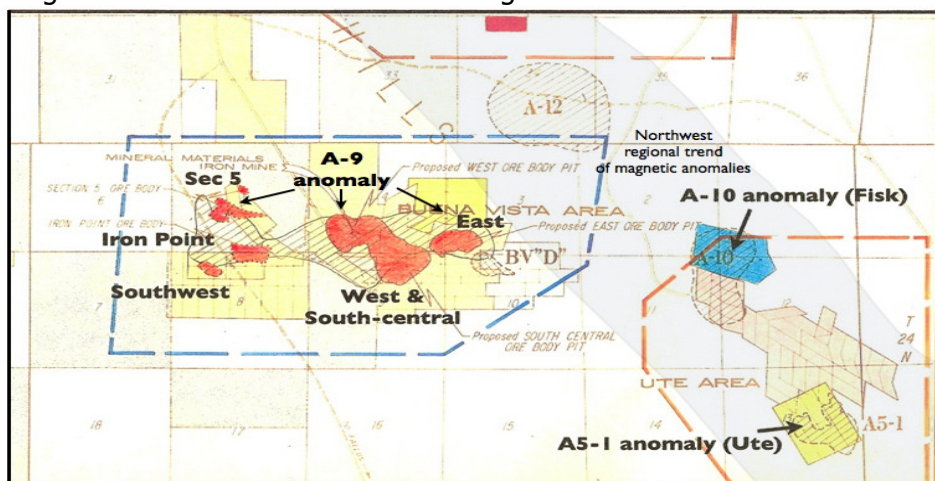
The project review has indicated that a US based management team is required to take the project forward through to construction and operations. An executive search is underway for a high calibre Project Manager/Chief Operating Officer who will then be tasked with building the team to take the project forward and to secure the permits required to construct and operate the Buena Vista Iron Project.

### ***Exploration***

Nevada Iron has approved an aggressive drilling programme of approximately 100 RC holes (11,000 metres) and 9 diamond drill holes (1,400 metres) to further test the Section 5 prospect and a number of other prospects with the goal of increasing the resource base to support the case for the future expansion of the project.

In the past, exploration at Buena Vista consisted of magnetic surveys and drilling that were completed between about 1957 and 1979 by Southern Pacific Company, Columbia Iron Mines and US Steel. This work identified numerous zones of potentially economic magnetite mineralisation, including the Section 5 prospect, as shown in Figure 1.

Figure 1: Location of Buena Vista magnetite occurrences



Finalisation of the Section 5 historic drilling data review was completed during the quarter, which highlighted this prospect's potential to host additional resources of higher grade magnetite mineralisation at Buena Vista.

The Section 5 prospect was initially delineated as a relatively intense magnetic anomaly and Southern Pacific Company drilled a number of, mostly vertical, diamond holes.

Better historic drill intersections include 135.6 metres grading 35.8% total Fe from 7.7 metres in SP 04 and 135.5 metres grading 33.2% total Fe from 7.8 metres in SP 01.

The historic holes over Section 5 (refer Table 1) demonstrate wide zones of continuous magnetite mineralisation, containing in many cases, individual assays grading between +30% total Fe and +50% total Fe.

These historic results highlight the potential for the Section 5 prospect to be a source of higher grade mineralisation to feed the proposed Buena Vista Iron Project.

The Section 5 prospect is less than a kilometre from the proposed location of the beneficiation processing facility.

The historical drilling data that is available over all the other prospect areas (Figure 1) is being progressively gathered and digitally captured in preparation for preliminary modelling. Because of the age of the data, further drilling is required at these prospects to establish JORC mineral resources.

