



# ANNUAL REPORT

For the year ended 30 June 2011

## IRON ROAD LIMITED

ABN 51 128 698 108

## Corporate Directory

### Directors

Julian Gosse	Chairman
Ian Hume	Non Executive Director
Matthew J Keegan	Non Executive Director
Jerry Ellis	Non Executive Director
Andrew J Stocks	Managing Director

### Share Registry

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### Company Secretary

Graham D Anderson

### Auditors

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38 Station Street  
Subiaco WA 6008

### Registered Offices

Level 1, 681 Murray Street  
West Perth WA 6005

Telephone	08 6382 4600
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ABN	51 128 698 108

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Boo-Loo resource drilling

## Review of Operations

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The centrepiece of Iron Road's year was the delivery in June of a completed Prefeasibility Study for the Central Eyre Iron Project (CEIP). This was the culmination of a significant body of work across geology, mining studies, metallurgical test work, transport, infrastructure and market research.

Ultimately, the completed report has shown that a 12.4 million tonne per annum iron concentrate operation is viable with competitive operating and capital costs. This was a significant result for Iron Road and clearly delivered on the promise initially shown at the CEIP.

By confirming a robust and attractive project with competitive capital and operating costs, the CEIP is now placed directly alongside other top tier magnetite development projects underway in Australia.

Iron Road is now investigating potential upside improvements, including a coarser grinding option and rail transport options, as well as increasing the net present value of the project by defining additional resources at Murphy South.

The next stage for the project will be the successful identification and signing of a development partner and the commencement of a Definitive Feasibility Study (DFS). The DFS will also investigate a potential Stage II expansion of 50%-100% in increased production from Stage 1. Alongside these activities, Iron Road is continuing to expand the mineral resources at the project.

### Highlights

#### *Central Eyre Iron Project – Prefeasibility Study (PFS)*

- Prefeasibility Study underpins strong project fundamentals and development potential – 12.4 million tonne per annum iron concentrate operation based on the current Mineral Resource (Stage 1 “base case”).
- High grade concentrate of 67% iron at -106 micron grind achievable.
- Robust and attractive project, with competitive operating and capital costs.
- Project value will increase significantly with expected increases in Murphy South Mineral Resource.
- Product characteristics suitable for immediate standard blast furnace use as a sinter blend feedstock, expanding potential customer base.
- Project enjoys significant advantages with a large uniform and coarse-grained, orebody situated in a favourable geographical location and geopolitical jurisdiction.
- Number of potential areas for increases in project returns above base case identified – further Mineral Resource expansion, premium pricing confirmation, coarser grind, rail options and infrastructure cost sharing.

#### *Central Eyre Iron Project*

- Post completion of the PFS, an upgrade of the mineral resource estimate for Murphy South to 1.01Bt was recorded, bringing the project global mineral resource estimate to 1.33Bt<sup>1</sup>.
- Stage VI drilling programme commenced in March 2011 and completed subsequent to year end in September 2011, with a total of 64 holes drilled for 26,884m. Indications are that a mineral resource estimate of considerable size and tonnage will be defined additional to the current 1.01Bt already identified at Murphy South.
- New intersections outside Murphy South and Boo Loo areas recorded during Stage IV drilling programme – further work is pending due to prioritisation of additional Murphy South resource definition under Stage VI programme.

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<sup>1</sup> Refer to Competent Person's Statement

### *Gawler Iron Project*

- Stage I programme identified hematite and magnetite mineralisation at all ten geophysical test sites, with further test work indicating that ore is amenable to upgrading by magnetic separation yielding concentrates that range from 65.9% to 71.7% iron at an optimum grind size of -106 micron.
- An EWA for the Stage II diamond drilling programme has been lodged with Primary Industry and Resources South Australia (PIRSA) for approval. Drilling is expected to commence during Q3 2011.
- Iron Road has met its hurdle to earn 51% of the iron ore rights at the Dominion West Gawler tenements and is on track to earn up to 90%.

### *Corporate*

- Successfully raised \$29.7 million during 2010 to further the company's development plans during the year, across two raisings with the first at \$0.55 raising \$8.1 million and the second at \$0.90 raising \$21.6 million. Exercise of options issued post IPO and expiring 30 September 2010 raised an additional \$5.2 million.
- Preliminary financing and partnership discussions have commenced for a significant development partner to take the CEIP beyond the DFS stage and ultimately into construction and production.
- Mr Jerry Ellis appointed to the Board as a non-executive director. Mr Ellis has had a long and distinguished career in business, particularly in the resources sector, including three decades at BHP Ltd, Chairing the company from 1997 to 1999.

### *Community*

- Building on the earlier strong community engagement, Iron Road commenced a formal structured community engagement program, including a series of public meetings with local residents.
- Sponsorships for the year have included the Lock Cup picnic races and 20/20 Challenge exhibition cricket match.
- Iron Road joined the Eyre Peninsula Mining Alliance as a founding member.

**Central Eyre Iron Project – Prefeasibility Study  
(Iron Road 100%)**

The prefeasibility study (PFS) findings announced on 14 June 2011 are based on a formally structured programme conducted over 15 months and incorporates results from over 47,000m of diamond drilling, 3,000 Davis Tube Recovery (DTR) tests and 8,000 XRF (X-Ray Fluorescence) analyses at the Project.

The PFS indicates that the Central Eyre Iron Project is robust with competitive capital and operating costs. The resulting high quality product will be desirable for almost all blast furnace steel mill customers, with an expected pricing premium as a result. Due to the coarseness of the concentrate, pelletising will be unnecessary, avoiding a possible shortage of pelletising capacity as several finer- grained magnetite projects commence production.

Key prefeasibility study outcomes are summarised below.

Item	Units	Value
Capital Cost — <i>Directs</i>	A\$ million	1,744
Capital Cost — <i>Indirects</i>	A\$ million	508
Capital Contingency	A\$ million	338
Cash Operating Cost	FOB A\$ per tonne of product	59.01
Base Case NPV	A\$ million	1,091
Strip Ratio	Waste:ore	0.8 : 1.0
Process rate	Mtpa	67.6
Concentrate production	Mtpa	12.4
Concentrate grade	% iron	67
FX rate	US\$/A\$	0.80
Average iron price	US\$/dmtu	150.67
Average product price	US\$/t	100.78

The main points of note are –

- Commercial viability of 12.4 million tonne per annum iron concentrate operation confirmed with production of a high grade concentrate of 67% iron (Stage 1 “base case”).
- Concentrate with grind size of -106µm (80% passing or p80).
- Transport route to port via slurry pipeline with return water line.
- Expected capital costs of A\$2.59 billion (including contingency of A\$338M) and operating costs of A\$59 per tonne (FOB) of high quality iron concentrate.
- Stage 1 “base case” net present value of \$1.09 billion at 8% discount rate (based on Pilbara fines dmtu price).
- Indicative production specifications are for a 67% Fe coarse grained sinter feedstock, which is expected to fetch a premium above Pilbara fines prices.
- Sensitivity analysis of premium pricing to Pilbara fines indicates that project returns increase dramatically when pricing is linked to the expected value in use for the CEIP product.
- Excellent mineralogical characteristics of the ore have been confirmed. A simple process design delivers high quality sinter feed at a competitive cost.
- Coarse grinding with efficient high pressure grinding rolls reduces power and capital costs with higher iron recoveries.
- Metallurgical testing and marketing studies indicate that CEIP’s -106 µm (p80) product will be highly attractive to standard blast furnace sinter plant operators, making the product attractive to a large number of customers.

## Iron Road Limited – Annual Report

- The concentrate will be marketed as high quality sinter feed stock, avoiding a potential shortage of pelletising capacity.
- Final product is expected to be suitable for blending with lower grade “earthy” Pilbara style fines.
- The attractive physical and chemical characteristics of the orebody, including coarse grain size and simple liberation, result in efficient processing despite lower head grades.
- Scoping level estimates in the CEIP PFS have assessed a -125 µm (p80) concentrate option with rail to port in lieu of a slurry pipeline. Initial results are encouraging and are being further developed for both the -106 µm and -125µm grind options.
- The prefeasibility study “base case” incorporated the then current Murphy South Mineral Resource estimate, which is a third, or two kilometres of the potential six kilometres, of strike.
- Current exploration drilling is increasing knowledge of the Murphy South and nearby deposits and is on track to substantially increase the Mineral Resource at Murphy South. The exploration target for the tenement is 2.8 to 5.8 billion tonnes of magnetite gneiss<sup>2</sup>.

The Key Findings table below illustrates the significant impact that additional resources, potential CEIP concentrate price premium and generally higher prices for iron ore will have on project value.

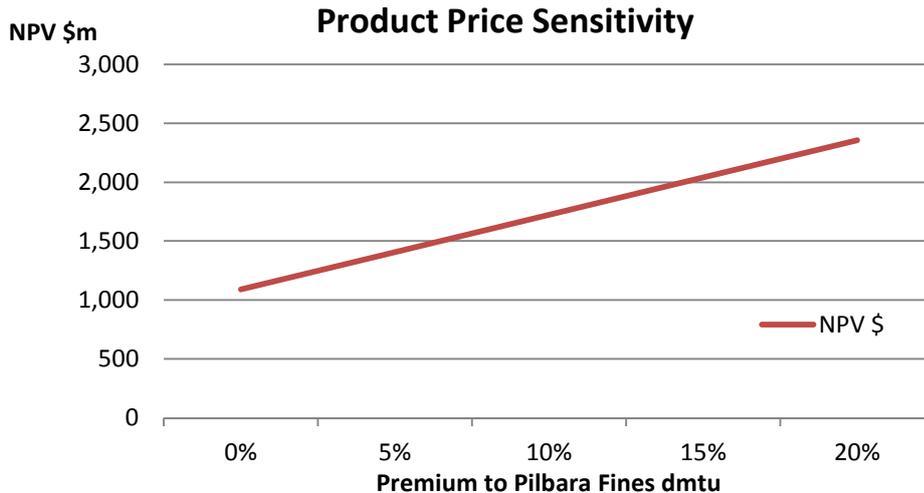
Item	Units	Base Case <sup>1</sup>	Spot FOB Price <sup>2</sup> over current resource	30 year project life <sup>3</sup> , long term pricing	30 year project life <sup>3</sup> , Spot FOB pricing <sup>2</sup>
Capital Cost - Direct	A\$	1,744	1,744	1,744	1,744
Capital Cost - Indirect Capital	million	508	508	508	508
Contingency	A\$	338	338	338	338
NPV	million	59	59	59	59
	A\$ million	1,091	2,046	2,478	3,797

1. Base Case incorporates current Murphy South Mineral Resource and long term pricing forecast by Ferrum Consultants. Long term pricing average US\$/t 100.78 (FOB), US\$/A\$ exchange rate of 0.80.
2. Spot pricing US\$/t 154.00 (FOB), US\$/A\$ exchange rate of 1.07.
3. Refer Exploration Target notes

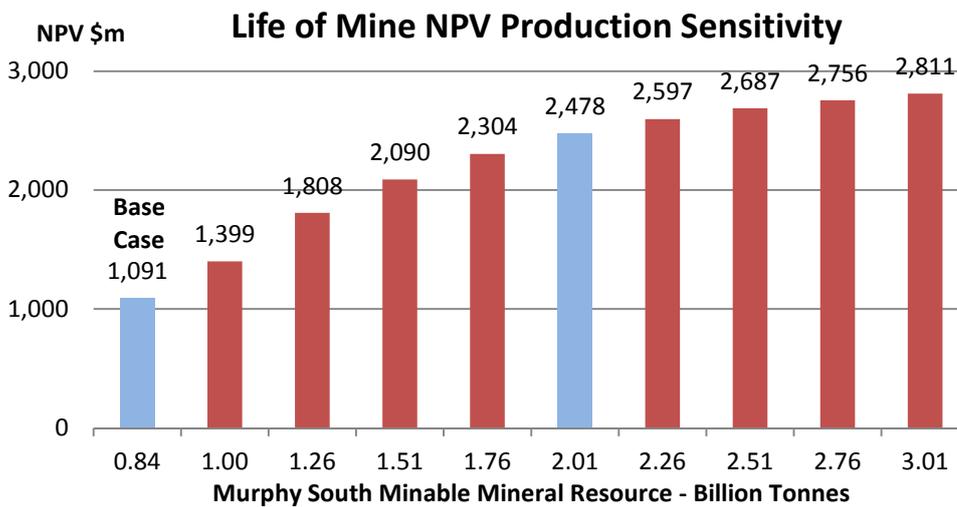
The PFS (“base case”) incorporates the Murphy South Mineral Resource current at the time and long term pricing forecasts. The Murphy South extension drilling programme completed earlier this year has since added 99Mt to the Mineral Resource. The recently completed drill programme at Murphy South (west) is expected to add 500-800Mt<sup>2</sup> late 2011 and a further drill programme for Murphy South (east) that has been approved by PIRSA is expected to add a significant additional tonnage.

