



# **FINANCIAL REPORT**

For the year ended 30 June 2009

**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
Andrew J Stocks	Managing Director

### Company Secretary

Graham D Anderson

### Registered Offices

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West Perth 6005  
Western Australia

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### Share Registry

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### Auditors

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128 Hay Street  
Subiaco 6008  
Western Australia

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Email	admin@ironroadlimited.com.au
ABN	51 128 698 108

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## Operations Report

### Central Eyre Iron Project

*(Iron Road 100%)*

The Central Eyre Iron Project (663km<sup>2</sup>) is located on the Eyre Peninsula of South Australia and consists of three distinct prospects – **Warrambo, Kopi and Hambidge**. The project area is located in a grain farming area with good infrastructure, including a third party railway that runs through the lease area, connecting the project to the deep water harbour at Port Lincoln 175km to the south (Figure 1). Community relationships and support is excellent with great interest shown in possible development scenarios.



**Figure 1 – Location of the Warrambo Iron Project on the Eyre Peninsula, South Australia.**

The Company's goal at the Central Eyre Iron Project is to establish a resource inventory that will underpin a 5 to 10Mtpa magnetite export operation for at least 20 years with a view to feeding the Direct Reduced Iron (DRI) and concentrate markets of Asia, Europe and the Middle East.

The project contains extensive magnetite-bearing gneiss units with a cumulative strike length in excess of 95 kilometres. Previous but limited exploration drilling returned wide intervals of magnetite mineralisation below shallow sand and weathered bedrock cover.

Iron Road has adopted a three staged approach at the Central Eyre Iron Project. Each stage is defined by a question that through appropriate investigation and analysis is answered and resolved.

- **Stage I** *Is a marketable Fe concentrate achievable across the deposit?*
- **Stage II** *Is ore body continuity and geological understanding such that a mineral resource is achievable?*
- **Stage III** *Is the potential size large enough to justify a stand-alone large scale operation?*

Initial work commenced at Warrambo, the northern-most prospect that historically is best explored and has the most detailed aeromagnetic coverage.

### **Stage I** **Is a marketable Fe concentrate achievable across the deposit?**

Stage I drilling commenced during August 2008 to investigate the continuity of the Murphy, Dolphin and Collins prospects of the northernmost aeromagnetic anomalies and to provide material for a metallurgical testing and ore beneficiation test programme. A geophysical review that included reprocessing historical data highlighted the strength of the anomalies at Warrambo and facilitated final planning of the drill programme. The programme was completed during December 2008, with 32 holes drilled totalling 4,465m (Figure 2). All drill holes were oriented northwards at -60° dip and specifically located to test a range of mineralisation types whose combined strike length exceeds approximately 16km.

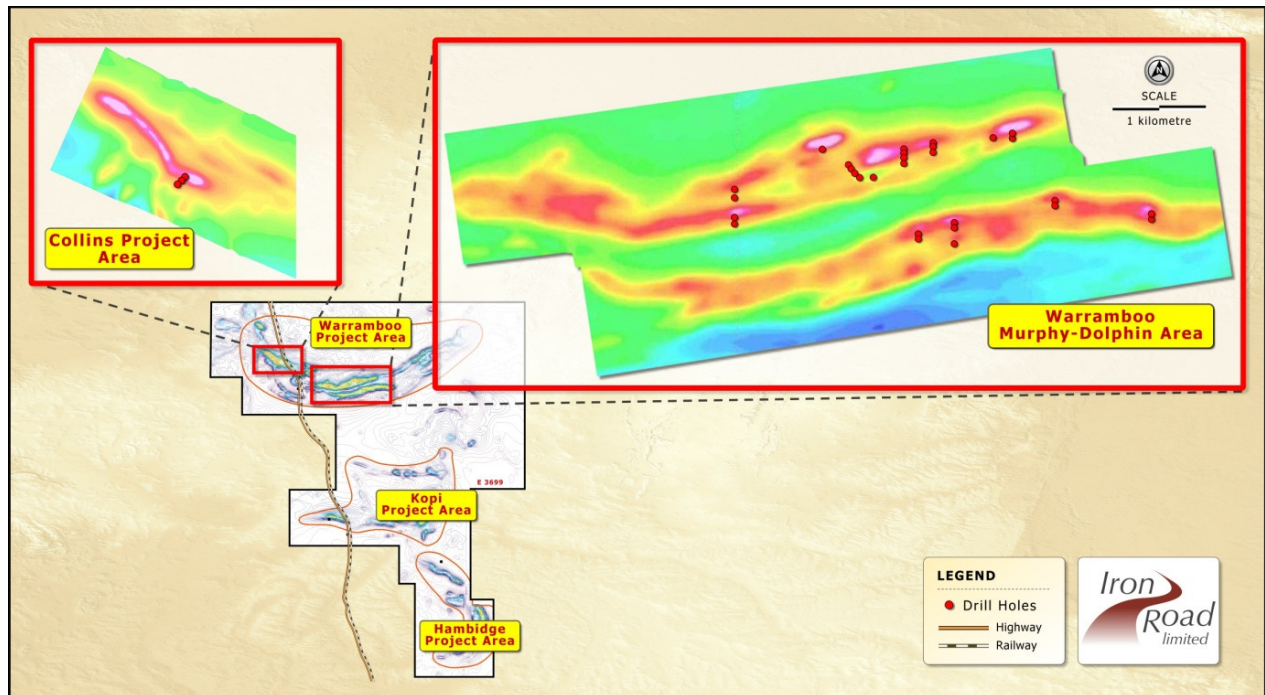


Figure 2 - Drill holes completed during the Stage I programme at Murphy-Dolphin and Collins. Hole locations are superimposed on a Total Magnetic Intensity (TMI) image for the Warrambo Project Area.

The Stage I drilling programme provided initial coverage of a large portion of the deposit, necessary to identify those areas of best potential. Although all drilling was achieved by reverse circulation (RC), valuable lithological, mineralogical and structural information was logged and collated, in addition to the grade data from the assays.

A hematite capping occurs in several areas drilled where magnetite close to surface has oxidised to form hematite. Hematite that has formed exclusively from the oxidation of magnetite is referred to as martite and the term maghemite may be used where the destruction of magnetite to hematite is incomplete.

Davis Tube Recovery (DTR) test work under the guidance of specialist consulting metallurgists ProMet was undertaken using individual and composite samples collected from several drill holes across this part of the deposit. This work deliberately targeted both low and high grade areas including those areas displaying varying degrees of magnetite destruction to hematite.

Seventy-two DTR tests from the Stage I drilling programme returned the following average values for the recovered iron concentrate (P80 at 40µm).

Indicative Concentrate %											
Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	CaO	MgO	Na <sub>2</sub> O	K <sub>2</sub> O	TiO <sub>2</sub>	P	Mn	S	LOI
70.25	0.96	0.81	0.03	0.11	0.01	0.033	0.10	0.003	0.690	0.002	-3.3

The high iron content of the concentrate combined with an overall chemistry free of deleterious elements indicates potential suitability for the production of high quality iron ore pellets for the premium direct reduced iron market. Furthermore, the results to date suggest that concentrate grade is independent of in-situ grade and is spatially consistent along the entire breadth of the area investigated. The test work replicates grinding and magnetic separation without additional processes such as flotation. This together with a P80 at 40µm (40 micron) grind indicates a favourable process of magnetite concentration when compared to some other magnetite deposits.

The original precursor of the magnetite gneiss at Warrambo is believed to be a pelite (mudstone), not a banded iron formation (BIF) as is more common for these types of deposits. The host lithology is granular quartz-feldspar gneiss, free of asbestos minerals, that contains magnetite grains with an average size of 1½mm, sharp boundaries and very few inclusions. These characteristics result in the high quality Warrambo iron concentrate low in silica and phosphorous following a straightforward liberation process.

## **Stage II      Is ore body continuity and understanding such that a mineral resource is achievable?**

Planning for the Stage II drilling programme at Warrambo commenced soon after Stage I in consultation with the Company's mining resource specialist, Coffey Mining and Hawke Geophysics. Inversion modeling from detailed aeromagnetic surveys aided in the planning and has proven provide an accurate representation of the magnetite zones at depth.

Stage II RC drilling commenced in late February 2009 and concluded in early June 2009. Six drill holes at Collins, not completed during the Stage I programme in December 2008, were incorporated into the programme. The bulk of the drilling however encompassed an area known as Boo-Loo, where a drilling programme was specifically designed to test and demonstrate continuity of magnetite on strike and down dip in preparation for a JORC compliant mineral resource report (Figure 3).

