

# **IRON ROAD LIMITED**

---

**ABN 51 128 698 108**

## **Notice of General Meeting and Explanatory Statement**

**General Meeting to be held at  
Radisson Plaza Hotel, 27 O'Connell Street, Sydney, New South Wales  
on Monday 25 July 2011 commencing at 10.00am**

This Notice of General Meeting and Explanatory Statement should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

*This page has been left blank intentionally.*

# Notice of General Meeting

---

A General Meeting of Iron Road Limited will be held at Radisson Plaza Hotel, 27 O'Connell Street, Sydney, New South Wales on Monday, 25 July 2011 commencing at 10.00am EST.

## Special Business

### 1 Approval of the Employee Share Option Plan

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, for the purposes of sections 200E and 260C(4) of the Corporations Act, Listing Rule 7.2 (Exception 9(b)) and for all other purposes, Shareholders approve and authorise the Directors to issue securities from time to time and to provide financial assistance upon the terms and conditions specified in the rules of the Iron Road Employee Share Option Plan, a summary of which is set out in the Explanatory Statement."

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by the Directors of the Company (Mr Julian Gosse, Mr Andrew Stocks, Mr Ian Hume, Mr Matthew Keegan and Mr Jerry Ellis) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

### 2 Approval for the Issue of Options to Jerry Ellis

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, for the purposes of Listing Rules 10.14 or (in the event Shareholders do not approve Resolution 1) 10.11, sections 200E and 260C(4) and Chapter 2E of the Corporations Act and for all other purposes, Shareholders approve for the benefit of Jerry Ellis under the Iron Road Employee Share Option Plan:

- (a) the allocation of 500,000 ESOP Options;
- (b) the provision of a non-recourse interest free loan for the acquisition of units under the Iron Road Employee Share Option Plan that will be issued for a consideration equal to the value of ESOP Options; and
- (c) the possible provision, at the time of exercise of any ESOP Options, of a contribution by the Company to fund the exercise of ESOP Options,

on the terms set out in the Explanatory Statement".

### Voting Exclusion

Pursuant to Listing Rule 10.13, and section 224 of the Corporations Act, the Company will disregard any votes cast on this Resolution by Jerry Ellis and any of his associates, unless it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).

### 3 Approval for the Issue of Securities

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, for the purpose of Listing Rule 7.1, and for all other purposes, Shareholders approve the issue of up to 24,300,000 Shares to the parties, for the purposes and on the terms set out in the Explanatory Statement accompanying this Notice of Meeting."

---

## **Voting Exclusion**

The Company will disregard any votes cast on Resolution 3 by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).

## **4 Ratification of Previous Issue of Securities**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for the purpose of Listing Rule 7.4, and for all other purposes, Shareholders approve and ratify the issue of 15,119,579 Shares in the Company to the parties, for the purposes and on the terms set out in the Explanatory Statement accompanying this Notice of Meeting.”

## **Voting Exclusion**

The Company will disregard any votes cast on Resolution 4 by any person who participated in the proposed issue and any associates of those persons. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).

## **Explanatory Statement**

The Explanatory Statement accompanying this Notice of General Meeting is incorporated in and comprises part of this Notice of General Meeting.

## **Proxies**

Please note that:

- (a) a member of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

## **Entitlement to attend and vote**

The Board has determined that for the purposes of the Meeting, Shareholders are those persons who are the registered holders of Shares at 5:00pm EST on 23 July 2011 will be entitled to attend and vote at the Meeting.

## **By Order of the Board of Directors**



**Mr Graham Douglas Anderson**  
Company Secretary  
Iron Road Limited

23 June 2011

## **Explanatory Statement**

---

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at a General Meeting of the Company.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the resolution in the accompanying Notice of General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of General Meeting.

### **1 Resolution 1 – Approval of the Employee Share Option Plan**

#### **1.1 Background**

At a general meeting on 7 August 2008 the Company approved an employee share option plan (“ESOP”) to provide Directors, senior executives, employees and consultants (“ESOP Participants”) with an opportunity to participate in the Company’s future growth and gives them an incentive to contribute to that growth. Under the Listing Rules the approval had a duration of 3 years, and the Directors have resolved to seek approval for a new employee share option plan.

The Directors consider the ESOP will enable the Company to retain and attract skilled and experienced directors, senior executives, employees and consultants and provide them with the motivation to make the Company more successful. The ESOP enables the Company to allocate ESOP Options and ESOP Shares to ESOP Participants to subscribe for Shares in the Company (via the ESOP Trust, which is described below).

A copy of the ESOP rules will be made available for inspection at the Company’s registered office before the General Meeting and at the General Meeting. A summary of the ESOP is contained in Annexure A. Those terms include the ability of the Company to provide financial assistance to purchase and exercise ESOP Options and ESOP Shares and, at the Board’s discretion, allow Options to be exercised after an ESOP Participant ceases to be employed by the Company. For the reasons set out below, Shareholder approval is required under the Corporations Act for these terms.