Indicative production specifications are for a coarse grained sinter feedstock grading 67% iron, expected to fetch a premium above Pilbara fines prices. The sensitivity analysis of pricing fines indicates that project returns increase dramatically when pricing is linked to the expected value in use for the CEIP product.

<sup>2</sup> Refer to Competent Person’s Statement



The ongoing development drilling programme is expected to increase Iron Road’s knowledge and the size of the Murphy South Deposit, as only two kilometres of the total six kilometres strike length is represented in the current resource estimate. Project value will increase significantly as a result of an increase in Murphy South resources, as is shown below:



The mining method incorporated in the PFS is a large scale conventional drill, blast, shovel, and truck mining operation. Preliminary pit shells, mine designs and tailings dam have been developed and fully scheduled for the existing Murphy South Mineral Resources.

Pit optimisation results by Coffey Mining demonstrate that the curve representing operating cash flow versus potential pit shell sizes is flat. This indicates that the pit is very robust and that the shell selected for the detailed pit design work is not critical.

Key contributors to the PFS include:

- Coffey Mining (Coffey) – Mineral Resource, geotechnical and mine modelling/scheduling;
- Mineral Engineering Technical Services Pty Ltd (METS) – process design;
- AMMTEC Limited, directed by METS – metallurgical test work;
- Sinclair Knight Mertz (SKM) – reviewed port options and ground water;
- Ferrum Consultants – considered the iron market specifically for the coarse CEIP product; and
- Evans & Peck Ltd (E&P) – provided oversight and independent review throughout the study.

**Central Eyre Iron Project  
(Iron Road 100%)**

The **Stage V resource extension** programme of eight drill holes for 4,779m was completed during mid-April 2011. The purpose of this drilling was to intersect the down dip extension of the magnetite gneiss along six traverses at Murphy South. Following completion of the Stage V Extension drilling programme, the standalone mineral resource at Murphy South was upgraded by 99Mt to 1.01Bt. The global mineral resource at the Central Eyre Iron Project (CEIP) at Boo-Loo and Murphy South increased to 1.33Bt<sup>3</sup>.

CEIP Global Mineral Resource							
Location	Classification	Tonnes (Mt)	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	LOI (%)
Murphy South	Indicated	585	16.7	52.9	12.6	0.09	0.3
	Inferred	421	16.6	52.6	12.7	0.08	1.2
Boo-Loo	Inferred	328	17.3	52.4	11.5	0.09	2.1
<b>Total</b>		<b>1,334</b>	<b>16.8</b>	<b>52.7</b>	<b>12.3</b>	<b>0.09</b>	<b>1.0</b>

*The mineral resource estimates were carried out following the guidelines of the JORC Code (2004) by Coffey Mining Ltd.*

With the establishment of over one billion tonnes in Mineral Resources at Murphy South alone, Iron Road continues to demonstrate the necessary size and scale of resource to underpin the capital required for a potential long life initial 12.4Mtpa high grade iron concentrate export operation and the development of associated export infrastructure.

**Stage VI Drilling**

The Stage VI drilling programme at Murphy South commenced during April 2011 and concluded in September 2011, with 64 holes drilled for 26,884m. Resource estimation will commence shortly.

Individual diamond holes ranging from 100m to 700m downhole depth were designed based on the geophysical interpretation of the magnetic anomaly over the area. Stage VI drilling follows the same 200m x 100m grid pattern used at Murphy South during Stage V drilling. The programme aims to explore the economic potential of the western extension of the Murphy South orebody over an area approximately 800m wide x 2000m long. The exploration drilling target for Murphy South Stage VI, across ten traverses designed with the aid of aeromagnetic inversion modelling, is 500-800Mt magnetite gneiss<sup>3</sup>. Iron head grades are expected to be similar to those previously reported for Murphy South.

**Stage IV Drilling Results**

The second of several drilling programmes planned by Iron Road at the Central Eyre Iron Project for 2010 commenced during June 2010. The programme tested five of seven high potential targets for 8,298m, of which 6,308m was diamond core. Targets were selected from analysis of geophysical as well as historical data.

The drilling programme was designed to be both scalable and flexible since its purpose was to ultimately identify potential areas for resource expansion away from the Boo-Loo mineral resource. In line with this philosophy an initial traverse of three holes at Murphy South was extended by an additional five for a total of eight holes. Significant thicknesses of magnetite gneiss were intersected in the initial three holes, suggesting structural thickening and extension of magnetite gneiss to the south. Magnetite gneiss of similar thickness was subsequently intersected in the additional holes and this in turn led to the design of the Stage V drilling programme to further investigate this area as a high priority.

The initial success at Murphy South and subsequent commencement of the Stage V drilling programme to further investigate this area diverted resources away from the other targets; notably the large and intense aeromagnetic anomaly at Hambidge. In addition some core from the Stage IV drilling programme was stockpiled and processed after completion of the Stage V resource and geotechnical drilling programme.

<sup>3</sup> Refer to Competent Person's Statement

Various targets were drilled as follows:

**Ben's Hill** – Nine holes were drilled at Ben's Hill across three traverses for a total of 2,373m. The magnetic anomaly targeted is over 4,000m in length. All drill holes intersected magnetite gneiss.

**Murphy South** – Three drill holes were originally planned for Murphy South. The traverse was subsequently expanded to eight drill holes for a total of 2,841m. These drill holes, combined with Stage I drilling and geophysical inversion modelling, suggested that a large body of magnetite gneiss occurs in the area, possibly as an overturned isoclinal fold, with a south southeast dipping axial plane. This has the effect of thickening the magnetite gneiss through duplication; highly desirable from a mining perspective.

The traverse, referred to as the "discovery traverse", intersected a large body of magnetite mineralisation, with a sectional area of approximately 179,000m<sup>2</sup>. Based on the success of the "discovery traverse" the Stage V drilling programme was planned and commenced.

**Joshua** – A single traverse of three holes for 801m was drilled at Joshua, targeting the strongest of a series of discrete magnetic anomalies. The drilling was successful in intersecting high grade magnetite gneiss.

**Fairview East** – Six holes were drilled at Fairview East across two traverses for a total of 1,226m. The magnetic anomaly targeted is over 3,000m in length.

**Fairview** – Although originally the intention to target the 2,000m long magnetic anomaly at Fairview, a change in priorities meant that this drilling was postponed indefinitely.

**Hambidge North** – Three holes were drilled at Hambidge North across one traverse for a total of 883m. The magnetic anomaly targeted is over 1,500m in length and returned high grade results.

**Hambidge** – The magnetic anomaly targeted at Hambidge is over 3,000m in length and over 1,000m wide across its southern extent. Four pre-collars were drilled, one at each traverse, for a total of 174m. Drilling was halted prematurely at Hambidge since the Stage V drilling programme at Murphy South was higher priority.

Hambidge is a large anomaly with the potential to rival Murphy South in size and tonnage. A time extension has been granted by PIRSA to complete the drilling programme later than originally submitted. A suitable drill rig has been sourced and drilling recommenced in the last week of July 2011.

### Current and Future Work

As a result of the robust prefeasibility study outcomes, the Company has resolved to accelerate progress at the Central Eyre Iron Project, including resource growth, continuation of project evaluation and financing options.

Key components include:

- Continue with orebody investigations, resource growth at Murphy South (west and east) and establish ore reserves;
- Further drilling on other high potential areas of the tenement, commencing with Hambidge at the end of July 2011;
- Investigate areas for potential increases in project value by extending mining and process optimisations, for example:
  - In-pit crushing and conveying;
  - Coarser concentrate production, namely -125µm product;
  - Refine preferred product transport, port and desalination options; and
  - Infrastructure sharing and synergies with others;
- Progress permitting and continue with government and community engagement through established Company protocols, the Eyre Peninsula Mining Alliance (EPMA), South Australian Chamber of Mines and Energy (SACOME) and Community Engagement Group Australia (CEGA) and others;
- Financing and partnering opportunities assessment and selection;
- Prepare for and initiate Definitive Feasibility Study (DFS).

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## Iron Road Limited – Annual Report

The DFS will examine the PFS Stage 1 “base case” of 12.4Mtpa concentrate production with the expected larger Murphy South Mineral Resource over its entire six kilometres strike length (ie. including west and east extensions). This addition will substantially increase project NPV. Increased production for Stage 2 will also be assessed. Preliminary analysis suggests Stage 2 should further increase production by 50 to 100 per cent.

### **Gawler Iron Project (Iron Road earning to 90%)**

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The Gawler Iron Project is located 25 kilometres north of the Trans Australian Railway and within 100 kilometres of the Central Australia Railway in South Australia. Iron Road has a farm-in agreement with tenement holder Dominion Gold Operations (a subsidiary of Kingsgate Consolidated Limited) to progressively earn up to 90% interest in the iron ore rights. Iron Road has met its hurdle to earn 51% of the iron ore rights at the Dominion West Gawler tenements and is on track to earn up to 90%.

Stage I drilling has identified several new iron deposits in the district. The deposits occur within magnetite gneiss of the Mulgathing Complex and are capped by oxidised material containing a mixture of hematite and magnetite. The results of initial metallurgical studies suggest excellent beneficiation characteristics of the magnetite. Average iron content of magnetite concentrates is in the range 69-70% with minimal impurities and most concentrates meet DR (direct reduction) grade specifications and all meet or exceed high grade blast furnace requirements.

An EWA proposal for a 24 hole Stage II diamond drilling programme has been lodged with PIRSA for approval.

The Stage II drilling, planned to start in Q3 2011, will provide important new information on the structural geology and metallurgy of the known target areas and will also test a limited number of new targets that were identified during the Stage I drilling programme.