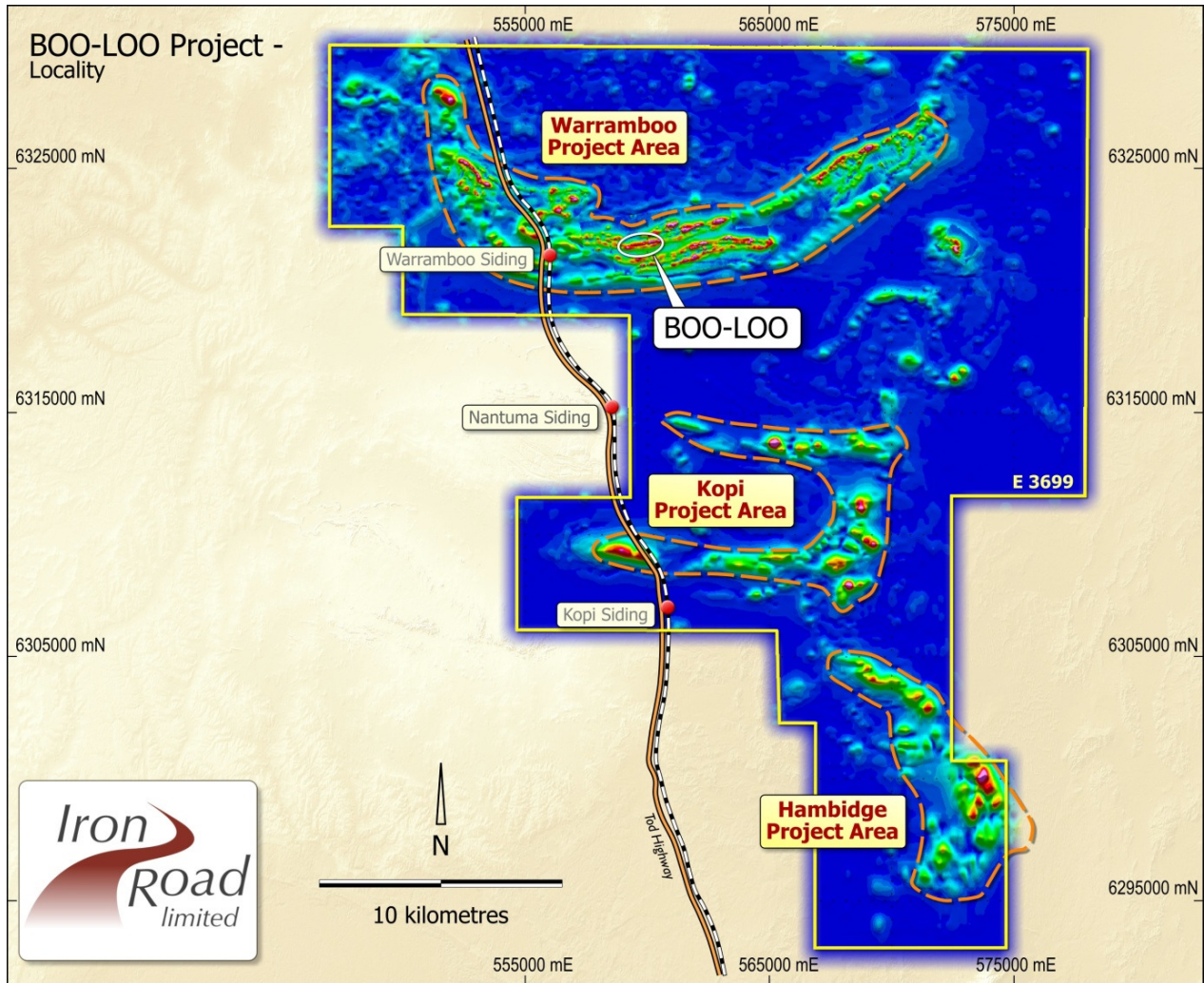
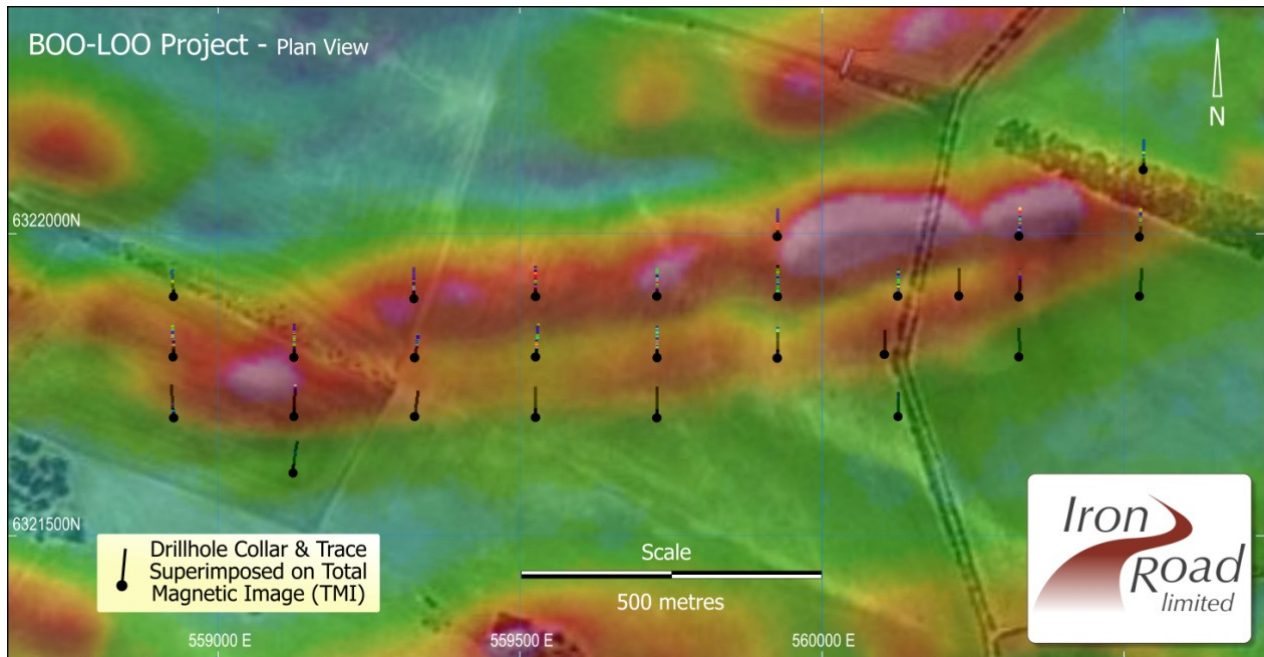


Figure 3 - Warramboe project area – area of Boo-Loo Resource highlighted

The drilling programme at Boo-Loo totalled 27 holes for a total of 6,168m, comprising nine traverses of three drill holes each, spaced 200m apart on strike and 100m apart in the dip direction of the magnetite (Figure 4). Intermediate and deep holes were RC pre-collared and completed with a (NQ2) diamond tail, typically drilled from the start of fresh rock. At the peak of the drilling programme one RC and two diamond drill rigs were utilised at Boo-Loo, all from Coughlan Drilling.



**Figure 4 – Pattern resource drilling at Boo-Lo.**

Drilling confirmed continuity over the entire 1.7km selected with two magnetite zones identified; a lower or main zone comprising three magnetite units of up to a combined 70m true thickness and a thinner zone in the hangingwall consisting of two magnetite units of up to approximately 40m combined true thickness. The zones dip at approximately 45-60° in this area and the magnetite units are open at depth.

A resource estimate was prepared by Coffey Mining following the guidelines of the JORC (2004) Code. The inferred mineral resource estimate report of 110Mt was announced on 7 August 2009 and is presented in the summary table below:

Boo-Lo Resource Estimate							
Resource Classification	Material Type	Mt	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %	LOI %
Inferred	Fresh	87.5	19.4	51.0	11.1	0.10	1.2
	Transitional	4.1	19.3	46.7	12.2	0.06	7.1
	Oxide	18.9	19.6	46.2	12.5	0.06	7.6
<b>Total</b>		<b>110.5</b>	<b>19.4</b>	<b>50.0</b>	<b>11.4</b>	<b>0.09</b>	<b>2.5</b>

*The Warrambo resource estimate was carried out following the guidelines of the JORC Code (2004) by Coffey Mining Ltd following two drilling programmes undertaken over the past year.*

Test work confined to the 1.7km portion under investigation at Boo-Lo resulted in an indicative average concentrate grade of 69.9% iron with a mass recovery of 21.8% for the fresh material. This compares favourably to the results of the Stage I drilling programme that resulted in an indicative average of 70.3% iron across the northern-most part of the Warrambo prospect (see table below). Significantly, an excellent link was demonstrated between target exploration methodology and resulting defined resources.



Indicative Concentrate Specifications						
Project	Fe %	Mass Rec %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %	LOI %
Stage 1 drilling *	70.3	21.0	1.0	0.8	0.00	-3.3
Boo-Loo **	69.9	21.8	1.3	1.0	0.00	-2.8
P80 passing 40µm						
* based on 72 DTR composites across the upper portion of the Warramboe deposit from Stage 1 drilling						
** based on 396 DTR composites across the Boo-Loo Project only						

In addition to the resource drilling at Boo-Loo, a dedicated (HQ) metallurgical hole was drilled to provide material for an extended metallurgical test work programme under the guidance of specialist metallurgical engineers, ProMet. This material is currently undergoing tests at AMMTEC’s laboratories that includes a dry magnetic separation test work programme.

**Stage III Is the potential size large enough to justify a stand-alone large scale operation?**

On 1 September 2009 a global exploration target size for Warramboe EL3699 was announced. The review of exploration potential was undertaken by Coffey Mining, utilising available information, including historical data, geophysics, drill analysis and assays. This interpretation suggests an exploration potential of between 2.8 - 5.7 billion tonnes of magnetite gneiss at the Warramboe project. Magnetic anomalies indicate potential for at least 95km cumulative strike length of magnetite gneiss over the project area (Figure 5). The substantial target suggests potential for necessary project size and status to justify a standalone export operation.

The Coffey Mining summary (see table overleaf) is supported by a more detailed study report. The exploration target excludes the 110Mt inferred Mineral Resource announced on 7 August 2009.

Details of the exploration target are given in the table below.

Conceptual Magnetite Gneiss Exploration Target		
Priority	Strike Length (km)	Tonnage
1	25	870-1,750Mt
2	54	2,000-4,000Mt
<b>Total</b>	<b>79</b>	<b>2,870-5,750Mt</b>

*The information in this report relating to exploration targets should not be misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade 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.*

The exploration target marks completion of the initial development evaluation and commencement of the early pre-development phase of the Central Eyre Iron Project. There is strengthening potential for this project to be one of the major magnetite iron ore projects currently under review in Australia.