The main terms of the ESOP Options that may be granted under the ESOP are summarised in Annexure B.

#### **1.2 ESOP Trust**

The Company has established the Iron Road Employee and Contractor Option Share Trust (“ESOP Trust” or “Trust”), the trustee of which is Trinity Management Pty Limited, a specialist employee share trust manager (“Trustee”). ESOP Options and ESOP Shares are issued to the Trustee for the benefit of ESOP Participants. Beneficial interests in the ESOP Trust are divided into Share Units, which are held on trust for ESOP Participants.

The key reasons for the establishment of the ESOP Trust are:

- (a) Iron Road has found that a traditional employee option plan on its own does not facilitate retention of Shares by employees after exercise of their Options. The reason is that many employees find it necessary to immediately sell their Shares in order to fund the exercise of their options. The trust structure enables the exercise of ESOP Options to be funded from the Trust. This will enable Shares to be retained in the ESOP Trust for the benefit of ESOP Participants following the exercise of ESOP Options.
- (b) Facilitating the retention of Shares for the benefit of employees after the exercise of Options will also assist with the retention of key employees.
- (c) A traditional employee option plan on its own creates complex taxation issues for employees. The taxation issues for ESOP Participants arising from the ESOP Trust are simpler because the ESOP Participants hold Share Units in the ESOP Trust and they do not directly hold Options in the Company.

Under the terms of the ESOP, each Participant will be provided with a non-recourse loan equal to the value of the ESOP Options in order to enable the Participants to subscribe for Share Units in the ESOP Trust. See Annexure A for details.

The Company, in providing either cash advances to the ESOP Trustee in relation to the issue of ESOP Options or any further advance to the ESOP Trustee in relation to the exercise of Options (see Annexure A for details), will not suffer any net cash outflow, because any payment by the Company to the ESOP Trustee will be matched by a payment by the ESOP Trustee for either the subscription for the ESOP Options or payment of the exercise price.

At the time of exercise of ESOP Options under the ESOP, there are a number of different funding mechanisms available for the payment to the Company for the exercise price. In order to allow Participants under the ESOP the opportunity to retain equity in the Company, the Company may consider a contribution to the ESOP equivalent to the exercise price,

which allows the ESOP Trustee to use those funds to pay the exercise price, hence suffering no net cash outflow but providing the Trustee the opportunity to exercise the ESOP Options without needing to sell ESOP Shares to fund the exercise of ESOP Options. If the Company provides any such advance, the equivalent amount of funds will be repayable by the Participant to the Company either on realisation of the ESOP Shares or by a salary sacrificing mechanism. If such a mechanism is implemented in respect of a Director, the Company would be providing a financial benefit to the relevant Director, for which Shareholder approval is required. Resolution 2 seeks that approval for Mr Ellis.

The Company will disclose beneficial interests in securities held by the Trustee in its annual report as required by the Listing Rules and Corporations Act.

### **1.3 Regulatory Requirements**

Under the Corporations Act, shareholder approval is required where a company provides financial assistance under an employee share scheme or a person receives a benefit in connection with retiring from office or ceasing employment with a company. The ESOP potentially allows for financial assistance to acquire the Company's securities and for a benefit upon a person's retirement from office (if the Board, acting in accordance with the duties it owes to the Company, determines that it's appropriate to allow Options to vest and be exercised following an ESOP Participant ceasing to hold office with the Company). The purpose of Resolution 1 is to obtain this approval.

Section 200B of the Corporations Act provides that a company may only give a person a 'benefit' in connection with their ceasing to hold a managerial or executive office position in the company if it is approved by shareholders or an exemption applies. Managerial or executive officers include directors and senior executives.

Section 260C of the Corporations Act provides that a company may, under an employee share scheme approved by shareholders, provide financial assistance for the acquisition of its own shares.

Listing Rule 7.1 provides that prior approval of a company's shareholders is required for an issue of securities if the securities will when aggregated with the securities issued by the company during the previous 12 months, exceed 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

Pursuant to Listing Rule 7.2 Exception 9(b), approval under Listing Rule 7.1 is not required for an issue of securities under an employee incentive scheme if shareholders have approved the Company issuing securities under the scheme as an exception to Listing Rule 7.1 within the 3 year period before the proposed date of issue.

Accordingly, Shareholder approval is sought pursuant to Resolution 1 so that the Company may allocate ESOP Options to the ESOP Trust (held on behalf of ESOP Participants) from time to time and issue ESOP Shares upon the exercise of those ESOP Options, without limiting its ability to issue securities representing up to 15% of the Company's share capital under Listing Rule 7.1.

There is no longer any requirement under the Listing Rules for shareholders to approve the establishment or operation of an employee incentive scheme. Accordingly, if Resolution 1 is not passed, the ESOP will be maintained, however any securities issued under the ESOP will count towards the 15% restriction under Listing Rule 7.1.