An oxide (hematite) and magnetite test work programme from the Stage II drilling will assess the metallurgy and mineralogy of each ore type. These studies will focus on cost-effective beneficiation methods such as dry magnetic separation that may allow for relatively simple upgrading of ore, possibly producing a product suitable for sinter feed.

### **Windarling (Convergent earning up to 75% from Iron Road)**

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The Windarling Peak project is located approximately 85km north of Koolyanobbing, Western Australia. The tenure consists of three granted exploration licenses and four prospecting licences. The Company entered into an agreement with Convergent Minerals Limited (Convergent) during September 2010 whereby Convergent may earn up to a 75% interest in the project by meeting certain expenditure and management criteria.

Field work commenced last year at Windarling Peak with some initial broad spaced ground magnetics conducted by Convergent, this was followed up with closer spaced ground magnetics in areas of interest and a program of rock chip sampling of outcropping rock units.

The magnetic survey defined a magnetic body in the southern tenement (E77/1236) which correlates with an outcropping BIF unit that was sampled previously with results ranging up to 40% iron. Another discrete anomaly has been defined on the north western tenement. This rock type is the precursor to the haematite-rich banded iron formation which is mined at the nearby mine operated by Cliffs Natural Resources Inc. where the resource grade is 64% iron.

A contractor has been engaged by Convergent to complete a survey over the southern tenure where it can be clearly seen that a magnetite BIF has been encountered within and on the northern boundary of E77/1236. It is also apparent from the magnetic survey that several detached BIF segments occur south of the main unit and it is in this area where haematite could be encountered.

Convergent also advises that it will also complete a gravity survey over a minor anomaly in tenement E77/1245.

## Corporate

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Iron Road successfully raised \$29.7 million during 2011 to further the company's development plans during the year, across two raisings.

The first raising placed 14.8 million shares at a price of A\$0.55 in December 2010, raising A\$8.1M before costs. The shares were placed to existing institutional investors, including several North American based institutions and clients of Southern Cross Equities Ltd.

The second raising received \$21.6 million, through the issue of 24 million shares at \$0.90. The issue was strongly supported by clients of Southern Cross Equities alongside both new and existing global institutional investors, including the Company's largest shareholder, The Sentient Group, and two US university endowment funds of Columbia University and Duke University. The placement was approved at a General Meeting of shareholders on 25 July 2011.

Exercise of options issued post IPO and expiring 30 September 2010 raised an additional \$5.2 million.

The company was also very pleased to appoint Mr Jerry Ellis to the Board as a non executive director in December 2010. Mr Ellis has had a long and distinguished career in business, particularly in the resources sector and his experience will be invaluable as Iron Road progresses its flagship project at Central Eyre.

Mr Ellis' career included three decades at BHP Ltd, Chairing the company from 1997 to 1999. He also served on the boards of a number of listed companies and governing bodies including Newcrest Mining, Aurora Gold, the International Copper Association (ICA), Australia and New Zealand Banking Group (ANZ), the International Council on Metals and the Environment (ICME) and the American Mining Congress.

He is also a former Chancellor of Monash University, former President of the Minerals Council of Australia and former Chairman of the Australia-Japan Foundation and the Australian National Occupational Health & Safety Commission.

Mr Ellis is currently Chairman of Landcare Australia and MBD Energy Limited and is a member of the Sentient Advisory Council and the Advisory Board of Anglo Coal Australia.

## Community

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Iron Road Limited believes that being part of a community is an important part of doing business. The Company believes in the need to contribute to the social wellbeing of the areas in which it operates, as well as bringing economic and infrastructure benefits. A well planned and managed mining operation is a long term win-win for the local communities.

Iron Road takes its responsibility to the community seriously and strives to leave it with no lasting negative environmental impacts. This commitment is demonstrated in Iron Road's business development plans and embodied in its overall philosophy.

Iron Road fosters good working relationships with the government departments it interacts with, from local councils to federal governmental administrative bodies. This has helped form strong working relationships with local people, which in turn has assisted in the growth of the company.

Iron Road seeks to be transparent at all times, ensuring there are mechanisms whereby people can contact us to discuss issues in an open and non-threatening way.

The company routinely meets with local farmers and councils. Following the PFS release, representatives of Iron Road immediately met with impacted farmers, local council, Eyre Peninsula radio and newspapers.

In accordance with these principles, Iron Road has now commenced a formal community engagement programme, including a structured engagement programme and a series of public meetings. This has included the establishment of a freecall number for local community members to engage with the company. This will be followed by the establishment of the CEIP Community Reference Group to identify and address issues and maximise positive outcomes

Iron Road's support of local community events has also continued, with events and sporting clubs sponsored during 2010 including:

- Warramboe Breast Cancer Awareness event
- Eyre Peninsula Junior Cricket
- Central Eyre Football Club
- Wudinna United Football and Netball Clubs
- Lock Football Club
- Eyre Peninsula versus Port Adelaide 20/20 Cricket
- Wudinna & Districts SuperSkinz Bowls Tournament
- Central Eyre Peninsula Ag Bureau annual Sticky Beak Day
- Wudinna Show Shearing Competition
- Waddikee Warramboe Cricket Club

### Competent Person's Statement

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The information in this report that relates to Exploration Results and the exploration target at Murphy South is based on and accurately reflects information compiled by Mr Larry Ingle, who is a fulltime employee of Iron Road Limited and a Member of the Australasian Institute of Mining and Metallurgy. Mr Ingle has sufficient experience relevant to the style of mineralisation and the type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Ingle consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources is based on and accurately reflects information compiled by Mr Iain Macfarlane, Coffey Mining, who is a consultant and advisor to Iron Road Limited and a Member of the Australasian Institute of Mining and Metallurgy. Mr Macfarlane has sufficient experience relevant to the style of mineralisation and the type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Macfarlane consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to exploration targets is based on and accurately reflects information compiled by Mr Albert Thamm, Coffey Mining, who is a consultant and advisor to Iron Road Limited and a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Thamm has sufficient experience relevant to the style of mineralisation and the type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Thamm consents to the inclusion in the report of the matters based on his information in the form and context in which it appears on 31 August, 2009 in West Perth. The potential quantity and grade of an exploration target is conceptual in nature since there has been insufficient work completed to define the prospects as anything beyond exploration target. It is uncertain if further exploration will result in the determination of a Mineral Resource, in cases other than the Boo-Loo prospect.

## Directors' Report

Your directors submit their report on the Consolidated entity (referred to hereafter as the Group) consisting of Iron Road Limited and the entity it controlled at the end of or during the financial year ended 30 June 2011.

### DIRECTORS and MANAGEMENT

The names and details of the Group's directors and management in office during the financial year and until the date of this report are as follows:



**Julian Gosse**  
**Chairman**

Mr Gosse has extensive experience in banking and broking both in Australia and overseas. He has previously worked in London for Rowe & Pitman, in the United States for Janney Montgomery & Scott and in Canada for Wood Gundy. He has also been involved in the establishment, operation and ownership of several small businesses.

In the 3 years immediately before the end of the financial year, Julian Gosse served as a director of the following listed companies:

- ITL Limited\*
- WAM Research Limited\*
- Clime Capital Limited\*
- Australian Leaders Fund\*

\* denotes current directorships

**Jerry Ellis** (*appointed 20 December 2010*)  
**Director**



Mr Ellis has had a long and distinguished career in business, particularly in the resources sector. Mr Ellis' career included three decades at BHP Ltd, Chairing the company from 1997 to 1999. He also served on the boards of a number of listed companies and governing bodies including Newcrest Mining, Aurora Gold, the International Copper Association, Australia and New Zealand Banking Group, the International Council on Metals and the Environment and the American Mining Congress.

Mr Ellis is a former Chancellor of Monash University, former President of the Minerals Council of Australia and former Chairman of the Australia-Japan Foundation and the Australian National Occupational Health and Safety Commission.

He is also a member of the Sentient Advisory Council and is on the Advisory Board of Anglo Coal Australia.

In the 3 years immediately before the end of the financial year, Mr Ellis served as a director of the following listed companies:

- Landcare Australia\*
- MBD Energy Limited\*
- Earth Resources Development Council
- Pacific Road Corporate Finance Pty Limited
- Australia and New Zealand Banking Group Limited
- Future Directions International

\* denotes current directorships



**Ian Hume**  
**Director**

Mr Ian Hume's career in the resources industry stretches back several decades, primarily in the fields of managed fund investments, capital raising and project development. Mr Hume was a Founding Partner of The Sentient Group, a manager of closed end private equity funds specialising in global investments in the natural resource industries.

He remains an independent advisor to The Sentient Group, following his retirement from the fund in 2009. Prior to the founding of The Sentient Group, Mr Hume was a consultant to AMP's Private Capital Division.

In the 3 years immediately before the end of the financial year, Mr Hume served as a director of the following listed companies:

- Golden Minerals\*
- Norsemont Mining\*
- Silver City Minerals\* (*appointed 29 July 2011*)
- Andean Resources

\* denotes current directorships



**Matthew J Keegan**  
**Director**

Mr Keegan gained extensive experience as a mine geologist working for companies such as Rio Tinto and Barrick across a range of commodities including iron ore, nickel, and gold. Mr Keegan is currently an Investment Advisor at The Sentient Group.

Prior to joining Sentient, Mr Keegan worked as a mining analyst with a major research house, culminating in the publication of several mining industry cost studies.

No other directorships of listed companies were held in the last 3 years.



**Andrew J Stocks**  
**Managing Director**

Mr Stocks is a Mining Engineer with over twenty years experience in the resources sector, primarily in mining operations and corporate roles. He has been particularly active in the areas of business optimisation, cost and production efficiency improvements, project evaluation and development of mining projects in Australia and overseas.

Mr Stocks was previously Managing Director and Chief Executive Officer of Siberia Mining Corporation until its merger with Monarch Gold. Prior to Siberia, he was Vice President, Operations of Crew Gold Corporation, a London based mining and exploration company.

No other directorships of listed companies were held in the last 3 years.



**Graham D Anderson**  
**Company Secretary**

Mr Anderson is a graduate of Curtin University and has over 25 years' commercial experience as a Chartered Accountant. He operates his own specialist accounting and management consultancy practice, providing a range of corporate advisory services to both public and private companies. From 1990 to 1997 he was an audit partner at Duesburys and from 1997 to 1999 he was an audit partner at Horwath Perth.

He is currently Director and Company Secretary of Echo Resources Limited, Pegasus Metals Limited and Tangiers Petroleum Limited.



**Larry J Ingle**  
**General Manager**

Mr Ingle is a geologist, having graduated with a BSc (Hons) and MSc in geology from the University of Witwatersrand, Johannesburg, and a MBA from the Graduate School of Business, Curtin University of Technology, Perth. Mr Ingle has approximately 22 years experience in a variety of mining operations, exploration, project development and business improvement roles in Australia and Africa.

His strong expertise in geology and experience in project development is of immense value to Iron Road, particularly as the Company investigates its Warramboe project in South Australia.



**Milo Res**  
**Geology Manager**

Mr Res is a geologist, with approximately 30 years mining industry experience in Australia and Africa. He graduated with a BSc (Hons) Geology degree from University of Pretoria and MSc Geology degree from Potchefstroom University in South Africa.