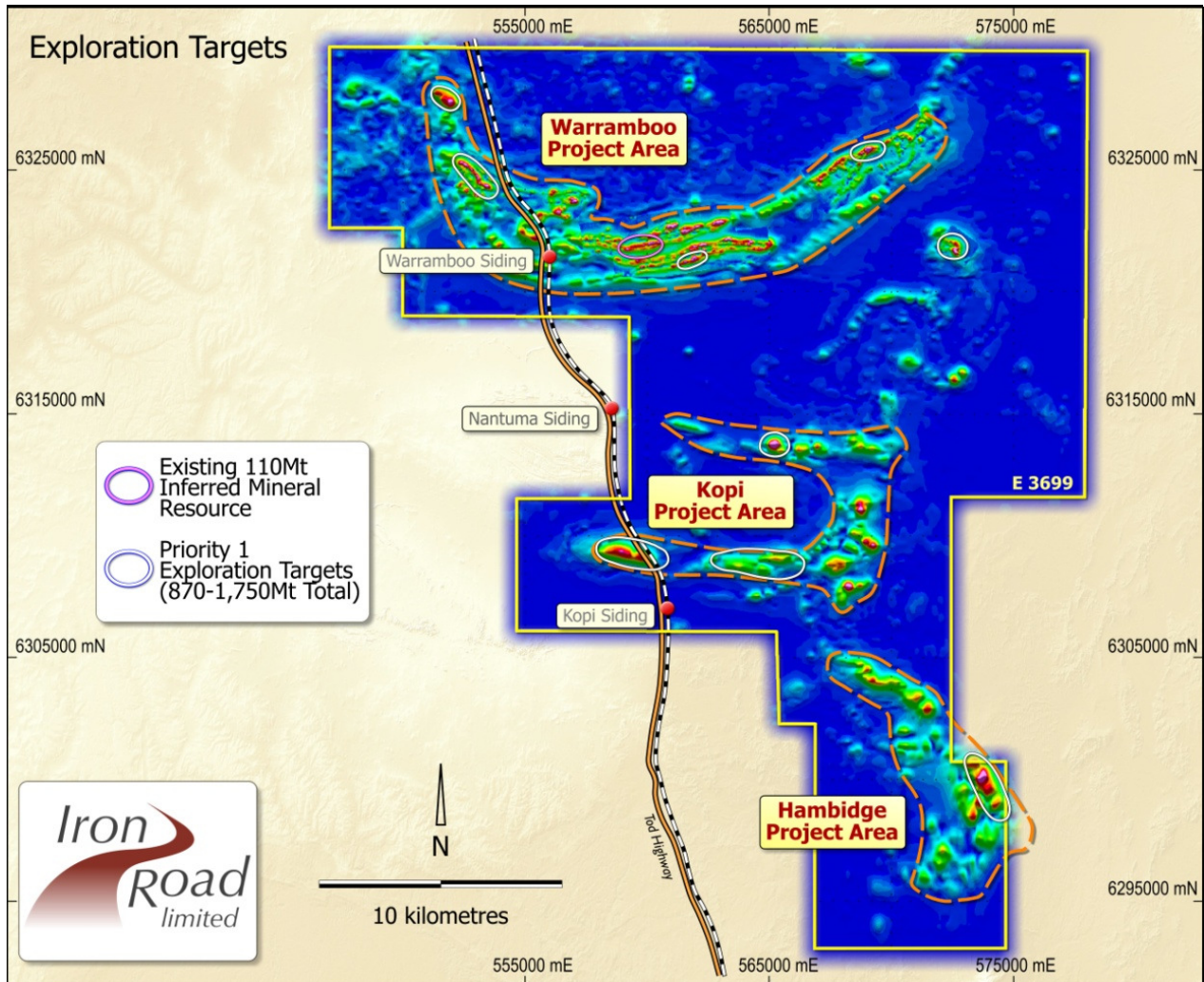


Figure 5 - Existing inferred mineral resource and priority 1 exploration targets at the Warramboe Iron Project.

### Current and Future Work at the Central Eye Iron Project

With the project now transitioning from advanced stage exploration to early project pre-development, Iron Road will again adopt a staged approach.

Pre-development processes currently underway include:

- Investigation of a number of available infrastructure options, including materials handling, ports, power and water;
- Project scoping; including marketing, assessment of financing options, further community engagement and Mineral Resource evaluation; and
- Continued engagement with potential development partners, with a view to introducing a substantial industrial partner to the project at the appropriate stage.

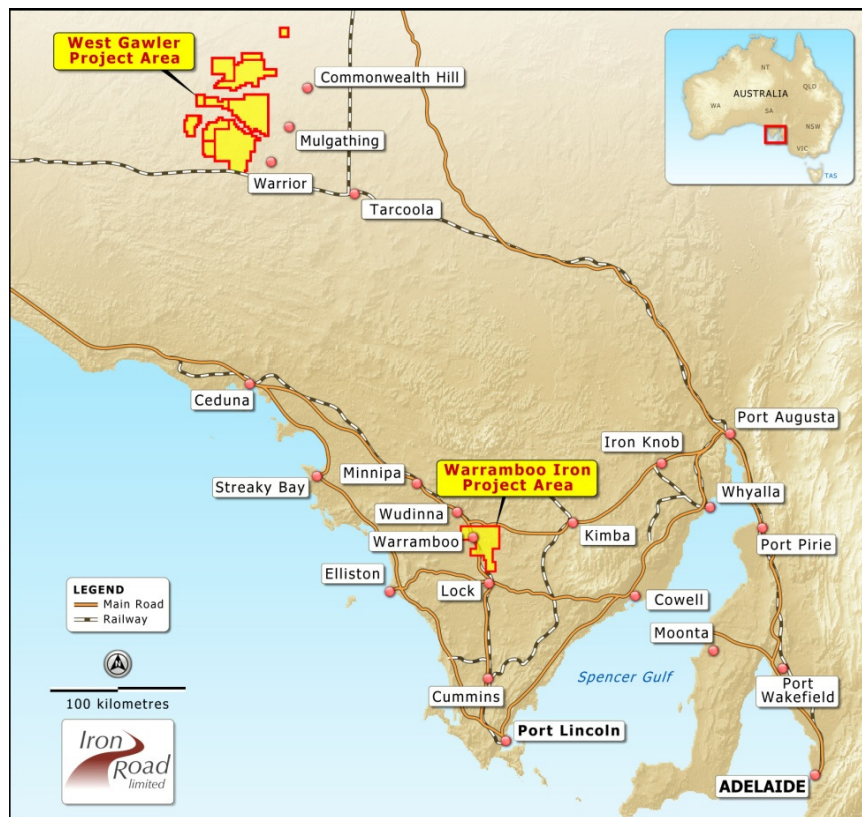
In addition to the above, detailed aeromagnetic surveys are being planned to cover the Kopi and Hambidge prospects and to infill the detailed surveys done previously by others at the northern-most Warramboe

prospect. These areas currently only have relatively low resolution regional survey coverage that is unsuitable for detailed drill programme design. As noted earlier Iron Road's process design consultants, ProMet Engineers, are currently overseeing a major metallurgical test work programme that includes investigations into dry magnetic separation.

## Gawler Iron Project

*(Iron Road earning to 90%)*

Iron Road announced on 5 August 2008 that it had entered into an agreement to acquire the iron ore rights (100%) to 3,380km<sup>2</sup> of Dominion Gold Operations Pty Limited's (a wholly owned subsidiary of Dominion Mining Limited) West Gawler tenements in South Australia. These tenements are located adjacent to the Trans Australian Railway and within 100 kilometres of the Central Australia Railway in South Australia (Figure 6).



**Figure 6 – Location of the West Gawler Project Area, South Australia.**

The Project area includes over ten areas of known iron occurrences, including the Mt Christie deposit that was the subject of selected drilling and beneficiation test work in the 1960's by the South Australian Department of Mines (SADME). The test work indicated that lower grade hematite mineralization is amenable to upgrading using simple mechanical processes. The Company evaluated all historical data and Hawke Geophysics completed a geophysical review of the area.

Based on recommendations from this work a strategy for exploration activities and investigation was developed. During July 2009 a field chip sampling programme commenced in the Mt Christie area on EL4014 (Mulgathing) and a detailed aeromagnetic survey was planned and finalised.

On 8 September 2009 Iron Road announced the results of the chip sampling programme. A total of 252 in-situ rock chip and grab samples from ten localities at the West Gawler project returned an average grade of 53.4% Fe (55.7% CaFe\*) from all samples collected (Figure 7). Several chip samples returned grades of >60% Fe with low silica, alumina and phosphorous indicating potential suitability for direct shipping ore (DSO).