Furthermore, the Board's discretion to provide post retirement benefits or for the Company to fund the issue and exercise of securities under the ESOP may be limited so that purpose of the ESOP, namely to attract and retain key senior executives, may not be achieved.

The Company will seek Shareholder approval in accordance with the Listing Rules prior to issuing any ESOP Options under the ESOP for the benefit of Directors or their associates.

### **1.4 ESOP Options allocated to date**

To date, the Company has granted the following ESOP Options for the benefit of ESOP Participants under the ESOP:

ESOP Participant	ESOP Options	Exercise price	Expiry Date
Larry Ingle	2,000,000	\$0.35	6 August 2013

### **1.5 Recommendation**

The Board recommends that Shareholders approve the ESOP. It will allow the Company to issue securities for the benefit of ESOP Participants whilst preserving the Company's 15% limit of issuing securities and provide flexibility in the manner in which the ESOP is managed.

## **2 Resolution 2 –Approval for the Issue of Securities to a Director**

### **2.1 General Background**

As announced under an ASX release titled "Proposed Issue of Options" dated 7 February 2011, approval would be sought from Shareholders at the next general meeting for an issue of Options to newly appointed Director Mr Ellis on the terms set out in Resolution 2. At the date of the Board meeting on 4 February 2011 when the Board resolved to issue options subject to Shareholder approval the Company's Share price was 90 cents.

Shareholders are being asked to approve Resolution 2 in connection with:

- (a) the issue of 500,000 ESOP Options exercisable at \$1.00 each, vesting immediately and expiring on the early of 5 years from issue or one month of resignation of Mr Ellis as a Director; and
- (b) the provision of a non-recourse loan to Jerry Ellis as a Director of the Company to fund the acquisition and exercise of the ESOP Options.

Jerry Ellis is a related party for the purposes of the Corporations Act. Resolution 2 is therefore required to be passed before the issues can proceed.

## **2.2 Approval of the Issue of Securities**

Resolution 2 seeks Shareholder approval in order to comply with the requirements of ASX Listing Rule 10.14 or, in the event that Shareholders do not approve Resolution 1, 10.11 and section 208 of the Corporations Act.

## **2.3 ASX Listing Rule 10.11 and 10.14**

Under Resolution 2 the Company seeks approval from Shareholders for the issue of 500,000 Options and for the provision of a non recourse loan to Jerry Ellis who by virtue of his position as a Director of the Company is therefore regarded as a related party of the Company.

Listing Rule 10.11 provides that a Company must not issue equity securities (including options to acquire shares) to a Director of the Company unless the issue has been approved by shareholders by ordinary resolution.

Listing Rule 10.14 provides that a company must not issue equity securities (including options to acquire shares) to a director of the company under an employee incentive scheme unless the issue has been approved by shareholders by ordinary resolution. If approval is given by shareholders under Listing Rule 10.14, separate shareholder approval is not required under Listing Rule 10.11.

The Options will be issued on the terms and conditions set out in Annexure B to this Explanatory Statement. The Company will not apply to ASX for official quotation of the Options.

## **2.4 Section 208 Corporations Act**

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. The issue of the Options contemplated by Resolution 2 constitutes the provision of a financial benefit to related parties. Section 229 of the Corporations Act includes as an example of a financial benefit, the issuing of securities or the granting of an option to a related party.

A "related party" is widely defined under the Corporations Act, and includes Directors of the Company. Jerry Ellis is a related party of the Company for the purposes of section 229 of the Corporations Act.

A "financial benefit" is construed widely and in determining whether a financial benefit is being given, section 229 of the Corporations Act requires that any consideration that is given is disregarded, even if the consideration is adequate. It is necessary to look at the economic and commercial substance and the effect of the transaction in determining the financial benefit.

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (c) The giving of the financial benefit falls within one of the exceptions to the provision; or
- (d) Prior shareholder approval is obtained to the giving of the financial benefit.

## **2.5 Information Requirements for Listing Rule 10.14 or (in the event Shareholders do not approve Resolution 1) 10.11**

As required by Listing Rules 10.15 and (in the event Shareholders do not approve Resolution 1), 10.11, the following information is provided:

- (e) The ESOP Options will be issued to the Trustee, who will hold them for the benefit of Mr Ellis.
- (f) The maximum number of securities to be issued on behalf of Mr Ellis is 500,000.
- (g) The ESOP Options will be issued under the Company's ESOP for \$0.6794 per Option (being equal to their arm's length value determined in accordance with accounting standard AASB2 using the Black-Scholes

valuation method and the prevailing Share price at the time the Company agreed on 4 February 2011 and subject to Shareholder approval, to issue the ESOP Options). The ESOP Options have an exercise price of \$1.00 and expire on 25 July 2016.