During his career Mr Res has been involved in wide range of mining and exploration activities including gold, nickel and iron ore. He was a key member of the Fortescue Metals Group Ltd team developing the Cloudbreak iron ore mining project in the Pilbara and more recently actively participated in the Jack Hills magnetite/hematite mining and development project for Crosslands Resources in mid-west region of Western Australia.



**Fop Vanderhor**  
**Project Manager**

Dr Fop Vanderhor is a geologist with over 25 years of exploration and consulting experience. After completion of a postgraduate degree at James Cook University of North Queensland, he worked at the University of Western Australia before joining Rio Tinto Exploration as a structural specialist.

Dr Vanderhor started his own Perth based geological consultancy (Davis & Vanderhor Geological Consultants Pty Ltd) in 1998, working throughout Australia and overseas on a variety of commodities. Fop joined UMC as Exploration Manager in 2007 and led the geological team that discovered the United Minerals Corporation (UMC) Railway Iron Ore Deposit in the Pilbara Region of Western Australia.



**Laura Johnson**  
**Land Manager**

Ms Johnston is a former Mining Registrar and Principal Adviser within the Minerals and Energy Resources Division, PIRSA, in Adelaide. Ms Johnston has over 20 years experience in advising stakeholders on legislative and policy requirements for exploration and mining activities in South Australia including land access, native title and Aboriginal heritage issues.

A consultant for the past three years, Ms Johnston also brings to the Company extensive knowledge and experience in tenement management and community engagement.

## 1. PRINCIPAL ACTIVITY

The principal activity of the Group during the year was the exploration and evaluation of the Group's iron ore ground holdings.

## 2. INTERESTS IN SHARES AND OPTIONS

As at the date of this report, the interests of the directors in the shares and options of Iron Road Limited were:

	Ordinary shares	Options over Ordinary Shares
Julian Gosse	2,338,703	2,500,000
Ian Hume	5,151,203	-
Matthew J Keegan	2,200,000	3,780,000
Andrew J Stocks	2,915,938	9,420,000
Jerry Ellis	80,000	500,000

## 3. DIVIDENDS

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

## 4. OPERATING AND FINANCIAL REVIEW

### Operating Results for the Year

The operating loss after income tax of the Group for the year ended 30 June 2011 was \$16,486,822 (2010: \$11,299,132).

### Shareholder Returns

	2011	2010
Basic and diluted loss per share (cents)	(16.28)	(17.46)

### Risk Management

The board is responsible for ensuring that risks and also opportunities are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The Group believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Strategic planning, which encompasses strategy statements designed to meet stakeholders needs and manage business risk; and
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

## 5. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company acquired a wholly owned subsidiary Eyre Properties Pty Ltd.

## 6. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## 7. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

## 8. ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are subject to environmental regulation in respect to its mineral tenements relating to exploration activities on those tenements. No breaches of any environmental restrictions were recorded during the financial year. The Group has not yet fully reviewed the reporting requirements under the Energy Efficient Opportunities Act 2006 or the National Greenhouse and Energy Reporting Act 2007, but believes it has adequate systems in place to ensure compliance with these Acts having regard to the scale and nature of current operations.

## 9. REMUNERATION REPORT (AUDITED)

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

The information provided in this remuneration report has been audited as required under Section 308 (3C) of the *Corporations Act 2001*.

### A Principles used to determine the nature and amount of remuneration

#### **Remuneration Policy**

The remuneration policy of Iron Road Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The board of Iron Road Limited believes the remuneration policy is appropriate and effective in its ability to attract and retain high calibre executives and directors to run and manage the Group.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth. Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and other senior executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is currently \$200,000 which was approved through a General Meeting held on 22 January 2008. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Group and are able to participate in employee option plans.

#### **Performance based remuneration**

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Currently, this is facilitated through the issue of options to executives to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth. For details of directors and executives interests in options at year end, refer note 15 to the financial statements. There are performance related vesting conditions on the options granted which must be met.

#### **Company performance, shareholder wealth and directors' and executives' remuneration**

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors and executives' performance. Currently, this is facilitated through the issue of options to executives to encourage the alignment of personal and shareholder interests. No market based performance remuneration has been paid in the current year.

## Iron Road Limited – Annual Report

### B Details of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Iron Road Limited are set out in the following table.

The key management personnel of Iron Road Limited include the directors and company secretary and the following executive officer who has authority and responsibility for planning, directing and controlling the activities of the Group:

- Larry Ingle – General Manager

Given the size and nature of operations of Iron Road Limited there are no other specified executives who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

#### **Key management personnel and other executives of Iron Road Limited**

	Short-Term	Post Employment	Share-based Payments		Total
	Salary & Fees	Superannuation	Options	Remuneration consisting options	\$
	\$	\$	\$	%	\$
<b>Directors</b>					
Julian Gosse					
2011	50,000	13,987 <sup>(1)</sup>	-	-	63,987
2010	50,000	-	1,216,438	96.71%	1,266,438
Ian Hume					
2011	50,000	4,500	-	-	54,500
2010	66,667 <sup>(2)</sup>	5,925	1,216,438	94.37%	1,289,030
Jerry Ellis (appointed 20 December 2010)					
2011	27,083	2,437	-	-	29,520
2010	-	-	-	-	-
Matthew Keegan <sup>(3)</sup>					
2011	-	-	-	-	-
2010	-	-	99,196	100.00%	99,196
Andrew Stocks					
2011	266,667	24,000	(2,214)	-	288,453
2010	250,000	22,500	214,154	44.00%	486,654
<b>Company Secretary</b>					
Graham Anderson					
2011	55,500	-	-	-	55,500
2010	54,000	-	39,240	42.08%	93,240
<b>Other key management personnel</b>					
Larry Ingle					
2011	266,667	24,000	-	-	290,667
2010	250,000	22,500	265,215	49.32%	537,715
<b>Total key management personnel compensation</b>					
<b>2011</b>	<b>715,917</b>	<b>68,924</b>	<b>(2,214)</b>	<b>-</b>	<b>782,627</b>
<b>2010</b>	<b>670,667</b>	<b>50,925</b>	<b>3,050,681</b>	<b>80.87%</b>	<b>3,772,273</b>

(1) This includes payments for superannuation not received in 2010.

(2) This includes payments for remuneration not received in 2009.

(3) It was deemed at year end 30 June 2011 and 30 June 2010 that no fee is payable to Matthew Keegan during his appointment as a Director of Iron Road Limited.

There are no cash bonuses or non-monetary benefits relating to any of the Directors and Key Management Personnel during the year.

## C Service agreements

The details of service agreements of the key management personnel of Iron Road Limited are as follows:

### *Julian Gosse, Chairman*

- Initial chairman's fee of \$50,000 per annum plus statutory superannuation, to be reviewed annually by the Remuneration Committee of the Board. No termination benefits are payable.
- Initial term of 3 years, expires 27 February 2012.

### *Ian Hume, Non-Executive Director*

- Initial director's fee of \$50,000 per annum plus statutory superannuation, to be reviewed annually by the Remuneration Committee of the Board. No termination benefits are payable.
- Initial term of 3 years, expires 27 February 2012.

### *Jerry Ellis, Non-Executive Director*

- Initial director's fee of \$50,000 per annum plus statutory superannuation, to be reviewed annually by the Remuneration Committee of the Board. No termination benefits are payable.
- Initial term of 3 years, expires 20 December 2013.

### *Matthew Keegan, Non-Executive Director*

- Initial director's fee of \$50,000 per annum plus statutory superannuation, to be reviewed annually by the Remuneration Committee of the Board. No termination benefits are payable. Fee waived by Mr Keegan.
- Re-elected 12 November 2010 for a further 3 years.

### *Graham D Anderson, Company Secretary*

- GDA Corporate Pty Ltd to provide Company Secretary and Accounting Services at \$5,500 per month and \$3,850 per month respectively.
- No fixed term agreement. A three month notice period is required in the event of termination.

### *Andrew J Stocks, Managing Director*

- Annual base salary of \$290,000, plus statutory superannuation, to be reviewed annually by the Remuneration Committee of the Board.
- No fixed term agreement. Payment of termination benefit on early termination by the employer, other than for gross misconduct, includes any accrued long service leave and annual entitlements, superannuation, retiring allowance, superannuation gratuity to the value of which does not exceed the maximum amount ascertained in accordance with the formula set out in section 200G of the *Corporations Act 2001*.

### *Larry Ingle, General Manager – appointed 1 July 2009*

- Annual base salary of \$290,000, plus statutory superannuation, to be reviewed annually by the Remuneration Committee of the Board.
- No fixed term agreement. Payment of termination benefit on early termination by the employer, other than for gross misconduct, includes any accrued long service leave and annual entitlements, superannuation, retiring allowance, superannuation gratuity to the value of which does not exceed the maximum amount ascertained in accordance with the formula set out in section 200G of the *Corporations Act 2001*.

## D Share-based compensation

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Iron Road Limited to increase goal congruence between executives, directors and shareholders. The options on the following page were granted to or vested with key management personnel during the period:

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**D Share-based compensation (compensation)**

	<b>Grant Date</b>	<b>Granted Number</b>	<b>Number of options vested during the period</b>	<b>Expiry Date</b>	<b>Exercise Price (cents)</b>	<b>Fair value per option at grant date (cents)*</b>	<b>Exercised Number</b>	<b>Maximum total value of grant yet to vest</b>
Andrew J Stocks	23/01/08	6,000,000	- (1)	23/01/13	\$0.35	6.10	-	12,057

(1) The estimated date of fulfilment of vesting conditions of the remaining 1,500,000 options was revised during the year to 31 December 2012.

The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

**D Share-based compensation (continued)**

(1) During the year ended 30 June 2011, no additional options had vested as tranche 4 of the vesting conditions had not been met by the reporting date:

Tranche	Amount	Vesting Conditions
1	1,500,000	Admission to the official list of the ASX
2	1,500,000	The Company's share price remaining at or above 50 cents per share for 30 consecutive days
3	1,500,000	The Company publishing a JORC compliant Resource of at least 100M tonnes
4	1,500,000	Upon completion of a definitive feasibility study

The total number of options vested as at 30 June 2011 is 4,500,000.

**E Additional information**

No market based performance bonuses have been paid to key management personnel during the financial year.

The table below sets out information about the Company's earnings and movements in shareholder wealth of the periods since listing:

	30 June 2011	30 June 2010	30 June 2009	30 June 2008
	\$	\$	\$	
Revenue	116,133	95,402	199,355	30,022
Net Profit /(Loss) before tax	(17,521,151)	(11,299,132)	(4,604,591)	(380,874)
Share price at year-end	0.840	0.590	0.175	0.349

This is the end of the audited remuneration report.

**10. DIRECTORS' MEETINGS**

During the period the Company held two meetings of directors. The attendance of directors at meetings of the board was:

	Directors' Meetings	
	A	B
Julian Gosse	2	2
Ian Hume	2	2
Matthew Keegan	2	2
Jerry Ellis	2*	2
Andrew Stocks	2	2

**Notes**

A – Number of meetings attended      B – Number of meetings held during the time the director held office during the period

\* One meeting attended via telephone.

## 11. SHARES UNDER OPTION

At the date of this report there are 22,925,000 unlisted options outstanding.