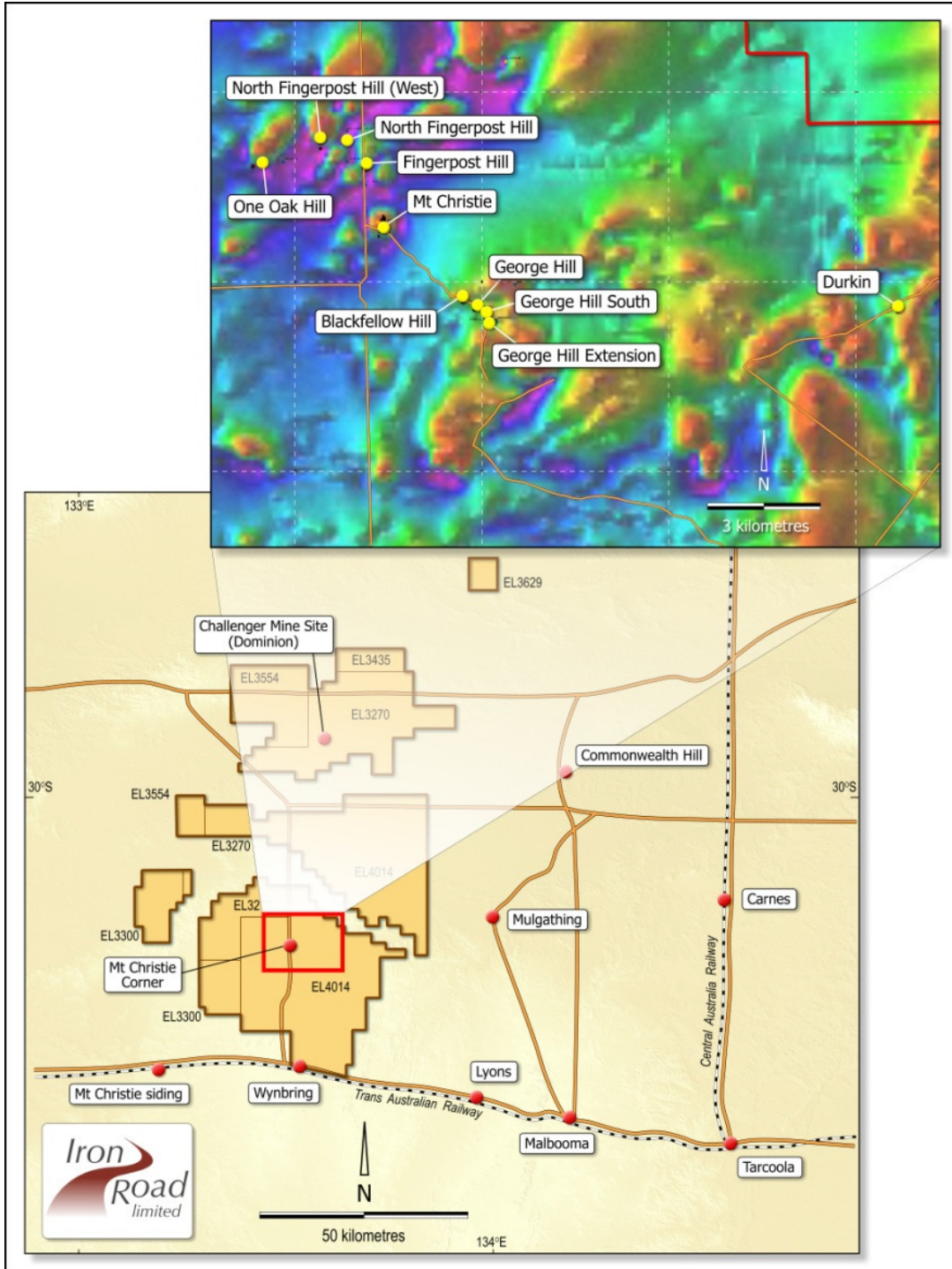


Figure 7 - West Gawler tenements highlighting field sampled iron occurrences, superimposed on regional aeromagnetic image.

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## Iron Road Limited - Financial Report

A summary showing averages of all samples by location is included in the table below:

Locality	Fe (%)	CaFe* (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	S (%)	LOI (%)
Mount Christie	53.6	55.3	18.5	1.4	0.12	0.04	3.0
One Oak Hill	58.6	61.4	9.0	1.9	0.03	0.09	4.7
North Finger Post Hill	56.2	59.7	8.1	5.1	0.05	0.06	5.8
George Hill	57.7	59.8	11.1	2.1	0.06	0.07	3.6
George Hill South	53.6	56.7	14.1	2.4	0.11	0.06	5.5
George Hill Extension	47.7	50.2	24.5	1.7	0.15	0.07	4.8
Blackfellow Hill	50.8	53.3	20.0	1.7	0.11	0.05	4.7
North Fingerpost Hill (West)	53.0	54.3	20.6	0.8	0.05	0.04	2.3
Fingerpost Hill	51.9	55.1	12.4	6.6	0.04	0.06	5.9
Durkin	47.4	52.0	17.0	4.4	0.09	0.10	8.8
Average	53.4	55.7	16.8	2.2	0.09	0.05	4.0

Shortly after the field sampling results at West Gawler were published, the Company announced on 16 September 2009 that a detailed aeromagnetic survey had commenced at West Gawler. This survey will support planning for exploratory drilling and progresses the farm-in agreement with Dominion Mining to earn up to 90% interest in the strategically located tenements.

The detailed survey, undertaken by Thomson Aviation over a large portion of EL4014 (Mulgathing), covers all known iron occurrences. The survey line spacing is 50m, flown at a mean height of 35m for a total of 5,319 line kilometres (Figure 8). Hawke Geophysics will analyse and interpret the data and make recommendations on focussed ground gravity surveys.



Figure 8 - A Cessna Series 210L was used as the survey platform.

## Windarling Iron Project (Iron Road 100% of ELs and option to purchase PLs)

Iron Road has completed a data review program covering its Western Australian projects and is developing a staged plan of ground work, the majority of activity centred on the Windarling project (Figure 9).

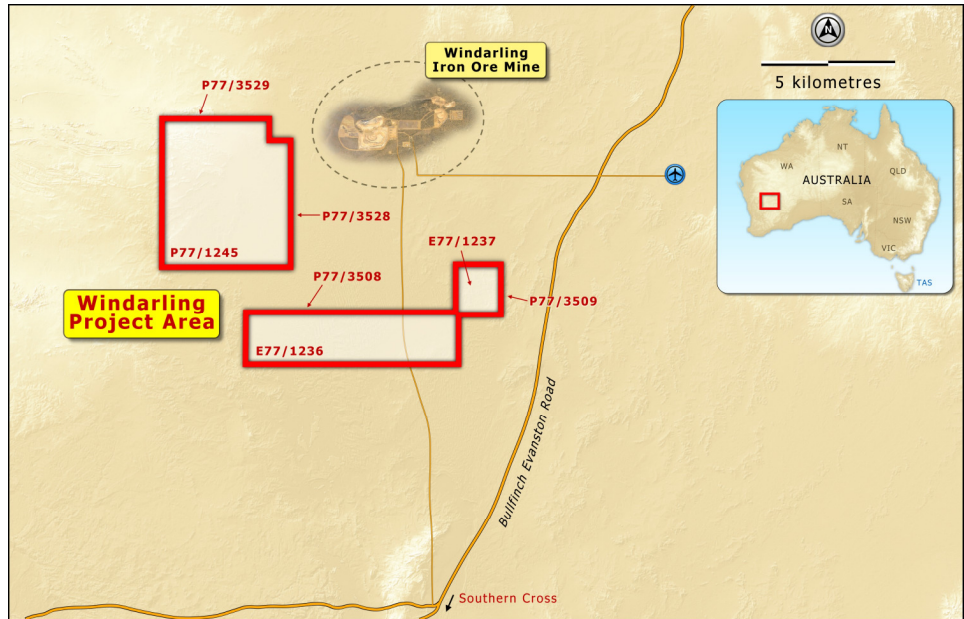


Figure 9 - Windarling iron project location

## Directors' Report

Your directors submit their report on Iron Road Limited for the financial year ended 30 June 2009.

### **DIRECTORS and MANAGEMENT**

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



**Julian Gosse**  
**Chairman**

(Appointed 5 March 2009)

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.

Mr Gosse is currently Chairman of ITL Limited and a Director of Wilson Investment Fund Limited, Clime Capital Limited, Australian Leaders Fund and the Foundation for National Parks & Wildlife.



**Ian Hume**  
**Director**

(Appointed 5 March 2009)

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 2008. Prior to the founding of The Sentient Group, Mr Hume was a consultant to AMP's Private Capital Division. He currently sits on the board of Andean Resources and Norsemont Mining, which are listed in Australia and Canada respectively.



**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.



**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.



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

Mr Anderson is a graduate of Curtin University and has over 20 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 APA Financial Services Limited, Echo Resources Limited, Pegasus Metals Limited and Dynasty Metals Australia 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 Warrambo project in South Australia.



## 1. PRINCIPAL ACTIVITIES

The principal activities of the Company during the year were the exploration and evaluation of the Company'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 ( <i>Appointed on 5 March 2009</i> )	1,600,000	738,703
Ian Hume ( <i>Appointed on 5 March 2009</i> )	1,750,000	901,203
Matthew J Keegan	1,600,000	4,658,000
Andrew J Stocks	2,310,625	10,575,313

## 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 Period

The operating loss after income tax of the Company for the period ended 30 June 2009 was \$4,604,591 (2008: \$380,874).

### Shareholder Returns

	2009	2008
Basic and diluted loss per share (cents)	17.0	1.88

### 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 Company 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

Apart from the above or as noted elsewhere in this report no significant changes in the state of affairs of the Company occurred during the financial period.

## 6. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 25 August 2009, 8,197,001 fully paid ordinary shares were issued to institutional investors as a private placement at 30 cents each, raising gross proceeds of \$2.46 million.

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

## 7. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the Company 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 Company.

## 8. ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company'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 company 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

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 (audited)

#### ***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 Company'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 Company.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Company 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 Company'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 Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company 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 company 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. No performance based remuneration has been paid in the current year.

#### ***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. The company believes this policy will be effective in increasing shareholder wealth.

## Iron Road Limited - Financial Report

### B Details of remuneration (audited)

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 as per page 18 above and the following executive officer who has authority and responsibility for planning, directing and controlling the activities of the Company:

- Larry Ingle – General Manager (appointed 1 July 2008)

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	Non Monetary	Superannuation	Retirement benefits	Options	Remuneration consisting options	
	\$	\$	\$	\$	\$	%	\$
<b>Directors</b>							
<i>Julian Gosse – appointed 5 March 2009</i>							
2009	12,500	-	-	-	-	-	12,500
2008	-	-	-	-	-	-	-
<i>Ian Hume – appointed 5 March 2009</i>							
2009	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-
<b>Matthew Keegan</b>							
2009	23,333	-	2,100	-	104,341	80.40%	129,774
2008	2,064	-	186	-	45,739	95.31%	47,989
<b>Andrew Stocks</b>							
2009	250,000	-	22,500	-	252,262	48.07%	524,762
2008	52,897	-	4,761	-	110,581	65.73%	168,239
<i>John McKee – resigned 5 March 2009</i>							
2009	64,167	-	5,775	-	223,335	76.15%	293,277
2008	3,611	-	325	-	-	-	3,936
<b>Company Secretary</b>							
<b>Graham Anderson</b>							
2009	82,500	-	-	-	41,276	33.35%	123,776
2008	7,500	-	-	-	18,094	70.69%	25,594
<b>Other key management personnel</b>							
<i>Larry Ingle - appointed 1 July 2008</i>							
2009	250,000	-	22,500	-	181,455	39.97%	453,955
2008	-	-	-	-	-	-	-
<b>Total key management personnel compensation</b>							
<b>2009</b>	<b>682,500</b>	<b>-</b>	<b>52,875</b>	<b>-</b>	<b>802,669</b>	<b>52.18%</b>	<b>1,538,044</b>
<b>2008</b>	<b>66,072</b>	<b>-</b>	<b>5,272</b>	<b>-</b>	<b>174,414</b>	<b>70.97%</b>	<b>245,758</b>

There are no performance based payments to any of the directors and key management personnel during the year.