- (h) No persons referred to in ASX Listing Rule 10.14 have received securities under the ESOP since the last approval.
- (i) All Directors and their nominees are entitled to participate in the ESOP.
- (j) A voting exclusion statement is set out above.
- (k) The terms upon which loans associated with the issue the subject of Resolution 2 will be made are set out in Annexure B. The loan to Mr Ellis will be used to fund the acquisition of the ESOP Options and no funds will be raised from the loan. Annexure B sets out the circumstance in which loans are repaid to the Company.
- (l) The latest date that the Company will issue securities under Resolution 2 will be no later than 1 month after the Meeting.

## **2.6 Information Requirements for Chapter 2E**

As noted above, for the purposes of Chapter 2E, Jerry Ellis is a related party of the Company.

For the purposes of section 219 of the Corporations Act and ASIC Regulatory Guide 76 the following information is provided to Shareholders to enable them to assess the merits of the resolution:

### **(a) The Related Party to Whom the Proposed Resolutions Would Permit the Benefit to be Given**

Jerry Ellis (“Related Party”).

### **(b) The Nature of the Financial Benefit**

The proposed financial benefits to be given are:

- (i) the issue of 500,000 ESOP Options to the Related Party as specified in the table below. Options will be issued on the terms set out in Annexure B to this Explanatory Statement.
- (ii) the provision of a non-recourse interest free loan for the acquisition of Share Units under the ESOP Trust that will be issued for a consideration equal to the value of the ESOP Options to be allocated for the benefit of Mr Ellis;
- (iii) the possible provision, at the time of exercise of any ESOP Options, of a contribution by the Company to fund the exercise of Options to be allocated for the benefit of Mr Ellis.

Funds advanced by the Company to fund either the acquisition or exercise will be immediately repaid to the Company, so that the Company is fully reimbursed for all amounts loaned.

### **(c) Reasons for Giving the Benefit**

The Board independent of Mr Ellis believe that issuing of Options will incentivise Mr Ellis’ performance and contribution to the Company, so as to participate in its future growth without additional cash outlay by the Company.

The Options have been structured so that the exercise price is in excess of the Company’s then Share price of \$0.90.

Presently Mr Ellis does not hold any Options. It has been the practice of the Company’s Board to, rather than paying cash incentives, issue Options at an exercise price that:

- (i) allows the Company to secure directors with the requisite experience to lead it in its transition to its stated goal of becoming a substantial producer of high quality iron ore concentrates; and
- (ii) gives the Director holder a near term incentive to exercise the Options. The intention of this practice being that upon exercise, those non-executive Directors will have contributed equity to the Company and are, by holding Shares, bound by and incentivised to act to improve the performance of the Company. The number of Options to be issued has been based on factors including the status of the Company’s projects, the commercial experience of Mr Ellis, the current market price of the Shares and current market practice when determining the number and exercise price of the Options to be issued to Mr Ellis.

The Board acknowledges the grant of Director Options to Mr Ellis is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of

Director Options to Mr Ellis reasonable in the circumstances, given the status of the Company's projects (which are at the preliminary development stage) and necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves.

**(d) Mr Ellis' Existing Relevant Interest**

The Company currently has on issue 113,695,564 Shares and 24,625,000 unlisted Options.

The Relevant Interests of the Mr Ellis in Shares before and after the transactions described in this Notice of Meeting is set out in the Relevant Interests Table below:

Number of Shares held as at the date of Notice of Meeting	80,000
% of Shares held as at the Date of Notice of Meeting	0.003
Number of Options held as at the date of Notice of Meeting	-
% of Options held as at the date of Notice of Meeting	-
Number of Options to be issued	500,000
% of Options to be issued	100.00
Number of Shares on Issue <sup>1</sup>	580,000
% of Shares on Issue <sup>1</sup>	0.51

<sup>1</sup> Assuming the Options the subject of Resolution 2 are exercised but that no other Shares or Options are issued.

**(e) Dilution**

If the Options to be issued under Resolution 2 are exercised, the Company's issued share capital will increase by 500,000 Shares representing 0.44% of the issued share capital of the Company on a fully diluted basis and diluting the Shareholders by a corresponding amount.

**(f) Directors' Recommendations**

Mr Gosse, Mr Hume, Mr Stocks and Mr Keegan do not have a material personal interest in Resolution 2 and recommend that the non-associated Shareholders vote in favour of this Resolution 2 because they believe that the number, terms and issue of the Options to Mr Ellis is in the best interests of the Company as it has enabled to the Board to appoint a Director with qualifications suitable to the Company's circumstances and provide an incentive to increase the value of Shares, for the benefit of all Shareholders.