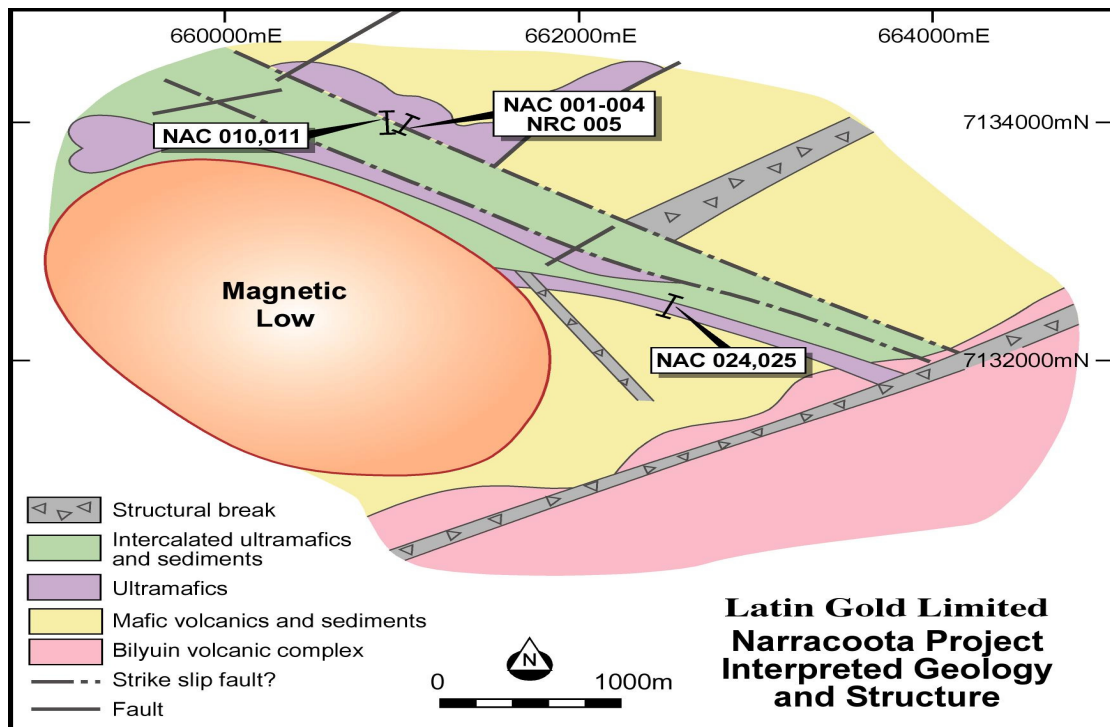
The project's existing JORC resources and clear potential of targets, such as Section 5, support Nevada Iron's expectations that the operational life at Buena Vista could reach or exceed 20 years.

### **Narracoota (100% Nevada Iron – Latin Gold Limited earning 90%)**

The Narracoota project is located approximately 80 kilometres north of Meekatharra, Western Australia.

The project covers part of the southern section of the Palaeoproterozoic Bryah Basin (a sub-basin of the Glengarry Basin) and has been explored for epigenetic gold and VHMS-style base and precious metals by previous explorers.

The project area lies some 75 kilometres southwest of the DeGrussa discovery which is hosted by rock units of the Narracoota Volcanics. The Narracoota project contains extensive widths of Narracoota Volcanics, which are interpreted to occur in at least three structural repetitions that provide a cumulative target zone of approximately 20 kilometres in length.



Under the terms of the amended Narracoota joint venture, Latin Gold Limited has the right to earn a 90% interest in Narracoota by expending \$500,000. When that expenditure is achieved, Nevada Iron's interest in the project will revert to a 10% free carried interest through to completion of a feasibility study or the cumulative expenditure of \$2 million.

Latin Gold Limited applied for a drilling grant under the Royalties for Regions programme funded by the West Australian State government. Latin Gold Limited was successful in achieving a grant of \$59,000 for the proposed 2012 programme.

### **Loongana (Nevada Iron 100%)**

The Loongana project is located on the Nullarbor Plain within Western Australia and covers over 40 kilometres of a buried mafic and ultramafic intrusive. The intrusive had been interpreted from geophysical surveys and two historic drill holes, and six drill holes completed to date by Nevada Iron have confirmed the geology.

A reverse circulation drilling programme to test three magnetic and gravity co-incident anomalies within the tail and neck section of the ultramafic intrusive is planned for the June quarter of 2012. Three vertical holes are planned with an average depth of around 400 metres.