### C Service agreements (audited)

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.

#### *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.

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

- Annual base salary of \$40,000, plus statutory superannuation, to be reviewed annually by the Remuneration Committee of the Board. No termination benefits are payable.

### *Graham D Anderson, Company Secretary*

- GDA Corporate Pty Ltd to provide Company Secretary and Accounting Services at \$4,500 per month and \$3,000 per month respectively.
- No fixed term agreement. A three months notice is required in the event of termination.

### *Andrew J Stocks, Managing Director*

- Annual base salary of \$250,000, 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 2008*

- Annual base salary of \$250,000, 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 (audited)**

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 following options were granted to or vested with key management personnel during the period:

	Grant Date	Granted Number	Number of options vested during the period	Expiry Date	Exercise Price (cents)	Fair value per option at grant date (cents)	Exercised Number
Matthew J Keegan	23/01/08	2,280,000	-	23/01/13	\$0.20	6.9	-
	23/01/08	1,500,000	-	23/01/13	\$0.35	6.1	-
Andrew J Stocks	23/01/08	3,420,000	-	23/01/13	\$0.20	6.9	-
	23/01/08	6,000,000 <sup>(1)</sup>	-	23/01/13	\$0.35	6.1	-
Graham Anderson	23/01/08	1,425,000	-	23/01/13	\$0.20	6.9	-
Larry Ingle	5/08/08	3,000,000 <sup>(2)</sup>	-	6/08/13	\$0.35	14.9	-
John McKee	5/08/08	1,500,000	1,500,000 <sup>(3)</sup>	6/08/13	\$0.35	14.9	-

There were no ordinary shares issued upon exercise of remuneration options to directors or other key management personnel of Iron Road Limited during the year.

As announced to ASX Ltd and shareholders on 20 April 2009 the Company intends to seek approval at the forthcoming AGM to issue incentive options to its two recently appointed non- executive Directors. Shareholder approval had not been sought as at the date of this report. The terms of the proposed options are outlined below and shall be issued with a five year exercise date from issue.

To Mr Julian Gosse

625,000 options to acquire shares at 20 cents per share  
 625,000 options to acquire shares at 25 cents per share  
 625,000 options to acquire shares at 30 cents per share  
 625,000 options to acquire shares at 35 cents per share

To Mr Ian Hume

625,000 options to acquire shares at 20 cents per share  
 625,000 options to acquire shares at 25 cents per share  
 625,000 options to acquire shares at 30 cents per share  
 625,000 options to acquire shares at 35 cents per share

## Iron Road Limited - Financial Report

(1) Incentive options to Andrew Stocks include the following vesting conditions:

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

As at 30 June 2009, 1,500,000 options are vested due to tranche 1 of the vesting conditions being met.

The model inputs for options granted 5 August 2008 include:

- a) Options are granted for no consideration
- b) Exercise price of \$0.35
- c) Grant date: 5 August 2008
- d) Expiry date: 6 August 2013
- e) Share price at grant date: \$0.02
- f) Expected price volatility of the Company's shares: 150%
- g) Risk-free interest rate: 7.25%

(2) Incentive options to Larry Ingle include the following vesting conditions:

Tranche	Amount	Vesting Conditions
1	1,000,000	Publication of a JORC compliant resource of at least 50 million tonnes of iron ore
2	1,000,000	Publication of a JORC compliant resource of at least 100 million tonnes of iron ore
3	1,000,000	12 months after issue and the Company's share price remaining at, or above, 50 cents per share for 30 consecutive days

(3) On 3 June 2009, 1,500,000 unlisted options lapsed due to John McKee ceasing to be a Director of the company.

The total fair value of options issued to each Director or Executive is as follows:

<i>Director or Executive</i>	<i>Total fair value of options issued</i>
	\$
Matthew J Keegan	249,276
Andrew J Stocks	602,664
Graham Anderson	98,610
Larry Ingle	223,335
John McKee	446,670
	<b>1,620,555</b>

### **E Additional information (audited)**

#### ***Performance income as a proportion of total compensation***

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

This is the end of the audited remuneration report.

## 10. DIRECTORS' MEETINGS

During the period the company held five meetings of directors. The attendance of directors at meetings of the board was:

	Directors' Meetings		Audit Committee	
	A	B	A	B
Julian Gosse	2	2	-	-
Ian Hume	2	2	-	-
Matthew Keegan	6	6	-	-
Andrew Stocks	6	6	-	-
John McKee ( <i>Resigned on 5 March 2009</i> )	4	4	-	-

### Notes

A - Number of meetings attended.

B - Number of meetings held during the time the director held office during the period.

## 11. SHARES UNDER OPTION

At the date of this report there are 29,325,017 listed options and 17,625,000 unlisted options outstanding.

	Number of options
Balance at the beginning of the year	48,450,017
<b>Movements of share options during the year</b>	
Lapsed, exercisable at 35 cents, on or before 6 August 2013 (unlisted)	(1,500,000)
<b>Total number of options outstanding as at the date of this report</b>	<b>46,950,017</b>

The balance is comprised of the following:

Expiry date	Exercise price (cents)	Number of options
22 Jan 2013	20	7,125,000
22 Jan 2013	35	7,500,000
11 Mar 2013	20	2,000,000
6 Aug 2013	35	3,000,000
30 Sep 2010	20	27,325,017
<b>Total number of options outstanding at the date of this report</b>		<b>46,950,017</b>

No shares were issued on conversion of options during the period.

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.

## 12. PROCEEDINGS ON BEHALF OF COMPANY

The Company is not and has not been a party to any proceedings.

## 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.

#### 14. NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, BDO Kendalls or associated entities. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

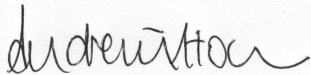
- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

There has been no fees paid or payable for the provision of non-audit services to BDO Kendalls for the financial year ending 30 June 2009 (2008: \$8,800 paid to BDO Kendalls Corporate Finance (WA) Pty Ltd).

#### 15. 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 24.

Signed in accordance with a resolution of the directors.



**Andrew Stocks**

Managing Director

Perth, 30 September 2009

## Auditor's Independence Declaration



BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd  
128 Hay St  
Subiaco WA 6008  
PO Box 700 West Perth WA 6872  
Phone 61 8 9380 8400  
Fax 61 8 9380 8499  
aa.perth@bdo.com.au  
www.bdo.com.au  
  
ABN 79 112 284 787

30 September 2009

The Directors  
Iron Road Limited  
Suite 2, 35-37 Havelock Street  
WEST PERTH WA 6005

Dear Sirs

### DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF IRON ROAD LIMITED

As lead auditor of Iron Road Limited for the year ended 30 June 2009, 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 during the period.

**Peter Toll**  
Director

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

BDO Kendalls is a national association of separate partnerships and entities. Liability limited by a scheme approved under Professional Standards Legislation.



## 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 2008. 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.

**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.

## Income Statement

<b>YEAR ENDED 30 JUNE 2009</b>	<b>Notes</b>	<b>2009</b>	<b>2008</b>
		<b>\$</b>	<b>\$</b>
<b>REVENUE</b>	4	199,355	30,022
Administration expenses	5	(1,208,744)	(269,501)
Depreciation expense		7,906	-
Exploration expenses		(2,910,538)	(29,042)
Employee and consultant expenses		(607,571)	(58,168)
Marketing expenses		(31,815)	(45,933)
Travel and accommodation expenses		(37,372)	(8,252)
<b>(LOSS) BEFORE INCOME TAX</b>		<b>(4,604,591)</b>	<b>(380,874)</b>
INCOME TAX BENEFIT / (EXPENSE)	6	-	-
<b>(LOSS) FOR THE YEAR</b>		<b><u>(4,604,591)</u></b>	<b><u>(380,874)</u></b>
 <b>NET LOSS ATTRIBUTABLE TO MEMBERS OF IRON ROAD LIMITED</b>	22	 <b><u>(4,604,591)</u></b>	 <b><u>(380,874)</u></b>
<b>Earnings per share for loss attributable to ordinary equity holders of the company:</b>			
Basic and diluted loss per share (cents per share)		16.99	1.88

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

## Balance Sheet

AT 30 JUNE 2009	Notes	2009 \$	2008 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	1,535,824	4,894,683
Trade and other receivables	8	139,273	11,284
<b>TOTAL CURRENT ASSETS</b>		<u>1,675,097</u>	<u>4,905,967</u>
<b>NON-CURRENT ASSETS</b>			
Other assets	9	600	800
Property, plant and equipment	10	14,854	2,610
Capitalised tenement acquisition costs	10	655,225	458,773
<b>TOTAL NON-CURRENT ASSETS</b>		<u>670,679</u>	<u>462,183</u>
<b>TOTAL ASSETS</b>		<u>2,345,776</u>	<u>5,368,150</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	482,602	171,397
<b>TOTAL CURRENT LIABILITIES</b>		<u>482,602</u>	<u>171,397</u>
<b>TOTAL LIABILITIES</b>		<u>482,602</u>	<u>171,397</u>
<b>NET ASSETS</b>		<u>1,863,174</u>	<u>5,196,753</u>
<b>EQUITY</b>			
Issued Capital	12	5,598,307	5,403,214
Reserves	13(a)	1,250,332	174,413
Accumulated losses	13(b)	(4,985,465)	(380,874)
<b>TOTAL EQUITY</b>		<u>1,863,174</u>	<u>5,196,753</u>

The above Balance Sheet should be read in conjunction with the Notes to the Financial Statements.