The reasons for their recommendation include:

- (i) the grant of the Director Options as proposed to Mr Ellis will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company and its projects;
- (ii) the Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (iii) in the Company's circumstances as they existed both when it was agreed to issue the Options to Mr Ellis and as at the date of this Notice, the Board (other than Mr Ellis) considered that the Options provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (e.g. cash bonuses, increased remuneration). In doing so the Board (other than Mr Ellis) recognises that there will be an opportunity cost to the Company, being the price at which the Company could grant the Director Options to a third party.

Mr Ellis declines to make a recommendation to Shareholders in relation to Resolution 2 because he has a material personal interest in the outcome of Resolution 2.

**(g) Valuation of the Options**

It is a requirement of ASIC that a dollar value be placed on the Options to be issued to the Related Party.

The Black-Scholes option price calculation method is regarded as acceptable by ASIC as a valuation model where the Options cannot be readily valued by some other means.

In determining the dollar value for the Options, the Company has made the following assumptions:

- (iv) the 500,000 Options are to be exercisable at \$1.00 each;
- (v) the Options are to be exercised on or before 25 July 2016;
- (vi) price volatility of the Shares is approximately 100%;
- (vii) no discount has been allowed notwithstanding their unlisted status;
- (viii) the Share price at issue will be 93 cents per Share; and
- (ix) the average current risk free interest rate is 4.75%.

On this basis, the implied "value" being received by each Related Party is 70.46 cents per Option. The implied "value" being received by each Related Party for the Options is as follows:

Related Party	Value
Jerry Ellis	\$352,300

If the Options the subject of Resolution 2 are all exercised, the Company will receive \$500,000, which will be used for general working capital.

**(h) Total Remuneration Package**

Mr Ellis' base fees per annum (including superannuation), or consulting fees and the total financial benefit to be received by him on an annual basis, when added to the implied "value" to be received as a result of the issue of Options the subject of Resolution 2 are as follows:

Director	Description	(\$ p.a.	Value of Options to be Issued (\$)	Total Financial Benefit (\$)
Jerry Ellis	Non executive Director's fee	55,000	352,300	407,300

**(i) Trading History**

During the last 12 months the Shares have traded between 44 cents per Share (lowest) and \$1.30 per Share (highest). The latest trading price available at the time of preparing this Notice of Meeting was \$0.93 per Share.

There is a potential benefit that accrues to Jerry Ellis if the market trading price of the Shares issued following exercise of the Options exceeds the exercise price. This benefit would accrue on the sale of the Shares for an amount in excess of the exercise price.

**(j) Other Information**

The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision on whether it is in the best interests of the Company to pass the Resolution.

**3 Resolution 3 – Approval for the Issue of Securities**

Resolution 3 seeks Shareholder approval pursuant to Listing Rule 7.1 for Shares issued under the Placement. Listing Rule 7.1 provides generally that a company may not issue shares or options to subscribe for shares equal to more than 15% of the company's issued equity capital in any 12 months without obtaining shareholder approval.

**3.1 The Placement**

Under the Placement the Company proposes to issue up to 24,300,000 Shares at an issue price of A\$0.90 each to raise up to approximately A\$21.8 million (Placement). The Company and Southern Cross Equities Ltd as Lead Manager has received firm commitments for the Placement which are conditional on the Shareholder approval sought under Resolution 3.

**3.2 Effect on capital of the Company**

The issue of these Shares will be equal to approximately 17.6% of the Company's fully diluted share capital assuming no further issues of securities by the Company (other than the other securities for which Shareholder approval is sought at this Meeting).

### **3.3 Information required by Listing Rule 7.3**

(a) A maximum of 24,300,000 Shares will be allotted and issued to sophisticated clients of Southern Cross Equities Ltd and certain existing and new global institutional investors who are not related parties of the Company.

(b) The Shares will be issued as soon as possible but, in any case, not later than 3 months after the date of Shareholder approval or such later date as approved by ASX. It is anticipated that the Shares will be allotted on 28 July 2011.

(c) The issue price of the Shares will be A\$0.90.

(d) The Shares to be issued will be fully paid ordinary shares that rank equally with existing Shares, and will have the same terms and conditions as those attaching to all other issued ordinary shares. The Company will apply to ASX for official quotation of the Shares.

(e) The funds raised under the Placement will be used as follows:

- Continuing the substantial drilling programmes at the Central Eyre Iron Project – Murphy South (west), Murphy South (east) and Hambidge;
- Continuing drilling at the Gawler Iron Project;
- Continuing feasibility investigations; and
- General working capital.

(f) A voting exclusion statement is set out in the Notice attached to this Explanatory Statement.

### **3.4 Board recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 3.

## **4 Resolution 4 – Ratification of Previous Issue of Securities**

In the previous 12 months, the Company issued 15,119,579 shares to existing institutional investors and clients of Southern Cross Equities Limited.

Listing Rule 7.1 provides that a company must not, without prior approval of Shareholders, issue securities if the securities will in themselves or when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 states that an issue by a company of securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and the company's members subsequently approve it.