	<b>Number of options</b>
Balance at the beginning of the year	<b>50,810,223</b>
<b>Movements of share options during the year</b>	
Issued, exercisable at \$1.00, on or before 25 July 2016	500,000
Issued, exercisable at \$1.00, on or before 24 August 2016	100,000
Issued, exercisable at \$1.25, on or before 24 August 2016	100,000
Issued, exercisable at \$1.50, on or before 24 August 2016	100,000
Exercise of unlisted options at \$0.20	(625,000)
Exercise of unlisted options at \$0.25	(625,000)
Exercise of unlisted options at \$0.30	(625,000)
Exercise of unlisted options at \$0.35	(625,000)
Exercise of listed options at \$0.20	(24,765,262)
Lapsing of listed options at \$0.20	(1,119,961)
Forfeiture of unlisted options at \$0.75	(300,000)
<b>Total number of options outstanding as at the date of this report</b>	<b>22,925,000</b>

The balance is comprised of the following:

<b>Issue date</b>	<b>Expiry date</b>	<b>Exercise price (cents)</b>	<b>Number of options</b>
27 May 2008	22 Jan 2013	20	7,125,000
27 May 2008	22 Jan 2013	35	7,500,000
27 May 2008	11 Mar 2013	20	2,000,000
29 Oct 2008	6 Aug 2013	35	3,000,000
23 Dec 2009	15 Dec 2014	20	625,000
23 Dec 2009	15 Dec 2014	25	625,000
23 Dec 2009	15 Dec 2014	30	625,000
23 Dec 2009	15 Dec 2014	35	625,000
30 Aug 2011	25 July 2016	100	500,000
30 Aug 2011	24 August 2016	100	100,000
30 Aug 2011	24 August 2016	125	100,000
30 Aug 2011	24 August 2016	150	100,000
<b>Total number of options outstanding at the date of this report</b>			<b>22,925,000</b>

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

### Shares issued on exercise of options

The following ordinary shares of the Company were issued to directors during the year ended 30 June 2011 on the exercise of options:

<b>Name</b>	<b>Date of exercise of options</b>	<b>Number of ordinary shares issued on exercise of options during the year</b>	<b>Value at exercise date*</b>
<b>Directors of Iron Road Limited</b>			
Julian Gosse	30 Sep 2010	738,703	\$310,255
Ian Hume	30 Sep 2010	901,203	\$378,505
Matthew Keegan	9 Sep 2010	700,000	\$210,000
Andrew Stocks	30 Sep 2010	605,313	\$254,231
<b>Other key management personnel of the group</b>			
Graham Anderson	30 Sep 2010	737,716	\$309,841

\*The value at the exercise date of options exercised during the year has been determined as the intrinsic value of the options at that date.

## 12. PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001*.

## 13. INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Company has paid premiums insuring all the directors of Iron Road Limited against costs incurred in defending proceedings for conduct involving:

- a) a wilful breach of duty; or
- b) a contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid is confidential under the terms of the insurance policy.

The Company has entered into a Deed of Indemnity, Insurance and Access with each Director. In summary the Deed provides for:

- Access to corporate records for each Director for a period after ceasing to hold office in the Company;
- The provision of Directors and Officers Liability Insurance; and
- Indemnity for legal costs incurred by Directors in carrying out the business affairs of the Company.

### c) NON-AUDIT SERVICES

No non-audit services were provided by BDO Audit (WA) Pty Ltd during the period.

### d) AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 25.

Signed in accordance with a resolution of the directors, and on behalf of the board by



**Andrew Stocks**

Managing Director

Perth, 30 September 2011

30 September 2011

The Directors  
Iron Road Limited  
Level 1, 681 Murray Street  
WEST PERTH WA 6005

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF IRON ROAD LIMITED**

As lead auditor of Iron Road Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Iron Road Limited and the entity it controlled during the period.



**Phillip Murdoch**  
Director

BDO

**BDO Audit (WA) Pty Ltd**  
Perth, Western Australia

## Corporate Governance Statement

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity and pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable, the Company has adopted the Eight Essential Corporate Governance Principles and Best Practice Recommendations ("Recommendations") as published by ASX Corporate Governance Council.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

The Board sets out below its "if not, why not" report in relation to those matters of corporate governance where the Company's practises depart from the recommendations.

### Principle 1 Recommendation 1.1

#### *Notification of Departure*

The Company has not formally disclosed the functions reserved to the Board and those delegated to management.

#### *Explanation for Departure:*

The Board recognises the importance of distinguishing between the respective roles and responsibilities of the Board and management. The Board has established a framework for the management of the Company and the roles and responsibilities of the Board and management.

Previously due to the small size of the Board and of the Company, the Board did not think that it was necessary to formally document the roles of the Board and management as these roles were clearly understood by all members of the Board and management. The Board is responsible for the strategic direction of the Company, establishing goals for management and monitoring the achievement of these goals, monitoring the overall corporate governance of the Company and ensuring that shareholder value is increased.

### Principle 2 Recommendation 2.1

#### *Notification of Departure:*

The Board does not have a majority of independent Directors.

#### *Explanation for Departure:*

The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has the relevant industry experience and specific expertise relevant to the Company's business and level of operations.

The Board considers that its structure is, and will continue to be, appropriate in the context of the Company's recent history. The Company considers that the non-independent Directors possess the skills and experience suitable for building the Company. Furthermore, the Board considers that in the current phase of the Company's growth, the Company's shareholders are better served by Directors who have a vested interest in the Company. The Board intends to reconsider its composition as the Company's operations evolve, and may appoint independent Directors as it deems appropriate.

### Principle 2 Recommendation 2.4

#### *Notification of Departure:*

The full Board carries out the role of a nomination committee in the Nomination Committee Charter formalised on 14 February 2009. The Board has not adopted a charter relevant to the specific functions of a nomination committee.

#### *Explanation for Departure:*

The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee, in particular at this early stage of the Company's operation, where the Company's focus is on the retention of Directors and senior executives.

## Corporate Governance Statement (continued)

### Principle 4 Recommendation 4.2, 4.3, 4.4

*Notification of Departure:*

There is no separate Audit Committee.

*Explanation for Departure:*

The Company's financial statements are prepared by the Company Secretary and reviewed in detail by the full Board. The Board also relies on the functions and capabilities of its external auditors to ensure proper audit of financial statements. The Board considers this process is sufficient to ensure integrity in financial reporting. The audit committee consists of the current full Board. The Board considers that no efficiencies or other benefits would be gained by establishing a separate audit committee, in particular at this early stage of the Company's operation.

### Principle 7 Recommendation 7.1

*Notification of Departure:*

The Company has an informal risk oversight and management policy and internal compliance and control system.

*Explanation for Departure:*

The Board is aware of the various risks that affect the Company and its particular business and reviews these risks on a regular basis. As the Company develops, the Board will further develop appropriate procedures to deal with risk oversight and management and internal compliance, taking into account the size of the Company and the stage of development of its projects.

### Principle 8 Recommendation 8.1

*Notification of Departure:*

The Company does not have in place a formal process for evaluation of the Board, its committees, individual Directors and key executives.

*Explanation for Departure:*

Due to the size and structure of the Board a formal evaluation process is not conducted.

The Company operates with only two full time employees. The Company uses consultants for geological and Company secretarial functions and pays market rates for experienced professionals.

## Consolidated Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2011	Notes	2011 \$	2010 \$
<b>REVENUE</b>	4	116,133	95,402
General expenses	5	(783,031)	(568,779)
Depreciation		(26,328)	(12,322)
Exploration expenses	5	(15,834,941)	(6,896,488)
Employee expenses		(758,709)	(592,700)
Superannuation		(74,130)	(56,325)
Consulting		(15,000)	(65,901)
Marketing		(66,471)	(66,589)
Travel and accommodation		(80,888)	(84,749)
Share based payment		2,214	(3,050,681)
Loss before income tax		(17,521,151)	(11,299,132)
Income tax benefit	6	1,034,329	-
<b>LOSS FOR THE YEAR</b>		(16,486,822)	(11,299,132)
<b>Other comprehensive income for the year, net of tax</b>		-	-
<b>Total comprehensive income for the year</b>		(16,486,822)	(11,299,132)
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF IRON ROAD LIMITED</b>	22	(16,486,822)	(11,299,132)
<b>Loss per share for loss attributable to ordinary equity holders of the company:</b>		<b>cents</b>	<b>cents</b>
Basic and diluted loss per share (cents per share)	22	(16.28)	(17.46)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

## Consolidated Statement of Financial Position

AT 30 JUNE 2011	Notes	2011 \$	2010 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	125,603	3,071,470
Trade and other receivables	8	<u>561,289</u>	<u>431,268</u>
<b>TOTAL CURRENT ASSETS</b>		<u>686,892</u>	<u>3,502,738</u>
<b>NON-CURRENT ASSETS</b>			
Other assets	9	1,700	400
Property, plant and equipment	10(a)	117,446	39,590
Capitalised tenement acquisition costs	10(b)	<u>1,117,143</u>	<u>655,225</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>1,236,289</u>	<u>695,215</u>
<b>TOTAL ASSETS</b>		<u>1,923,181</u>	<u>4,197,953</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	<u>3,253,926</u>	<u>1,739,197</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>3,253,926</u>	<u>1,739,197</u>
<b>TOTAL LIABILITIES</b>		<u>3,253,926</u>	<u>1,739,197</u>
<b>NET ASSETS</b>		<u>(1,330,745)</u>	<u>2,458,756</u>
<b>EQUITY</b>			
Issued Capital	12	27,141,875	14,442,340
Reserves	13(a)	4,298,799	4,301,013
Accumulated losses	13(b)	<u>(32,771,419)</u>	<u>(16,284,597)</u>
<b>TOTAL EQUITY</b>		<u>(1,330,745)</u>	<u>2,458,756</u>

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.

## Consolidated Statement of Changes in Equity

	Share Capital Ordinary \$	Accumulated Losses \$	Share-based Payments Reserve \$	Option Issue Reserve	Total Equity \$
<b>BALANCE AT 1 JULY 2009</b>	<b>5,598,307</b>	<b>(4,985,465)</b>	<b>977,082</b>	<b>273,250</b>	<b>1,863,174</b>
Loss for the year	-	(11,299,132)	-	-	(11,299,132)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-</b>	<b>(11,299,132)</b>	<b>-</b>	<b>-</b>	<b>(11,299,132)</b>
Contributions to equity net of transactions costs	8,844,033	-	-	-	8,844,033
Share based payments	-	-	3,050,681	-	3,050,681
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>	<b>8,844,033</b>	<b>-</b>	<b>3,050,681</b>	<b>-</b>	<b>11,894,714</b>
<b>BALANCE AT 30 JUNE 2010</b>	<b>14,442,340</b>	<b>(16,284,597)</b>	<b>4,027,763</b>	<b>273,250</b>	<b>2,458,756</b>

	Share Capital Ordinary \$	Accumulated Losses \$	Share-based Payments Reserve \$	Option Issue Reserve	Total Equity \$
<b>BALANCE AT 1 JULY 2010</b>	<b>14,442,340</b>	<b>(16,284,597)</b>	<b>4,027,763</b>	<b>273,250</b>	<b>2,458,756</b>
Loss for the year	-	(16,486,822)	-	-	(16,486,822)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-</b>	<b>(16,486,822)</b>	<b>-</b>	<b>-</b>	<b>(16,486,822)</b>
Contributions to equity net of transactions costs	12,699,535	-	-	-	12,699,535
Share based payments	-	-	(2,214)	-	(2,214)
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>	<b>12,699,535</b>	<b>-</b>	<b>(2,214)</b>	<b>-</b>	<b>12,697,321</b>
<b>BALANCE AT 30 JUNE 2011</b>	<b>27,141,875</b>	<b>(32,771,419)</b>	<b>4,025,549</b>	<b>273,250</b>	<b>(1,330,745)</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

## Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2011	Notes	2011 \$	2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Research and development tax refund		1,034,329	
Payments to suppliers and employees		(893,720)	(888,005)
Payments for exploration		(15,344,257)	(6,186,142)
Interest received		123,627	87,902
Other		(143,148)	(285,083)
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	21(a)	<u>(15,223,169)</u>	<u>(7,271,328)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(104,185)	(37,059)
Purchase of prospect	10(b)	(542,718)	-
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		<u>(646,903)</u>	<u>(37,059)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of ordinary shares/options		13,213,813	8,907,123
Proceeds from issues of listed options		-	-
Payment of share issue costs		(289,608)	(63,090)
NET CASH INFLOW FROM FINANCING ACTIVITIES		<u>12,924,205</u>	<u>8,844,033</u>
NET(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<u>(2,945,867)</u>	<u>1,535,646</u>
Cash and cash equivalents at the beginning of the year		<u>3,071,470</u>	<u>1,535,824</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	7	<u><u>125,603</u></u>	<u><u>3,071,470</u></u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

## Notes to the Consolidated Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial information included in this report have been set out below.