## Statement of Changes in Equity

YEAR ENDED 30 JUNE 2008	Share Capital Ordinary \$	(Accumulated Losses) \$	Share-based Payments Reserve \$	Option Issue Reserve	Total \$
<b>OPENING BALANCE</b>	-	-	-	-	-
Loss for the period	-	(380,874)	-	-	(380,874)
<b>TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF IRON ROAD LIMITED</b>	-	<b>(380,874)</b>	-	-	<b>(380,874)</b>
Contributions to equity net of transactions costs	5,403,214	-	-	-	5,403,214
Share based payments	-	-	174,413	-	174,413
<b>TRANSACTIONS WITH EQUITY HOLDERS IN THEIR CAPACITY AS EQUITY HOLDERS</b>	5,403,214	-	174,413	-	5,577,627
<b>BALANCE AT 30 JUNE 2008</b>	<b>5,403,214</b>	<b>(380,874)</b>	<b>174,413</b>	-	<b>5,196,753</b>

YEAR ENDED 30 JUNE 2009	Share Capital Ordinary \$	(Accumulated Losses) \$	Share-based Payments Reserve \$	Option Issue Reserve	Total \$
<b>OPENING BALANCE</b>	<b>5,403,214</b>	<b>(380,874)</b>	<b>174,413</b>	-	<b>5,196,753</b>
Loss for the period	-	(4,604,591)	-	-	(4,604,591)
<b>TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF IRON ROAD LIMITED</b>	-	<b>(4,604,591)</b>	-	-	<b>(4,604,591)</b>
Contributions to equity net of transactions costs	195,093	-	-	273,250	468,343
Share based payments	-	-	802,669	-	802,669
<b>TRANSACTIONS WITH EQUITY HOLDERS IN THEIR CAPACITY AS EQUITY HOLDERS</b>	195,093	-	802,669	273,250	1,271,012
<b>BALANCE AT 30 JUNE 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>

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

## Cash Flow Statement

YEAR ENDED 30 JUNE 2009	Notes	2009 \$	2008 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(3,621,697)	(184,280)
Interest received		188,265	30,022
Other		<u>(114,227)</u>	<u>-</u>
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	21(a)	<u>(3,547,659)</u>	<u>(154,258)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(12,244)	(2,610)
Formation costs		-	(800)
Payment for purchase of prospects		<u>-</u>	<u>(73,773)</u>
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		<u>(12,244)</u>	<u>(77,183)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of ordinary shares/options		-	5,257,500
Proceeds from issues of listed options		273,250	-
Payment of share issue costs		<u>(72,206)</u>	<u>(131,376)</u>
NET CASH INFLOW FROM FINANCING ACTIVITIES		<u>201,044</u>	<u>5,126,124</u>
NET/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(3,358,859)</u>	<u>4,894,683</u>
Cash and cash equivalents at the beginning of the year		<u>4,894,683</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	7	<u><u>1,535,824</u></u>	<u><u>4,894,683</u></u>

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

## Notes to the 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

This general purpose financial report has 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*.

The financial report has been prepared on a historical cost basis.

Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards. Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS).

The financial report is presented in Australian Dollars, which is the Company's financial and presentation currency.

#### (b) 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.

#### (c) 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.

#### (d) Impairment of Assets

At each reporting date the Company 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 income statement 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.

**(e) 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 balance sheet.

**(f) 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 Company 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 balance sheet 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 income statement immediately and amortised using the effective interest method. Loans and receivables are carried at amortised costs using the effective interest rate method.

**(g) 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 balance sheet 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 balance 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.

**(h) Payables**

Trade and other payables represent liabilities for goods and services provided to the Company 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.

**(i) 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 balance sheet date are recognised in respect of employees' services rendered up to balance sheet 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 balance sheet 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 balance sheet date with terms to maturity and currency that match , as closely as possible, the estimated future cash outflows.

*Retirement Benefit Obligations*

The Company 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.

**(j) Contributed Equity**

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as deducted from the equity proceeds, net of any income tax benefits. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.



**(k) Exploration and evaluation expenditure**

Exploration and evaluation expenditure encompasses expenditures incurred by the Company 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.

Exploration and evaluation expenditure incurred by the Company is accumulated for each area of interest and recorded as an asset if:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
  - (1) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
  - (2) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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 Company 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 income statement.

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 against profit.

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) 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 balance sheet.

Cash flows are included in the cash flow statement 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.

**(m) Share based payments**

The Company provides benefits to employees (including directors) of the Company 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 company 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 income statement. 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.

**(n) 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.

Depreciation is calculated on the straight line basis to write off the net cost of each item over its expected useful life. Depreciation rate is computer equipment at 33%.

**(o) 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.

**(p) New Accounting Standards and Interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Company has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires changes to the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts reclassified items in the financial statements. It will need to disclose a third balance sheet (statement of financial position), which will be as at the beginning of the comparative period. The Company intends to apply the revised standard from 1 July 2009.

(iii) AASB 2008-1 (issued February 2008) Amendments to AASB 2 – Share-based Payments – Vesting Conditions and Cancellations.

The definition of vesting conditions has changed and the accounting treatment clarified for cancellations to share-based payment arrangements by the counterparty. This is to ensure that conditions other than performance conditions do not result in a 'true up' of the share-based payment expense and are treated in a manner similar to market conditions. The impacts are not quantifiable at this stage.

(iv) AASB 127 – Consolidated and Separate Financial Statements

As there is no requirement to retrospectively restate the effect of these revisions, there is unlikely to be any impact on the financial statements when this revised standard is first adopted.

(v) AASB 3 - Business Combinations

The revised AASB is applicable to the annual reporting periods commencing on or after 1 January 2009. The standard introduces more detailed guidance on accounting for acquisitions. Adoption of the standard will affect amounts recognised in the financial statements of Iron Road Limited in the circumstances applied. The nature of some of the changes in the revised standard may in future periods negatively impact business combinations the Company undertakes. The effect and nature of the impact is not considered material.

(vi) AASB 2009 -2 – Financial Instrument Disclosures

As there is no requirement to retrospectively restate the effect of these revisions, there is unlikely to be any impact on the financial statements when this revised standard is first adopted.

No other standards, amendments or interpretations are expected to affect the accounting policies of the Company.

**(q) 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 Company 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 Company 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 Company recognises liabilities for anticipated tax audit issues based on the Company'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 measure by reference to the fair value of options granted. The estimate of the fair value of the services is measure based on Black-Scholes options valuation methodology.

## 2. FINANCIAL RISK MANAGEMENT

### Overview

The Company has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company'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 Company through regular reviews of the risks.

#### **Credit risk**

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

#### **Trade and other receivables**

As the Company operates in the mining explorer sector, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

#### **Exposure to credit risk**

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

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	1,535,824	4,894,683
Trade and other receivables	6,261	11,284
	<b>1,542,085</b>	<b>4,905,967</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.

	<b>Consolidated</b>	<b>Consolidated</b>	<b>Parent</b>	<b>Parent</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Cash at bank and short-term bank deposits				
<b>AA</b>	226,146	-	226,146	-
<b>A-</b>	1,309,678	4,894,683	1,309,678	4,894,683
	<b>1,535,824</b>	<b>4,894,683</b>	<b>1,535,824</b>	<b>4,894,683</b>

#### **Impairment Losses**

None of the Company's other receivables are past due. There is no impairment loss recognised in 2009.

#### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's reputation.

The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows. The Company'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 Company 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.

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

### 2009

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	442,073	-	442,073	-	-	-	-
	442,073	-	442,073	-	-	-	-

### 2008

	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Trade and other payables	171,397	158,397	158,397	-	-	-	-
	171,397	158,397	158,397	-	-	-	-

### 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 Company'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 Company 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 Company 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 2009, there would be no material impact on the income statement. There would be no effect on the equity reserves other than those directly related to income statement movements (2008: nil).

### Fair Values

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

### Capital risk management

Consistently with others in the industry, the Company monitor 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 balance sheet plus net debt.

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. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 3. SEGMENT INFORMATION

### Description of segments

The Company's operations are in the mining industry in Australia.

## 4. REVENUE

### From continuing operations

#### Other revenue

Interest income	188,985	30,022
Fuel rebate	10,071	-
Other income	299	-
	<b>199,355</b>	<b>30,022</b>

**5. EXPENSES**

Loss before income tax includes the following specific expenses:

Share based payments	802,669	174,413
Directors fees	116,667	5,675
Other administration expenses	297,314	89,413
Total administration expenses	<b>1,216,650</b>	<b>269,501</b>

**2009**                      **2008**

**\$**                              **\$**

**6. INCOME TAX**

(a) Income tax expense/(benefit)	-	-
(b) Loss from continuing operations before income tax benefit	<b>(4,604,591)</b>	<b>(380,874)</b>
Tax at the Australian tax rate of 30%	(1,381,377)	(114,262)
Non deductible expenses	241,543	-
Effect of current year tax losses not recognised	1,164,585	272,251
Tax deductible equity raising costs	(24,749)	(53,684)
Income tax loss and related benefit	<b>-</b>	<b>104,305</b>

**Amounts recognised directly in Equity**

Relating to equity raising costs	-	-
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(c) Deferred tax assets and liabilities not recognised relate to the following:

**Deferred tax assets**

*Deductible temporary differences*

Black hole deduction	78,640	81,429
Provision for annual leave	7,487	33
Non deductible accruals	3,700	3,900
Tax losses	1,158,743	268,304
	<b>1,248,570</b>	<b>353,666</b>

**Deferred tax liabilities**

Accrued Income 2009	216	-
Exploration expenditure	196,868	137,632
	<b>197,084</b>	<b>137,632</b>

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

**7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as shown in the balance sheet and the cash flows statement	<b>1,535,824</b>	<b>4,894,683</b>
--	------------------	------------------

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 Company, and earn interest at an average of 5.78%. Information about the Company's exposure to interest rate risk is disclosure in Note 2.