Under this resolution, the Company seeks from Shareholders approval for, and ratification of, the issues of securities set out below so as to limit the restrictive effect of Listing Rule 7.1 on any further issues of securities in the next 12 months.

Details of the share issue are set out below:

15,119,579 shares were issued at 55 cents per share to existing institutional investors and clients of Southern Cross Equities Limited. These shares rank pari passu with existing Shares on issue. They comprise 13.3% of the Company's share capital. The Company issued the shares to further advance the Central Eyre Iron Project (CEIP) and to allow for the completion of the prefeasibility study.

The Board believes that the ratification of this issue is beneficial for the Company.

The Board recommends Shareholders vote in favour of Resolution 4 as it allows the Company to ratify the above issue of Shares and retain the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months.

The Chairman intends to vote undirected proxies in favour of this resolution.

**Glossary**

In this Explanatory Statement, the following terms have the following unless the context otherwise requires:

<b>Annexure</b>	annexure to this Explanatory Statement.
<b>Annual General Meeting or Meeting</b>	the annual general meeting convened by the Notice of Annual General Meeting.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASX</b>	means ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires.
<b>Board</b>	board of Directors.
<b>Company</b>	Iron Road Limited ABN 51 128 698 108
<b>Constitution</b>	constitution of the Company.
<b>Corporations Act</b>	Corporations Act 2001 (Cth).
<b>Director</b>	director of the Company.
<b>ESOP</b>	the employee share option plan summarised in Annexure A.
<b>ESOP Participant</b>	a Directors, senior executive, employee or consultant of the Company.
<b>ESOP Option</b>	a Option issued pursuant to the ESOP.
<b>ESOP Share</b>	a Share issued pursuant to the ESOP.
<b>Listing Rules</b>	the listing rules of the ASX.
<b>Option</b>	option to subscribe for a Share.
<b>Share</b>	fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	holder of a Share.

## Annexure A

### TERMS AND CONDITIONS OF ESOP

The Iron Road Employee Share Option Plan (ESOP) is constituted by the Plan Rules, Trust Deed, Option Plan and Trust Handbook, and invitations made under the ESOP. Following is a summary of the terms and conditions of the ESOP:

1. Purpose – The purpose of the ESOP is to assist in the recruitment, reward, retention and motivation of ESOP Participants of the Company.
2. Eligibility – The Board may from time to time in its absolute discretion invite ESOP Participants of the Company, being Directors, senior executives, employees and consultants, to participate in the ESOP through the issue of Options and/or Shares to the Trustee on such terms as it sees fit.
3. Offers – Invitations to invited ESOP Participants must set out the number of ESOP Options, vesting terms, amounts payable upon issue of ESOP Options, applicable performance conditions (if any), restrictions on dealings with securities under the ESOP and any other conditions. ESOP Options will be issued at their arms length value determined in accordance with accounting standard AASB2 using the Black-Scholes method of valuation. Offers will not be made where the issue would result in the Company exceeding the limit that applies under ASIC Class Order 03/184 in respect of new issues of securities under employee share schemes.
4. ESOP Trust – The Company has established the Trust for the purpose of administering the ESOP and holding ESOP Options and ESOP Shares offered under the ESOP. The Company will make a payment to the Trust equal to the value of the ESOP Options and ESOP Shares. The Trustee grants Share Units to ESOP Participants which are referable to Options and Shares held by the Trust. Share Units are not transferable.

ESOP Participants may at any time (subject to vesting and performance conditions) request that the Trustee transfer legal title to ESOP Shares the subject of Share Units to the ESOP Participant. Bonus Share Units are issued by the Trust to the ESOP Participant when the ESOP Participant redeems Share Units equal to the value of the loan advanced by the Trust to the employee for the initial acquisition of Share Units (being the issue price of ESOP Options). The effect of this is that at the time ESOP Shares are sold the ESOP Participant will receive the value of the purchase price of the ESOP Options.

ESOP Participants are entitled to any dividends paid on their ESOP Shares which are held by the Trust.

5. Loan – The Trustee will lend ESOP Participants, on a non-recourse basis, amounts to enable them to accept offers for ESOP Options and ESOP Shares under the ESOP and to exercise ESOP Options. Interest may be charged at the Trustee's discretion in consultation with the Company. The loan is repayable upon the Share Units being cancelled or the underlying ESOP Options or ESOP Shares lapsing, sold or being transferred to the ESOP Participant, and occurs through the redemption of Share Units. The effect of this is that full consideration is provided by the ESOP Participant for the issue and exercise of securities under the ESOP.

If following the exercise of ESOP Options, the ESOP Shares are sold, the ESOP Participant's Share Units are redeemed and the employee or Director receives an amount equivalent to the net consideration from the sale of the ESOP Shares (less repayment of any outstanding loans and other amounts owing by the ESOP Participant used to fund the exercise of ESOP Options) so that the Company is fully reimbursed for amounts loaned for the exercise of ESOP Options under the ESOP. Other than this no funds will be repaid to the Company under loans.