#### (a) Basis of preparation of historical financial information

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Boards, Australian Accounting Interpretations and the *Corporations Act 2001*. These financial statements have been prepared on a historical cost basis.

Compliance with AIFRS ensures that the financial statements, comprising the notes thereto, comply with International Financial Reporting Standards. Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). These financial statements are presented in Australian Dollars, which is the Group's functional and presentation currency.

#### *Going Concern*

The directors have prepared the financial statements on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. Although the Company incurred a net loss of \$16,486,822, and had current liabilities which exceeded current assets of \$1,330,745, subsequent to year end the company was successful in raising additional capital to fund its ongoing explorations as detailed in Note 21.

#### (b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of Iron Road Limited as at 30 June 2011 and the results of all subsidiaries for the year then ended. Iron Road Limited and its subsidiaries together are referred to in this report as the group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

#### (c) Revenue Recognition

##### *Sale of Goods and Services*

Revenue from sale of goods or services is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to buyer when goods have been delivered to the customer.

##### *Interest*

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipt over the expected life of the financial asset.

**(d) Income tax**

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

**(e) Impairment of Assets**

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the statement of comprehensive income where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

**(f) Cash and Cash Equivalents**

"Cash and cash equivalents" includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

**(g) Investments and Other Financial Assets**

All investments and other financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised on trade date which is the date on which the Group commits to purchase or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

***Loans and receivables***

Non-current loans and receivables include loans due from related parties repayable no earlier than 365 days of statement of financial position date. As these are non-interest bearing, fair value at initial recognition requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating. The discount is credited to the statement of comprehensive income immediately and amortised using the effective interest method. Loans and receivables are carried at amortised costs using the effective interest rate method.

**(h) Fair value estimation**

Fair values may be used for financial asset and liability measurement and well as for sundry disclosures.

Fair values for financial instruments traded in active markets are based on quoted market prices at statement of financial position date. The quoted market price for financial assets is the current bid price and the quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. Assumptions used are based on observable market prices and rates at reporting date. The fair value of long-term debt instruments is determined using quoted market prices for similar instruments. Estimated discounted cash flows are used to determine fair value of the remaining financial instruments.

The fair value of trade receivables and payables is their normal value less estimated credit adjustments due to their short term nature.

**(i) Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms. They are recognised initially at fair value and subsequently at amortised cost.

**(j) Employee benefits**

*Wages and Salaries, Annual Leave and Sick Leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of statement of financial position date are recognised in respect of employees' services rendered up to statement of financial position date and measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable. Liabilities for wages and salaries are included as part of other payables and liabilities for annual and sick leave are included as part of employee benefits provisions.

*Long Service Leave*

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the statement of financial position date using the projected future projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at statement of financial position date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*Retirement Benefit Obligations*

The Group has a defined contribution superannuation fund. Contributions are recognised as expenses as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**(k) Exploration and evaluation expenditure**

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition. Exploration and evaluation incurred by the Group subsequent to acquisition of the rights to explore is expensed as incurred.

A provision for unsuccessful exploration and evaluation is created against each area of interest by means of a charge to the statement of comprehensive income.

The recoverable amount of each area of interest is determined on a bi-annual basis and the provision recorded in respect of that area adjusted so that the net carrying amount does not exceed the recoverable amount. For areas of interest that are not considered to have any commercial value, or where exploration rights are no longer current, the capitalised amounts are written off against the provision and any remaining amounts are charged to profit and loss.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**(l) Contributed Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(m) Goods and Services Tax**

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financial activities, which are recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(n) Leases**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

**(o) Provisions**

Provisions for legal claims are recognised when the Group has a legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**(p) Share based payments**

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ("equity-settled transactions").

The fair value of options is recognised as an expense with a corresponding increase in equity (share-based payments reserve). The fair value is measured at grant date and recognised over the period during which the holder becomes unconditionally entitled to the options. Fair value is determined by an independent valuer using a Black-Scholes option pricing model. In determining fair value, no account is taken of any performance conditions other than those related to the share price of Iron Road ("market conditions").

The cumulative expense recognised between grant date and vesting date is adjusted to reflect the director's best estimate of the number of options that will ultimately vest because of internal conditions of the options, such as the employees having to remain with the Group until vesting date, or such that employees are required to meet internal sales targets. No expense is recognised for options that do not ultimately vest because a market condition was not met.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to the statement of comprehensive income. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

**(q) Property, Plant and Equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on the straight line basis to write off the net cost of each item over its expected useful life. Depreciation rate for computer equipment is 33%. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

As asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(d)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

**(r) Earnings per Share**

**(i) Basic Earnings per Share**

Basic earnings per share is determined by dividing the operating loss after income tax by the weighted average number of ordinary shares outstanding during the financial year.

**(ii) Diluted Earnings per Share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of partly paid shares or options outstanding during the financial year.

**(s) Segment Reporting**

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker, which has been identified by the Group as the Managing Director and other members of the Board of Directors.

**(t) Adoption of new and revised standards**

**(i) Changes in accounting policies on initial application of Accounting Standards**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment of these new standards and interpretations is set out below:

New / revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Impact of new standard on the financial report	Likely impact
<b>Accounting Standards</b>					
AASB 9 Financial Instruments	AASB 139 Financial Instruments:	AASB 9 introduces new requirements for the classification and measurement of financial assets. AASB 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in AASB 139 and removes the impairment requirement for financial assets held at fair value.	31 December 2013	AASB 9 amends the classification and measurement of financial assets; the effect on the entity will be that more assets are held at fair value and the need for impairment testing has been limited to assets held at amortised cost only.	Unlikely to have significant impact.
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	Recognition and Measurement (part)				
AASB 2009-13 Amendments to AASB 1 arising from Interpretation 19	Interpretation 19	This standard amends AASB 1 to allow a first-time adopter to use the transitional provisions in Interpretation 19.	30 June 2012	As the entity is not a first-time adopter of IFRS, this standard will not have any impact.	Unlikely to have significant impact.
AASB 124 Related Party Disclosures	AASB 124 Related Party Disclosures	This revision amends the disclosure requirements for government related entities and the definition of a related party.	31 December 2011	Since the entity is not a government related entity, there is not expected to be any changes arising from this standard.	Unlikely to have significant impact.
AASB 2009-12 Amendments to Australian Accounting Standards arising from AASB 124.					

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AASB 2010-01 Limited exemption from comparative AASB 7 disclosures for first time adopters (Amendments to AASB 1 and AASB 7)	AASB 1: First-time adoption of Australian Accounting Standards AASB 7 Financial instruments: Disclosures	These amendments principally give effect to extending the transition provisions of AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments to first-time adopters of Australian Accounting Standards.	30 June 2012	As the entity is not a first-time adopter of IFRS, this standard will not have any impact.	Reduced disclosures for first-time adopters.
IFRS Annual Improvements 2010 (May 2010)	Various	Makes various amendments to a number of standards and interpretations.	Application dates either 30 June 2011 or 31 December 2011.	Unlikely to have significant impact on the financial report.	Unlikely to have significant impact.
<b>Australian Accounting Interpretations</b>					
Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	N/A	This interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. These transactions are sometimes referred to as 'debt for equity swaps'.	30 June 2012	As the entity has not renegotiated any financial liabilities into equity instruments this interpretation is not expected to have any impact on the entity's financial report.	Unlikely to have significant impact.
AASB 2009-14 Prepayments of a Minimum Funding Requirement (Amendments to Interpretation 14)	N/A	This amendment to Interpretation 14 addresses the unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan.	31 December 2011	As the entity does not have a defined benefit pension plan this amendment to Interpretation 14 is not expected to have any impact on the entity's financial report.	Unlikely to have significant impact.

### (u) Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts and liabilities within the next financial year are discussed below.

#### *Income Taxes*

The Group is subject to income taxes in Australia and jurisdictions where it had foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the current and deferred tax provisions in the period in which such determination is made.

#### *Fair value of share options and assumptions*

The fair value of services received in return for share options granted to Directors and employees is measured by reference to the fair value of options granted. The estimate of the fair value of the services is measured based on Black-Scholes options valuation methodology.

#### *Impairment of capitalised exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

## 2. FINANCIAL RISK MANAGEMENT

### Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks, to minimise potential adverse effects on the financial performance and position of the Group.

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents.

### Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	125,603	3,071,470
Trade and other receivables	561,289	431,268
	<b>686,892</b>	<b>3,502,738</b>

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Financial assets that are neither past due nor impaired are as follows:

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Financial assets – counterparties without external credit rating		
<b>Financial assets with no default in the past</b>	<b>561,289</b>	<b>431,268</b>
Cash at bank and short-term bank deposits		
<b>AA</b>	79,836	26,663
<b>A</b>	45,767	3,044,807
	<b>125,603</b>	<b>3,071,470</b>

### Impairment Losses

None of the Group's other receivables are past due. There is no impairment loss recognised in 2011.

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and hire purchase contracts if required.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

## 2. FINANCIAL RISK MANAGEMENT (continued)

There were no undrawn borrowing facilities in place during the current or prior year.

### Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

#### 2011

	Carrying amount	Total Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	3,253,926	3,253,926	3,253,926	-	-	-	-
	3,253,926	3,253,926	3,253,926	-	-	-	-

#### 2010

	Carrying amount	Total Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	1,739,197	1,739,197	1,739,197	-	-	-	-
	1,739,197	1,739,197	1,739,197	-	-	-	-

### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### Currency Risk

The Group operates only in Australia and therefore is not exposed to any currency risk.

### Interest rate risk

Exposure arises predominantly from assets and liabilities bearing variable interest rates as the Group intends to hold fixed rate assets and liabilities to maturity. Interest rate risk is considered unlikely to be material.