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

Tax receivable	133,011	11,284
Other receivables	6,262	-
	<b>139,273</b>	<b>11,284</b>

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As of 30 June 2009, trade receivables that were past due or impaired was nil (2008: nil)

Information about the Company's exposure to credit risk is provided in Note 2.

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>9. NON-CURRENT ASSETS - OTHER ASSETS</b>		
Formation costs	600	800
	<b>600</b>	<b>800</b>

### 10. NON-CURRENT ASSETS

#### PROPERTY PLANT AND EQUIPMENT

##### Property, plant and equipment

Cost	10(a)	22,760	2,610
Accumulated depreciation		(7,906)	(-)
		<b>14,854</b>	<b>2,610</b>

##### (a) Reconciliations of the carrying amounts of plant and equipment

<b>Balance at 1 July 2007</b>	-
Additions	2,610
Depreciation expense	-
<b>Balance at 30 June 2008</b>	<b>2,610</b>
Additions	20,150
Depreciation expense	(7,906)
<b>Balance at 30 June 2009</b>	<b>14,854</b>

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>CAPITALISED TENEMENT ACQUISITION</b>		
Opening net book amount	458,773	-
Tenement acquisition during the period	196,452	458,773
<b>Closing net book amount</b>	<b>655,225</b>	<b>458,773</b>

### 11. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade payables	416,406	158,397
Accruals	50,622	13,000
Payroll liabilities	15,574	-
	<b>482,602</b>	<b>171,397</b>

The Company expects to settle these amounts within 12 months.

## 12. ISSUED CAPITAL

### (a) Share capital

	Notes	2009		2008	
		Number of shares	\$	Number of shares	\$
Ordinary shares fully paid	12(b)	54,650,000	5,671,514	53,650,000	5,742,500
Cost of capital raising		-	(73,207)	-	(339,286)
Total contributed equity		54,650,000	5,598,307	53,650,000	5,403,214

### (b) Movements in ordinary share capital

	2008	
	Number of shares	\$
Beginning of the financial period		
Issued during the period:	-	-
– Placement of shares at \$0.01	4,750,000	47,500
– Issued as consideration for tenement acquisition deemed at \$0.015	21,000,000	315,000
– Placement of shares at \$0.10	2,000,000	200,000
– Issued as consideration for tenement acquisition deemed at \$0.20	400,000	80,000
– Issued as part of Sponsoring Broker agreement deemed at \$0.20	500,000	100,000
– Placement of shares at \$0.20	25,000,000	5,000,000
Less Cost of capital raising	-	(339,286)
End of the financial period	53,650,000	5,403,214

	2009	
	Number of shares	\$
Beginning of the financial period	53,650,000	5,403,214
Issued during the period:		
– Issued as consideration for acquisition of iron ore rights	1,000,000	268,300
Less cost of capital raising	-	(73,207)
End of the financial period	54,650,000	5,598,307

### (c) Movements in options on issue

	Number of options	
	2008	
Beginning of the financial period	-	
Issued/(lapsed) during the period:		
– Exercisable at 20 cents, on or before 23 January 2013	7,125,000	
– Exercisable at 35 cents, on or before 23 January 2013	7,500,000	
– Exercisable at 20 cents, on or before 11 March 2013	2,000,000	
End of the financial period	16,625,000	



**12. ISSUED CAPITAL (continued)**

**(c) Movements in options on issue (continued)**

	<b>Number of options 2009</b>
Beginning of the financial period	16,625,000
Issued/(lapsed) during the period:	
– Exercisable at 20 cents, on or before 20 September 2010	27,325,017
– Exercisable at 35 cents, on or before 6 August 2013	1,500,000
– Exercisable at 35 cents, on or before 6 August 2013	3,000,000
– Lapsed, exercisable at 35 cents, on or before 6 August 2013	<u>(1,500,000)</u>
End of the financial period	<u>46,950,017</u>

**(d) Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company 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.

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>

**13 RESERVES AND ACCUMULATED LOSSES**

**(a) Reserves**

*Share-based payments reserve*

Balance at beginning of period	174,413	-
Directors and Employee share options	802,669	174,413
Balance at end of period	<u>977,082</u>	<u>174,413</u>

*Option issue reserve*

Balance at beginning of period	-	-
Issue of 27,325,017 options at \$0.01 each	273,250	-
Balance at end of period	<u>273,250</u>	<u>-</u>

**(b) Accumulated losses**

Balance at beginning of period	(380,874)	-
Net loss for the period	(4,604,591)	(380,874)
Balance at end of period	<u>(4,985,465)</u>	<u>(380,874)</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**

No dividends were paid during the financial period. No recommendation for payment of dividends has been made.

**15. KEY MANAGEMENT PERSONNEL DISCLOSURES**

**(a) Key management personnel compensation**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Short-term benefits	682,500	66,072
Post employment benefits	52,875	5,272
Share-based payments	802,669	174,413
	<u>1,538,044</u>	<u>245,757</u>

Detailed remuneration disclosures are provided in sections A to C of the remuneration report on pages 19 to 20.

**(b) Equity instrument disclosures relating to key management personnel**

*(i) Options provided as remuneration and shares issued on exercise of such options*

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the Directors' remuneration report.

*(ii) Option holdings*

The numbers of options over ordinary 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:

<b>2009</b>	<b>Balance at start of the period</b>	<b>Granted as compensation</b>	<b>Exercised</b>	<b>Other changes</b>	<b>Balance at end of the period</b>	<b>Vested and exercisable</b>	<b>Unvested</b>
<b>Directors of Iron Road Limited</b>							
Julian Gosse	-	-	-	738,703	<b>738,703</b>	738,703	-
Ian Hume	-	-	-	901,203	<b>901,203</b>	901,203	-
Matthew J Keegan	3,780,000	-	-	878,000	<b>4,658,000</b>	878,000	3,780,000
Andrew J Stocks	9,420,000	-	-	1,155,313	<b>10,575,313</b>	1,155,313	9,420,000
John McKee	-	1,500,000	-	(1,425,000)*	<b>75,000</b>	75,000	-
<i>Other key management personnel of the Company</i>							
Graham Anderson	1,425,000	-	-	1,267,716	<b>2,692,716</b>	1,267,716	1,425,000
Larry Ingle	-	3,000,000	-	-	<b>3,000,000</b>	-	3,000,000

\*This is represented by the lapsing of 1,500,000 unlisted options and 75,000 listed options subscribed for during the year.

<b>2008</b>	<b>Balance at start of the period</b>	<b>Granted as compensation</b>	<b>Exercised</b>	<b>Other changes</b>	<b>Balance at end of the period</b>	<b>Vested and exercisable</b>	<b>Unvested</b>
<b>Directors of Iron Road Limited</b>							
John McKee	-	-	-	-	-	-	-
Matthew J Keegan	-	3,780,000	-	-	<b>3,780,000</b>	-	3,780,000
Andrew J Stocks	-	9,420,000	-	-	<b>9,420,000</b>	-	9,420,000
<i>Other key management personnel of the Company</i>							
Graham Anderson	-	1,425,000	-	-	<b>1,425,000</b>	-	1,425,000

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

#### (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.

#### 2009

	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	1,520,000	-	80,000	1,600,000
Andrew J Stocks	2,280,000	-	30,625	2,310,625
John McKee	125,000	-	100,000	225,000
<i>Other key management personnel of the Company</i>				
Graham Anderson	950,000	-	135,000	1,085,000
Larry Ingle	-	-	-	-

#### 2008

	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>				
<b>Ordinary shares</b>				
John McKee	-	-	125,000	125,000
Matthew J Keegan	-	-	1,520,000	1,520,000
Andrew J Stocks	-	-	2,280,000	2,280,000
<i>Other key management personnel of the Company</i>				
<b>Ordinary shares</b>				
Graham Anderson	-	-	950,000	950,000

### 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

Audit and review of financial reports – BDO Kendalls Audit and Assurance (WA) Pty Ltd	21,728	16,007
Independent Accountants Report – BDO Kendalls Corporate Finance (WA) Pty Ltd	-	8,800
	21,728	24,807

**2009**      **2008**  
**\$**                      **\$**

### 17. CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Company at balance 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):

	<b>2009</b>	<b>2008</b>
	\$	\$
within one year	51,920	485,000

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

There are no lease commitments of the company at balance date.

## 19. RELATED PARTY TRANSACTIONS

During the period, Iron Road Limited paid \$84,750 to GDA Corporate Pty Ltd for accounting and company secretarial services. Mr Graham Anderson is a Director of GDA Corporate Pty Ltd.

There is no other related party transaction during the period ending 30 June 2009.

## 20. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There is no matter or circumstance arisen since 30 June 2009, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

## 21. CASH FLOW STATEMENT

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>(a) Reconciliation of net loss after income tax to net cash outflow from operating activities</b>		
Net loss for the year	(4,604,591)	(380,874)
<b>Non-cash Items</b>		
Share based payments	802,669	174,413
Exploration costs written off	70,848	-
<b>Change in operating assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	(127,790)	(11,284)
(Decrease)/increase in trade and other payables	311,205	63,487
Net cash outflow from operating activities	(3,547,659)	(154,258)

**22. LOSS PER SHARE**

	2009	2008
	\$	\$
<b>(a) Reconciliation of earnings used in calculating loss per share</b>		
Loss attributable to the members of the company used in calculating basic and diluted loss per share	4,604,591	380,874
Basic loss per share	16.98	1.88
Diluted loss per share	16.98	1.88
<b>Number of shares</b>		

**(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	27,100,411	20,280,698
--	------------	------------

**(c) Information on the classification of options**

As the Company has made a loss for the year ended 30 June 2009, 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.