6. Dealings with Options – Options granted under the ESOP may only be transferred with the prior consent of the Board or by force of law following the death or bankruptcy of an ESOP Participant.
7. Vesting, exercise and lapse – ESOP Options will only vest when any performance conditions specified at the time of grant have been satisfied. ESOP Options lapse on the earlier of (amongst other things):
  - a. any date specified by the Board; or
  - b. 60 days after the holder ceasing employment or contractual relations with the Company unless the Board determines otherwise.

Once any vesting and performance conditions are satisfied an ESOP Participant can direct the Trustee to exercise ESOP Options. If the Trustee requires additional funds to exercise the options, Iron Road may advance the funds to the Trust.

ESOP Participants ceasing employment or contractual obligations before ESOP Options are vested will have their Share Units redeemed for their issue price and the loan (used to fund the exercise of the ESOP Options) repaid. ESOP Participants ceasing employment after ESOP Options have vested will have their ESOP Options exercised

and ESOP Shares sold, so that they can receive the net proceeds after any outstanding loans to exercise ESOP Options have been repaid.

8. Takeovers, schemes of arrangement and winding-up – In the event of a takeover bid being made for Shares in the Company, the Board recommending that Shareholders accept any takeover bid, or a takeover bid becoming unconditional, the Board may, having regard to the performance conditions relating to ESOP Options, determine that unvested ESOP Options vest on a pro rata basis and can be exercised within a specific period, failing which they lapse.
9. Withholding – The Company is entitled, if required, to reimbursement by an ESOP Participant for any income or employment taxes resulting from the issue of ESOP Options or ESOP Shares.
10. Amendments – The Board can make such amendments to the ESOP or ESOP Option terms as it sees fit, subject to the Listing Rules. The Board may also make amendments to performance conditions attaching to ESOP Options if it is determined that the original performance condition is no longer appropriate or necessary, provided that the interests of the relevant ESOP Participant are not, in the opinion of the Board, materially prejudiced or advantaged relative to the position reasonably anticipated at the time of grant.

Amendments to ESOP Option terms are subject to the Listing Rules and may not reduce the rights of an ESOP Participant in respect of granted ESOP Options or ESOP Shares other than amendments introduced primarily for the purpose of complying with present or future laws, correcting manifest errors or changes in tax laws.

11. Overseas ESOP Participants – The Board may decide that ESOP Options held by ESOP Participants who suffer a tax disadvantage or restrictions on their ability to deal with their ESOP Options or ESOP Shares transferred overseas vest prior to the transfer.

ESOP Options granted to overseas residents are subject to such alterations or conditions as the Board considers necessary having regard to relevant local laws.

12. Terms of ESOP Shares – Shares issued under the ESOP are fully paid ordinary shares in the capital of the Company, and (subject to repayment of any loan) are freely transferable by the ESOP Participant.
13. Operation – The operation of the ESOP is subject to the Listing Rules and Corporations Act.

## Annexure B

### TERMS AND CONDITIONS OF ESOP OPTIONS

1. The Options shall be issued for consideration equal to their arm's length value determined in accordance with accounting standard AASB2.
2. The expiry date and vesting conditions (if any) for Options will be determined at the time of issue.
3. Each Option shall confer the right to subscribe for one fully paid ordinary share, ranking pari passu with the fully paid ordinary Shares of the Company on issue at the date of allotment of such Shares.
4. The Options will not be listed for Official Quotation on ASX Limited and may be transferred to a related entity at any time in whole or part in accordance with the rules of the ESOP.
5. A certificate will be issued for the Options ("Option Certificate"). On the reverse side of the Option Certificate there will be endorsed a statement of the rights of the optionholder and a notice that is to be completed when exercising the Options ("Exercise Notice"). If there is more than one Option comprised in this certificate and prior to the Expiry Date those Options are exercised in part, the Company will issue another certificate for the balance of the Options held and not yet exercised.
6. The Options shall be exercisable by completing and lodging the Exercise Notice set out in the Option Certificate at any time on or before the Expiry Date.
7. An Option may only be exercised after that Option has vested, after any conditions associated with the exercise of the Option are satisfied and before its expiry date.
8. If the Company enters into a scheme of arrangement, a takeover bid is made for the Company's Shares, or a party acquires a sufficient interest in the Company to enable them to replace the Board (or the Board forms the view that one of those events is likely to occur) then the Board may declare an Option to be free of any conditions of exercise. Options which are so declared may be exercised at any time on or before they expire, or lapse.
9. There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least 6 ASX Business Days after the issue is announced.
10. If the Company makes an issue of Shares to Shareholders by way of capitalisation of profits or reserves ("Bonus Issue"), each optionholder holding any Options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him upon exercise of any of those Options the number of Shares which would have been issued under the Bonus Issue ("Bonus Shares") to a person registered as holding the same number of Shares as that number of Shares to which the optionholder may subscribe pursuant to the exercise of those Options immediately before the record date determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise).
11. In the event that the Director no longer remains as the Director of the Company, the Director retains the right to the Options and the right to exercise the Options at any time on or before that lapse.
12. In the event of any re-organisation (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any Options, all rights of the Option holder will be changed to the extent necessary to comply with the Listing Rules applying to the re-organisation of capital at the time of the re-organisation in accordance with the Listing Rules.
13. In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of Options will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E [ P - (S + D) ]}{N+1}$$