Nevada Iron was successful in receiving funding of \$122,500 from the Royalties for Regions programme for this proposed drill programme.

**Max Nind  
Managing Director**

For further information on the Company visit [www.nv-iron.com](http://www.nv-iron.com)

### **Competent Persons Statements**

*The information in this presentation that relates to, resources and resource potential is based on information compiled by Dr Vernon Stocklmayer who is a Member of the Australian Institute of Geoscientists. Dr Stocklmayer is an independent consultant to Nevada Iron Ltd. All other discussion is based on information compiled by Mr Max Nind; who is a Member of the Australian Institute of Geoscientists; and Mr Thomas Duckworth; who is a Fellow of both the Australasian Institute of Mining and Metallurgy and Institute of Materials, Minerals and Mining, London. Mr Nind, Managing Director, and Mr Duckworth, Director, are representatives of Nevada Iron Ltd. Dr Stocklmayer, Mr Nind and Mr Duckworth have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity to which they are undertaking to qualify as Competent persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Stocklmayer, Mr Nind and Mr Duckworth consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.*

Table 1: Section 5 - Southern Pacific Company Diamond Drill Results

Hole	Easting	Northing	From	To	Interval	Total Fe
SP 01	unknown	unknown	25.6 ft	470.0 ft	444.4 ft (135.5m)	33.2%
SP 02	611 250 ft	190 2830 ft	26.1 ft	120.0 ft	93.9 ft (28.6m)	18.2%
SP 03	611 500 ft	190 2775 ft	2.7 ft	460.0 ft	457.3 ft (139.4m)	29.9%
SP 04	611 375 ft	190 2810 ft	35.2 ft	470.0 ft	444.8 ft (135.6 m)	35.8%
SP 05	611 400 ft	190 2960 ft	30.5 ft	779.8 ft (EOH)	749.3 ft (228.4m)	23.8%
SP 06	611 180 ft	190 3040 ft	46.7 ft	210.0 ft	163.3 ft (49.8m)	33.4%
			245 ft	440.0 ft (EOH)	195.0 ft (59.4m)	32.6%
SP 07	611 290 ft	190 3070 ft	39.9 ft	560.0 ft (EOH)	520.1 ft (158.5m)	21.9%
SP 08	611 550 ft	190 3225 ft	50.0 ft	295.0 ft	245 ft (74.7m)	22.9%
SP 08			320.0 ft	530.0 ft	210 ft (64.0m)	21.8%
SP 09	611 600 ft	190 3750 ft	10.0 ft	140.0 ft	130.0 ft (39.6m)	20.3%
SP 10	611 750 ft	190 3800 ft	2.0 ft	374.0 ft	372.0 ft (113.4m)	20.0%
SP 11	611 100 ft	190 3440 ft	73.5 ft	301.2 ft	227.7 ft (69.4m)	24.6%
SP 13	611 510 ft	190 3415 ft	55.3 ft	140.0 ft	84.7 ft (25.8m)	25.3%
SP 13			175.0 ft	495.0 ft	320.0 ft (97.6m)	26.3%
SP 14	unknown	unknown	6.3 ft	100.0 ft	93.7 ft(28.6m)	17.5%
SP 14			120.0 ft	190.0 ft	70.0 ft (21.3m)	28.5%
SP 15	611 120 ft	190 2970 ft	49.6 ft	190.0 ft	140.4 ft (42.8m)	29.0%
SP 16	611 525 ft	190 2850 ft	9.0 ft	455.0 ft	446.0 ft(136.0m)	22.3%
SP 17	611 330 ft	190 2900 ft	50.0 ft	195.0 ft	145.0 ft (44.2m)	31.3%
			325 ft	500.0 ft (EOH)	175.0 ft (53.3m)	26.6%

*Note: The large majority of the sample intervals were 5ft (1.5m). Drill holes were vertical diamond holes. A nominal cut-off of 15% total Fe has been used to determine the bulk intervals.*