**23. SHARE-BASED PAYMENTS**

**Directors and key Executive's Options**

During the year, Directors and Key Executives were issued unlisted options. The options, issued for nil consideration, are granted in accordance with performance guidelines established by the directors of the company.

The options are issued for a specified period and each option is convertible into one ordinary share. The options were approved by shareholders during a shareholders meeting on the 5 August 2008.

Options do not vest until a specified period after granting and their exercise is conditional on the achievement of certain performance hurdles.

There are no voting or dividend rights attached to the options. Voting rights will attach to the ordinary shares when the options have been exercised. The options cannot be transferred and will not be quoted on the ASX.

Set out below are summaries of the options granted:

	Number of options	Value per option (cents)	Vested during the period	Exercisable at period end
– Exercisable at 35 cents, on or before 6 August 2013	3,000,000	14.9	-	-
– Exercisable at 35 cents, on or before 6 August 2013	1,500,000	14.9	1,500,000	-

The price was calculated by using the Black-Scholes Option Pricing Model applying the following inputs:

	2009
Life of the option (years)	5.00
Share price at grant date (cents)	24
Expected share price volatility (based on historical market movements)	150%
Expiry date	6/08/13
Risk free interest rate	7.25%

The weighted average remaining contractual life of share options outstanding at the end of the period is 4.1 years (2008: 5.1 years).

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## Iron Road Limited – Financial Report

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Options issued to directors and key executives as part of:		
Share based payments	<b>802,669</b>	<b>174,413</b>

On 3 June 2009, 1,500,000 unlisted options exercisable at 35 cents on or before 6 August 2013 lapsed due to John McKee ceasing to be a Director of the company.

Total value of options is \$1,620,550. As the options will vest only on 31 December 2009 and thereafter, the total amount to be expensed as at 30 June 2009 is \$977,082.

## Directors' Declaration

The Directors of the Company declare that:

1. The financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:

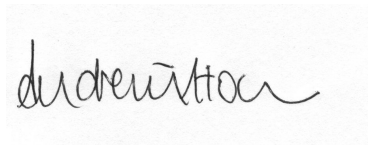
- a) comply with Accounting Standards and the Corporations Regulations 2001; and
- b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and the consolidated entity.

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.

2. The remuneration disclosures included in pages 19 to 20 of the Directors' report (as part of audited Remuneration Report), for the year ended 30 June 2009, comply with section 300A of the *Corporations Act 2001*.

3. The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A

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 2009

## Independent Auditor's Report



BDO Kendalls

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

We have audited the accompanying financial report of Iron Road Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

#### Directors' Responsibility for the Financial Report

The directors of the disclosing company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 and fair presentation of the financial report 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 opinions.

#### 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* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

BDO Kendalls is a national association of separate partnerships and entities. Liability limited by a scheme approved under Professional Standards Legislation.





**Auditor's Opinion**

In our opinion:

- (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 company's entity's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. 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.

**Auditor's Opinion**

In our opinion, the Remuneration Report of Iron Road Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

**BDO Kendalls Audit & Assurance (WA) Pty Ltd**

A handwritten signature in black ink, appearing to read 'Peter Toll', with the text 'BDO Kendalls' written above it in a smaller, less legible script.

**Peter Toll**  
Director

Signed in Perth, Western Australia  
Dated this 30th day of September 2009.

## ASX Additional Information

Additional information required by Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 28 September 2009.

### (a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

		No. of holders
1	- 1,000	126
1,001	- 5,000	455
5,001	- 10,000	370
10,001	- 100,000	622
100,001	and over	64
		1,637

### (b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	Sentient Executive GP II Ltd	8,676,350	13.69%
2	Sentient Executive GP II	3,504,826	5.53%
3	ANZ Nominees Limited	2,089,675	3.30%
4	Sentient Executive GP II	2,000,000	3.16%
5	Devipo Pty Ltd	1,750,000	2.76%
6	Font SF Pty Ltd	1,600,000	2.52%
7	Sentient Executive GP II Ltd	1,530,699	2.42%
8	Mr Matthew Joseph Keegan	1,444,000	2.28%
9	Mr Keith Robert Yates	1,231,820	1.94%
10	Mr Andrew James Stocks	1,083,000	1.71%
11	Mrs Claire Margaret Stocks	1,083,000	1.71%
12	Forbar Custodians Limited	930,840	1.47%
13	Mr Graham Douglas Anderson	902,500	1.42%
14	Stonecot Pty Ltd	670,000	1.06%
15	Boland Holdings Pty Ltd	631,577	1.00%
16	Schenk Investments Pty Ltd	600,000	0.95%
17	Phillip Securities (Hong Kong)	554,000	0.87%
18	Findlay & Co Stockbrokers	500,000	0.79%
19	Cedarose Pty Ltd	500,000	0.79%
20	Mr Marko Nikolic	500,000	0.79%
		31,782,287	50.16%

**(c) Substantial shareholders**

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	<b>Number of Shares</b>
Sentient Executive GP II Ltd	8,676,350
Sentient Executive GP II	3,504,826
ANZ Nominees Limited	2,089,675

**(d) Voting rights**

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

**(e) Schedule of interests in mining tenements**

<b>Location</b>	<b>Tenement</b>	<b>Percentage held / earning</b>
<b>South Australia</b>		
- Warrambo	EL3699	100%
- Gawler		Earning to 90% Iron Ore rights
<b>Western Australia</b>		
- Windarling	EL77/1236	100%
	EL77/1237	100%
	EL77/1245	100%
	PL77/3508	Option to purchase 100%
	PL77/3509	Option to purchase 100%
	PL77/3528	Option to purchase 100%
	PL77/3529	Option to purchase 100%
- Wanmulla	EL20/681	Option to purchase 100%
- Rose Well	EL58/365	Option to purchase 100%

## GLOSSARY

**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.

**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).

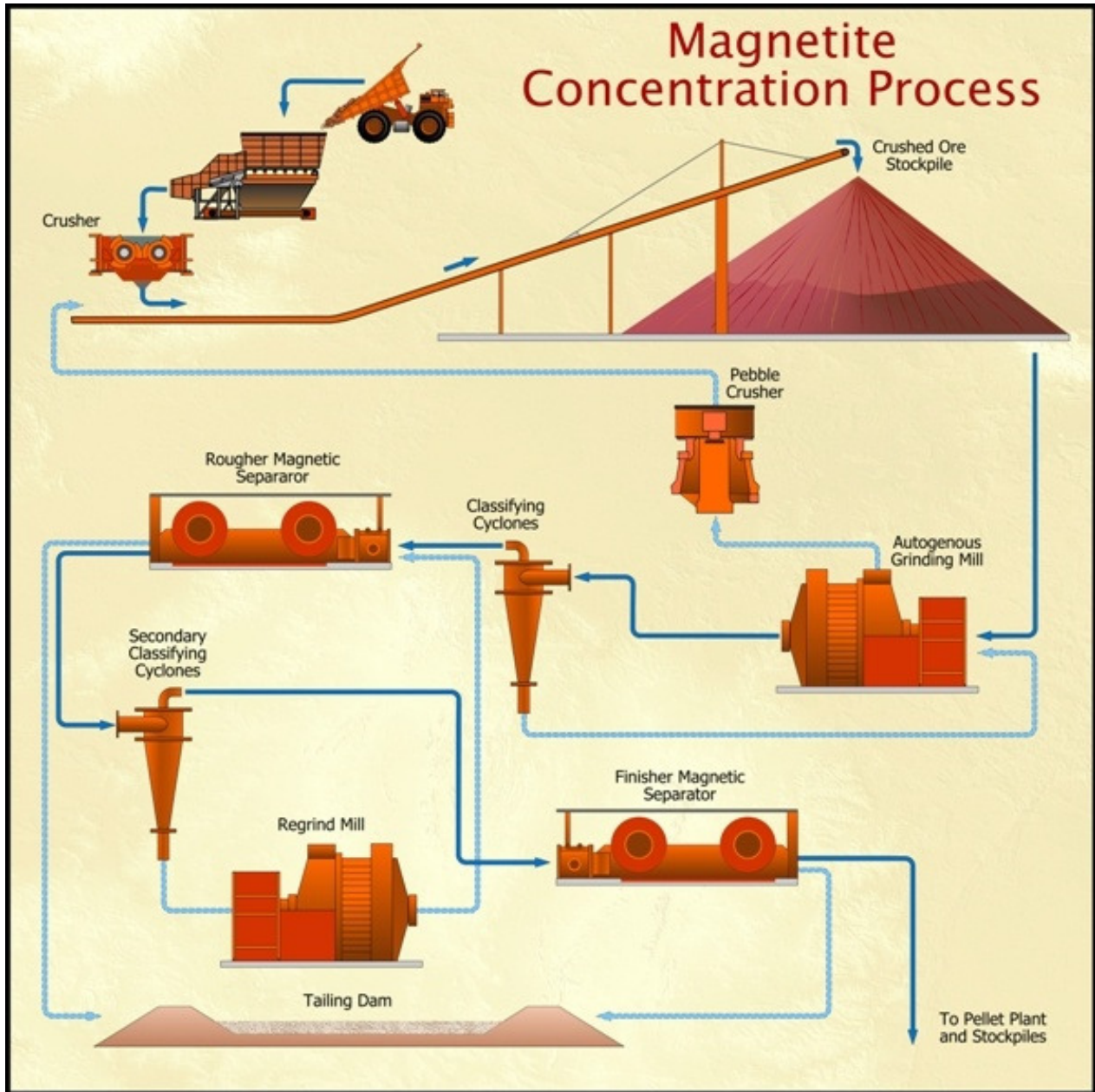
**Hematite** – Hematite is a mineral, coloured black to steel or silver-gray, brown to reddish brown or red. Hematite is a form of Iron (III) oxide ( $\text{Fe}_2\text{O}_3$ ), one of several iron oxides.

**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.

**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.

**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).

Simplified Magnetite Concentration Process Flow





[www.ironroadlimited.com.au](http://www.ironroadlimited.com.au)