Where

O' = the new exercise price of the Option.

O = the old exercise price of the Option.

E = the number of underlying securities in the Company into which one option is exercisable.

P = the average market price per security (weighted by reference to volume) of the underlying securities in the Company during the five (5) trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price for a security under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue).

N = the number of securities with rights or entitlements that must be held to receive a right to one new security in the Company.

14. The Option lapses:
- (a) if the Option has not been exercised at the Expiry Date;
  - (b) three (3) months after the ESOP Participant ceases to be an employee of the Company or three (3) months after formal cessation of the Contractors contract with the Company;
  - (c) if the Board becomes aware of circumstances which, in the reasonable opinion of the Board indicate that the ESOP Participant has acted fraudulently, dishonestly or in a manner which is in breach of his or her obligations or contractual responsibilities to the Company, and the Board (in its absolute discretion) determines that the Option lapses; or
  - (d) if the Company commences to be wound up.

**IRON ROAD LIMITED**  
**ABN 51 128 698 108**  
**PROXY FORM**

**Shareholder Details**

Name: .....

Address: .....

Contact Telephone No: .....

Contact Name (if different from above): .....

**Appointment of Proxy**

I/We being a shareholder/s of Iron Road Limited and entitled to attend and vote hereby appoint

The Chairman  
of the meeting

**OR**

Write here the name of the person you are appointing if this person is someone other than the A Director of the Meeting.

(mark with an 'X')

or failing the person named, or if no person is named, the A Director of the Meeting, as my/our proxy to attend and act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Iron Road Limited to be held at Radisson Plaza Hotel 27 O'Connell Street Sydney NSW 2000 on 25 July 2011 at 10.00am EST and at any adjournment of that meeting.




**IMPORTANT**

If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote, please place a mark in this box with an 'X'. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of the resolutions and that votes cast by him, other than as a proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on the resolutions and your votes will not be counted in computing the required majority if a poll is called. The Chairman of the Meeting intends to vote undirected proxies in favour of each resolution.

**Voting directions to your proxy – please mark  to indicate your directions**

<b>Special Business</b>	For	Against	Abstain*
Resolution 1      Approval of Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2      Approval of Securities Issue to Jerry Ellis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3      Approval of Securities Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4      Ratification of Previous Securities Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\*If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Appointment of a second proxy (see instructions overleaf)

If you wish to appoint a second proxy, state the % of your voting rights applicable to the proxy appointed by this form

 %

**PLEASE SIGN HERE**      **This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented**

Individual or Shareholder 1

Sole Director and  
Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

## **How to complete this Proxy Form**

### **Your Name and Address**

Please print your name and address as it appears on your holding statement and the company's share register. If shares are jointly held, please ensure the name and address of each joint shareholder is indicated. Shareholders should advise the company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. Please note, you cannot change ownership of your securities using this form.

### **Appointment of a Proxy**

If you wish to appoint the A Director of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the A Director of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the A Director of the Meeting will be your proxy. A proxy need not be a shareholder of the company.

### **Votes on Resolutions**

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

### **Appointment of a Second Proxy**

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company on 08 9322 2700 or you may photocopy this form. To appoint a second proxy you must on each Proxy Form state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both Proxy Forms do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

### **Signing Instructions**

You must sign this form as follows in the spaces provided:

- |                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Individual:        | where the holding is in one name, the holder must sign.                                                                                                                                                                                                                                                                                                                                                                                                  |
| Joint Holding:     | where the holding is in more than one name, all of the shareholders should sign.                                                                                                                                                                                                                                                                                                                                                                         |
| Power of Attorney: | to sign under Power of Attorney, you must have already lodged this document with the company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.                                                                                                                                                                               |
| Companies:         | where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place. |

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate is either included in the Notice of General Meeting or may be obtained from the company's share registry.

### **Lodgement of a Proxy**

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting. ie. no later than 10:00am on 23 July 2011. Any Proxy Form received after that time will not be valid for the scheduled meeting.

This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be sent or delivered to the company's registered office at Suite 2, 35 Havelock Street, West Perth WA 6005 or sent by facsimile to the registered office on 08 9322 7211.

*This page has been left blank intentionally.*