### Sensitivity Analysis

If the interest rates had weakened/strengthened by 1% at 30 June 2011, there would be no material impact on the statement of comprehensive income. There would be no effect on the equity reserves other than those directly related to the statement of comprehensive income movements (2010: nil).

### Fair Values

All financial assets and liabilities have been recognised at the reporting date at amounts approximating their carrying value due to their short term nature.

### Capital risk management

Consistently with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt. As the Group has no borrowings the gearing ratio calculation has not been shown.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting. The Group is not subject to externally imposed capital requirements.

## 3. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. The entity does not have any operating segments with discrete financial information. The Group does not have any customers, and all the Group's assets and liabilities are located within Australia.

The Board of Directors review internal management reports on a monthly basis that is consistent with the information provided in the statement of comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>4. REVENUE</b>		
<b>From continuing operations</b>		
<i>Other revenue</i>		
Interest income	116,133	95,402
	<b>116,133</b>	<b>95,402</b>
<b>5. EXPENSES</b>		
<b>Loss before income tax includes the following specific expenses:</b>		
Rent	60,383	55,716
Directors' fees	136,987	100,000
Other expenses	585,661	413,063
Total general expenses	<b>783,031</b>	<b>568,779</b>
<b>Exploration expenses includes the following specific expenses:</b>		
Exploration expenditure written off during the year	(15,754,141)	(6,896,488)
Tenement acquisition costs written off during the year*	(80,800)	-
	<b>(15,834,941)</b>	<b>(6,896,488)</b>
*Acquisition costs for surrendered tenements written off during the year		
<b>6. INCOME TAX</b>		
<b>(a) Income tax expense/(benefit)</b>	-	-
<b>(b) Loss from continuing operations before income tax benefit</b>	<b>(16,486,822)</b>	<b>(11,299,132)</b>
Tax at the Australian tax rate of 30%	(4,946,047)	(3,389,740)
Non deductible expenses	(150)	915,204
Effect of current year tax losses not recognised	5,002,720	2,492,360
Movement in unrecognised temporary differences	2,869	10,710
Tax deductible equity raising costs	(59,391)	(28,534)
Income tax loss and related benefit	-	-
<b>Amounts recognised directly in Equity</b>		
Relating to equity raising costs	-	-
<b>(c) Deferred tax assets and liabilities not recognised relate to the following:</b>		
<b>Deferred tax assets</b>		
<i>Deductible temporary differences</i>		
Black hole deduction	163,925	69,032
Provision for annual leave	20,426	16,787
Non deductible accruals	4,800	3,600
Tax losses	7,901,294	3,362,326
	<b>8,090,445</b>	<b>3,451,745</b>
<b>Deferred tax liabilities</b>		
Accrued Income 2010	217	2,466
Exploration expenditure	-	-
	<b>217</b>	<b>2,466</b>

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that taxable profits will be available against which deductible temporary differences and tax losses can be utilised.

	2011	2010
	\$	\$
<b>7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents as shown in the statement of financial position and statement of cash flows	<u>125,603</u>	<u>3,071,470</u>

Cash and cash equivalents balance includes a fifty-thousand dollar security deposit against the corporate credit cards.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Deposits at calls are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. Information about the Group's exposure to interest rate risk is disclosed in Note 2.

**8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES**

Tax receivable	560,564	418,473
Other receivables	725	12,795
	<u>561,289</u>	<u>431,268</u>

Tax receivable comprises Goods and Services Tax refund receivable for the June 2011 quarter. As of 30 June 2011, trade receivables that were past due or impaired were nil (2010: nil).

Refer to note 2 for the Group's risk management policy.

**9. NON-CURRENT ASSETS - OTHER ASSETS**

Formation costs	200	400
Prepayments	1,500	-
	<u>1,700</u>	<u>400</u>

**10. NON-CURRENT ASSETS**

**PROPERTY PLANT AND EQUIPMENT**

**(a) Property, plant and equipment**

Cost	164,003	59,819
Accumulated depreciation	(46,557)	(20,229)
	<u>117,446</u>	<u>39,590</u>

**Reconciliations of the carrying amounts of plant and equipment**

<b>Balance at 30 June 2009</b>		<b>14,854</b>
Additions		37,059
Depreciation expense		(12,323)
<b>Balance at 30 June 2010</b>		<b>39,590</b>
Additions		104,185
Depreciation expense		(26,329)
<b>Balance at 30 June 2011</b>		<b>117,446</b>

**(b) Capitalised tenement acquisition**

Opening net book amount	655,225	655,225
Tenement acquisition during the year	542,718	-
Tenement acquisition costs written off during the year*	(80,800)	-
<b>Closing net book amount</b>	<u>1,117,143</u>	<u>655,225</u>

\*Acquisition costs for surrendered tenements written off during the year.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

## 11. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade payables	3,118,655	1,638,408
Accruals	16,000	12,000
Payroll liabilities	102,351	88,541
Other	16,920	248
	<b>3,253,926</b>	<b>1,739,197</b>

Refer to note 2 for the Group's risk management policy.

## 12. ISSUED CAPITAL

### (a) Share capital

	Notes	2011		2010	
		Number of shares	\$	Number of shares	\$
Ordinary shares fully paid	12(b)	113,695,564	27,656,153	73,914,473	14,505,430
Cost of capital raising		-	(514,278)	-	(63,090)
Total contributed equity		<u>113,695,564</u>	<u>27,141,875</u>	<u>73,914,473</u>	<u>14,442,340</u>

### (b) Movements in ordinary share capital

	2010	
	Number of shares	\$
Beginning of the financial year	54,650,000	5,598,307
Issued during the year:		
– Issue of 8,197,001 ordinary shares at 30 cents each	8,197,001	2,459,100
– Issue of 9,623,928 ordinary shares at 64 cents each	9,623,928	6,159,314
– Exercise of 1,443,544 listed options at 20 cents each	1,443,544	288,709
Less cost of capital raising	-	(63,090)
End of the financial year	<u>73,914,473</u>	<u>14,442,340</u>

	2011	
	Number of shares	\$
Beginning of the financial year	73,914,473	14,442,340
Issued during the year:		
– Issue of 15,019,579 ordinary shares at 55 cents each	15,019,579	8,260,768
– Exercise of 24,761,512 listed options at 20 cents each	24,761,512	4,952,302
– Adjustment to receipt of share monies from issue prior period	-	743
Less cost of capital raising	-	(514,278)
End of the financial year	<u>113,695,564</u>	<u>27,141,875</u>

### (c) Movements in options on issue

	Number of options
	2010
Beginning of the financial year	46,950,017
Issued/(lapsed) during the year:	
– Exercisable at 20 cents, on or before 12 December 2014	1,250,000
– Exercisable at 20 cents, on or before 12 December 2014	1,250,000
– Exercisable at 20 cents, on or before 12 December 2014	1,250,000
– Exercisable at 20 cents, on or before 12 December 2014	1,250,000
– Exercisable at 75 cents, on or before 6 January 2015	300,000
– Exercise of 1,443,544 listed options at 20 cents each	<u>(1,443,544)</u>
End of the financial year	<u>50,806,473</u>

**12. ISSUED CAPITAL (continued)**

2011

Beginning of the financial year	50,806,473
Issued/(lapsed) during the year:	
– Exercise of listed options at 20 cents	(24,761,512)
– Lapsing of listed options at 20 cents	(1,119,961)
– Forfeiture of unlisted options at 75 cents	(300,000)
End of the financial year	<u>24,625,000</u>

**(d) Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

**13. RESERVES AND ACCUMULATED LOSSES**

2011  
\$ 2010  
\$

**(a) Reserves**

*Share-based payments reserve*

Balance at beginning of year	4,027,763	977,082
Directors and Employee share options	(2,214)*	3,050,681
Balance at end of year	<u>4,025,549</u>	<u>4,027,763</u>

*Option issue reserve*

Balance at beginning of year	273,250	273,250
Movement during the year	-	-
Balance at end of year	<u>273,250</u>	<u>273,250</u>

Total reserves

4,298,799 4,301,013

\*The estimated date of fulfilment of vesting conditions of the remaining 1,500,000 options was revised during the year to 31 December 2012.

**(b) Accumulated losses**

Balance at beginning of year	(16,284,597)	(4,985,465)
Net loss for the year	(16,486,822)	(11,299,132)
Balance at end of year	<u>(32,771,419)</u>	<u>(16,284,597)</u>

**(c) Nature and purpose of reserves**

*Share-based payments reserve*

The share-based payments reserve is used to recognise the fair value of options issued.

*Option issue reserve*

The option issue reserve is used to recognise the proceeds from the issue of options.

**14. DIVIDENDS**

There was no dividend paid during the current and prior years.

**15. KEY MANAGEMENT PERSONNEL DISCLOSURES**

**(a) (i) Key management personnel compensation**

2011  
\$ 2010  
\$

Short-term benefits	715,917	670,667
Post employment benefits	68,924	50,925
Share-based payments	(2,214)	3,050,681
	<u>782,627</u>	<u>3,772,273</u>

Detailed remuneration disclosures are provided in the remuneration report.

**15. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)**

**(a) Key management personnel compensation**

*(ii) Option holdings*

The numbers of options over ordinary shares in the Group held during the financial year by each director of Iron Road Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2011	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
<b>Directors of Iron Road Limited</b>							
Julian Gosse	3,238,703	-	738,703	-	<b>2,500,000</b>	2,500,000	-
Ian Hume	3,401,203	-	901,203	-	<b>2,500,000</b>	2,500,000	-
Jerry Ellis	-	-	-	-	-	-	-
Matthew J Keegan	4,658,000	-	700,000	178,000	<b>3,780,000</b>	3,780,000	-
Andrew J Stocks	10,575,313	-	605,313	550,000	<b>9,420,000</b>	7,920,000	1,500,000
<i>Other key management personnel of the Company</i>							
Graham Anderson	2,692,716	-	737,716	530,000	<b>1,425,000</b>	1,425,000	-
Larry Ingle	3,000,000	-	-	-	<b>3,000,000</b>	3,000,000	-

2010	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
<b>Directors of Iron Road Limited</b>							
Julian Gosse	738,703	2,500,000	-	-	<b>3,238,703</b>	3,238,703	-
Ian Hume	901,203	2,500,000	-	-	<b>3,401,203</b>	3,401,203	-
Matthew J Keegan	4,658,000	-	-	-	<b>4,658,000</b>	4,658,000	-
Andrew J Stocks	10,575,313	-	-	-	<b>10,575,313</b>	9,075,313	1,500,000
John McKee	75,000	-	-	(75,000)	-	-	-
<i>Other key management personnel of the Company</i>							
Graham Anderson	2,692,716	-	-	-	<b>2,692,716</b>	2,692,716	-
Larry Ingle	3,000,000	-	-	-	<b>3,000,000</b>	3,000,000	-

*(iii) Share holdings*

The numbers of shares in the company held during the financial year by each director of Iron Road Limited and other key management personnel of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2011	Balance at start of the period	Received during the year on the exercise of options	Other changes during the period	Balance at end of the period
<b>Directors of Iron Road Limited</b>				
Julian Gosse	1,600,000	738,703	-	<b>2,338,703</b>
Ian Hume	1,750,000	901,203	-	<b>2,651,203</b>
Jerry Ellis	-	-	80,000	<b>80,000</b>
Matthew J Keegan	1,600,010	700,000	(100,010)	<b>2,200,000</b>
Andrew J Stocks	2,310,625	605,313	-	<b>2,915,938</b>
<i>Other key management personnel of the Company</i>				
Graham Anderson	1,085,000	737,716	-	<b>1,822,716</b>
Larry Ingle	-	-	-	-

**15. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)**

(iii) Share holdings

2010	Balance at start of the period	Received during the year on the exercise of options	Other changes during the period	Balance at end of the period
<b>Directors of Iron Road Limited</b>				
Julian Gosse	1,600,000	-	-	1,600,000
Ian Hume	1,750,000	-	-	1,750,000
Matthew J Keegan	1,600,010	-	-	1,600,010
Andrew J Stocks	2,310,625	-	-	2,310,625
John McKee	225,000	-	(225,000)	-
 <i>Other key management personnel of the Company</i>				
Graham Anderson	1,085,000	-	-	1,085,000
Larry Ingle	-	-	-	-

There are no shares held nominally as at the year ended 30 June 2011.

(iii) Other transactions with key management personnel of the Company

Refer to Note 19 for transactions with key management personnel.

**16. REMUNERATION OF AUDITORS**

During the period the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

Audit services	2011 \$	2010 \$
Audit and review of financial reports – BDO Audit (WA) Pty Ltd	25,979	28,771
	<u>25,979</u>	<u>28,771</u>

**17. CONTINGENCIES**

There are no material contingent liabilities or contingent assets of the Group at reporting date.

**18. COMMITMENTS**

**(a) Exploration commitments**

All of the Company's tenements are situated in the states of Western Australia and South Australia.

In order to maintain an interest in the mining and exploration tenements in which the company is involved, the company is committed to meet the conditions under which the tenements were granted and the obligations of any joint venture agreements. The timing and amount of exploration expenditure commitments and obligations of the company are subject to the minimum expenditure commitments required as per the Mining Act, as amended, and may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest.

These obligations are not provided for in the financial report and are payable.

Outstanding exploration commitments are as follows (no estimate has been given of expenditure commitments beyond 12 months as this is dependent on the directors' ongoing assessment of operations and, in certain circumstances, Native Title negotiations):

	2011 \$	2010 \$
Within one year	1,400,000	1,075,000
Terms regarding the commitment figure above are currently being renegotiated.		

**(b) Lease commitments: Company as lessee**

There are no lease commitments of the Group at reporting date.

### 19. RELATED PARTY TRANSACTIONS

During the year, Iron Road Limited paid \$37,332 to GDA Corporate Pty Ltd for accounting and administrative services. Mr Graham Anderson is a Director of GDA Corporate Pty Ltd. (2010: \$36,000). There is a balance of \$12,100 outstanding as at 30 June 2011.

There were no other related party transactions during the year ended 30 June 2011.

### 20. INVESTMENT IN CONTROLLED ENTITIES

Name of Entity	Equity Holding		Cost of Parent Entity's Investment	
	2011 %	2010 %	2011 \$	2010 \$
<b>Parent Entity</b>				
Iron Road Limited				
<b>Controlled Entity</b>				
Eyre Properties Pty Ltd	100	100	10	10

Eyre Properties Pty Ltd was incorporated on 24 December 2010. On that date Iron Road Limited acquired 100% of the share capital.

Iron Road Limited and Eyre Properties Pty Ltd are located and incorporated in Australia.

### 21. EVENTS OCCURRING AFTER THE REPORTING DATE

On 25 July 2011, shareholders approved a \$21.5 million capital raising via placement to institutional and sophisticated investors. Subsequently 23,984,674 shares were issued at a price of 90 cents per share.

On the same date, shareholders approved the issue of 500,000 unlisted options at an exercise price of \$1.00 to Mr Jerry Ellis.

### 22. RECONCILIATION OF NET LOSS AFTER INCOME TAX

	2011 \$	2010 \$
<b>Reconciliation of net loss after income tax to net cash outflow from operating activities</b>		
Net loss for the year	(16,486,822)	(11,299,132)
<b>Non-cash items</b>		
Share based payments	(2,214)	3,050,681
Formation costs	200	-
Exploration costs written off	80,800	-
Depreciation	26,329	12,322
<b>Change in operating assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	151,697	(291,795)
(Decrease)/increase in trade and other payables	1,006,841	1,256,596
Net cash outflow from operating activities	<u>(15,223,169)</u>	<u>(7,271,328)</u>

### 23. LOSS PER SHARE

#### (a) Reconciliation of loss used in calculating loss per share

Loss attributable to the members of the group used in calculating basic and diluted loss per share	<u>(16,486,822)</u>	<u>(11,299,132)</u>
Basic loss per share	(16.28)	(17.46)
Diluted loss per share	(16.28)	(17.46)

Number of shares

2011 2010

(b) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share

**101,268,453 64,928,092**

(c) Information on the classification of options

As the Company has made a loss for the year ended 30 June 2011, all options on issue are considered anti dilutive and have not been included in the calculation of diluted loss per share. These options could potentially dilute basic loss per share in the future.

**NOTE 24. SHARE BASED PAYMENTS**

**30 June 2011**

There were no share-based payments during the reporting period.

The 300,000 unlisted options issued to an employee of the Company Mr Michael Tschaban were forfeited during the year.

**30 June 2010**

Grant Date	Expiry Date	Exercise Price	Balance at 1 July 2009	Granted during the year	Exercised during the year	Forfeited during the year	Balance at 30 June 2010	Vested and exercisable at 30 June 2010
16/12/09	15/12/14	\$0.20	-	1,250,000	-	-	1,250,000	1,250,000
16/12/09	15/12/14	\$0.25	-	1,250,000	-	-	1,250,000	1,250,000
16/12/09	15/12/14	\$0.30	-	1,250,000	-	-	1,250,000	1,250,000
16/12/09	15/12/14	\$0.35	-	1,250,000	-	-	1,250,000	1,250,000
			-	<b>5,000,000</b>	-	-	<b>5,000,000</b>	<b>5,000,000</b>

**Directors and Key Executive's Options**

The options issued to Mr Julian Gosse and Mr Ian Hume in the prior period vested immediately. Total expenses arising from share-based payment transactions recognised during the year were as follows:

	2011	2010
	\$	\$
Options issued to directors and key executives as part of:		
Share based payments	<b>(2,214)</b>	<b>3,050,681</b>

The weighted average exercise price of the options held at the end of the year is 28.62 cents (2010 – 29.22 cents).

The weighted average remaining contractual life of share options outstanding at the end of the year is 3.70 years (2010 – 3.71 years).

25. IRON ROAD LIMITED PARENT COMPANY INFORMATION	Company	
	2011	2010
<b>ASSETS</b>	\$	\$
Current assets	686,882	3,502,738
Non-current assets	1,236,299	695,215
<b>TOTAL ASSETS</b>	<b>1,923,181</b>	<b>4,197,953</b>
<b>LIABILITIES</b>		
Current liabilities	3,253,936	1,739,197
<b>TOTAL LIABILITIES</b>	<b>3,253,936</b>	<b>1,739,197</b>
<b>EQUITY</b>		
Contributed equity	27,141,875	14,442,340
Retained earnings	(32,771,419)	(16,284,597)
Reserves	4,298,799	4,301,013
<b>TOTAL EQUITY</b>	<b>1,330,475</b>	<b>2,458,756</b>
<b>FINANCIAL PERFORMANCE</b>		
Loss for the year	(16,486,882)	(11,299,132)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(16,486,882)</b>	<b>(11,299,132)</b>

**CONTINGENT LIABILITIES**

As at 30 June 2011 and 2010, the Company had no contingent liabilities.

**CONTRACTUAL COMMITMENTS**

As at 30 June 2011 and 2010, the Company had no contractual commitments other than exploration commitments disclosed in Note 14.

**GUARANTEES ENTERED INTO BY PARENT ENTITY**

As at 30 June 2011, the Company has not provided any financial guarantees.

## Directors' Declaration

The Directors of the Group declare that:

1. The consolidated financial statements, comprising the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:
  - a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b) give a true and fair view of the Group's financial position as at 30 June 2011 and of the performance for the year ended on that date.
2. In the Director's opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosures included in the Directors' report (as part of audited Remuneration Report), for the year ended 30 June 2011, comply with section 300A of the *Corporations Act 2001*.
4. The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.
5. The Group has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards (IFRS).

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



**Andrew J Stocks**  
Managing Director

Perth, 30 September 2011

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IRON ROAD LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Iron Road Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Iron Road Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



## Opinion

In our opinion the financial report of Iron Road Limited is in accordance with the *Corporations Act 2001*, including:

- (a) the financial report of Iron Road Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Iron Road Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch', written over a horizontal line.

Phillip Murdoch  
Director

Perth, Western Australia  
Dated this 30<sup>th</sup> day of September 2011

## GLOSSARY

**Aeromag survey** – Short for aeromagnetic survey a common type of geophysical method carried out using a magnetometer aboard or towed behind an aircraft. The aircraft typically flies in a grid like pattern with height and line spacing determining the resolution of the data. As the aircraft flies, the magnetometer records tiny variations in the intensity of the ambient magnetic field and spatial variations in the Earth's magnetic field. By subtracting the solar and regional effects, the resulting aeromagnetic map shows the spatial distribution and relative abundance of magnetic minerals (most commonly magnetite) in the upper levels of the crust.

**DTR** – Davis Tube Recovery testing is used to separate ferromagnetic and non-magnetic fractions in small samples of approximately 20g at a time. The test is suited to establishing the recoveries likely from a magnetic separation process. This can assist mineral body assessment for magnetite, hematite or combinations thereof.

**Gravity survey** – A geophysical method undertaken from the surface or from the air which identifies variations in the density of the earth from surface to depth. It is used to directly measure the density of the subsurface, effectively the rate of change of rock properties. From this information a picture of subsurface anomalies may be built up to more accurately target mineral deposits. For iron exploration gravity surveys are commonly overlain on magnetic surveys to help identify and target fresh and oxidised iron ore (ie. magnetite and hematite).

**Hematite** – Hematite is a mineral, coloured black to steel or silver-gray, brown to reddish brown or red. Hematite is a form of Iron (III) oxide ( $\text{Fe}_2\text{O}_3$ ), one of several iron oxides.

**Magnetite** – Magnetite is a form of iron ore, one of several iron oxides and a ferrimagnetic mineral with chemical formula  $\text{Fe}_3\text{O}_4$  and a member of the spinel group. It is metallic or dull black and a valuable source of iron ore. Magnetite is the most magnetic of all the naturally occurring minerals on Earth, and these magnetic properties allow it to be readily refined into an iron ore concentrate.

**Martite** – The name given for Hematite pseudomorphs after Magnetite. More simply put primary magnetite that has been totally replaced by secondary hematite through oxidation.

**Specularite** – A black or gray variety of hematite with brilliant metallic luster, occurring in micaceous / foliated masses or in tabular or disk-like crystals. Also known as specular iron.

**XRF** – X-Ray Fluorescence spectroscopy is used for the qualitative and quantitative elemental analysis of geological and other samples. It provides a fairly uniform detection limit across a large portion of the Periodic Table and is applicable to a wide range of concentrations, from 100% to few parts per million (ppm).

Image on back page is view over Murphy South



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