

**III.AU****Icon Resources Limited**

A\$ 0.08

24 August 2010  
Tungsten, Gold, Base Metals, PGE  
Australia (QLD, NSW, TAS)  
Scoping Study  
Exchanges: ASX:III

**Icon plans tungsten production at Mt Carbine (QLD) from as early as December 2010. Treatment of tailings and stockpiles could be followed by mining in 2013. A resource upgrade (current 9.6mt @ 0.22% WO<sub>3</sub>) is expected September 2010.**

**Capital Profile**

Share price (A\$)	0.08
52 week range (A\$/share)	0.06 to 0.15
Number of shares (m)	104
Options and warrants (m)	23
Convertible notes (m)	0
Fully diluted (m)	127
Illket capitalisation (undiluted) (A\$m)	8.3
Debt (A\$m) - Sep 10F	0.0
Enterprise value (A\$m)	8.3
Major shareholders:	
L Pretorius (12.6%), S Bartrop & Assoc (7.8%)	
Avg monthly volume (m)	3
Cash (A\$m) - Sep 10F	0.0
Price/Cash (x)	430.5
Price/Book (x)	1.5
Listed company options:	No

**Production and Financial Forecasts**

YEAR END: June	Jun-10a	Sep-10F	2009a	2010a	2011F
Exploration and evaluation (A\$m)	0.88	0.30	1.31	2.20	0.90
Corporate (A\$m)	0.11	0.08	0.33	0.30	0.30
Exploration/(Expl.+ Corporate) (%)	89	80	80	88	75
Funding duration at current burn (year)	0.0	0.1	0.2	0.0	1.5
Shares on issue (pr end) (m shares)	97.8	103.8	68.2	97.8	121.0
Drilling - RAB (m)	0	0	0	0	0
Drilling - Other/Diamond (m)	2,000	1,000	0	8,000	4,000
Land holding ('000 ha)*	441	441	420	441	441
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	0.44	0.45	1.69	2.35	3.04
Funding from JV partners (A\$m)	0.0	0.0	0.0	0.0	0.0
Cash (A\$m)	0.0	0.0	0.3	0.0	1.8
Cash backing (Ac/share)	0.0	0.0	0.4	0.0	1.5
Net asset backing (Ac/share)	5.3	5.3	6.3	5.3	6.5

Quarters stated on calendar year basis.

**Investment Points**

Owns 100% of the historic Mt Carbine Project (QLD), formerly Australia's largest tungsten mine.

Mt Carbine: resources total 25kt WO<sub>3</sub>. Open pit 1.1mt @ 0.2%, target 15mt @ ~0.2% WO<sub>3</sub>. Increase due Sep '10

Three-phase mine plan: tailings, open pit and/or underground. Hard rock production expected early 2013.

Early cash flow targeted from processing of tailings and stockpiles - concentrate production from Dec '10.

Scoping Study of possible 5 year open cut project: NPV @ 8% of A\$59m with potential for A\$200m given reasonable grade increase and resource expansion.

New ground acquired at Mt Carbine has historic Sn-W workings and is prospective for Carbine style and alluvial deposits, as well as copper.

Active gold exploration at Peel Fault Project.

**Company Comment**

**Overview:** III listed on the ASX in June 2006. Its flagship project is the historic Mt Carbine tungsten deposit in QLD. It also has a diverse portfolio of exploration tenements in eastern Australia.

**Mt Carbine (W, QLD, 100%):** 120km from Cairns. Prior to its closure in the mid 1980s, Mt Carbine was Australia's largest tungsten producer. A total of ~13.1mt was mined by open cut; production of ~0.8-1.2kt/yr WO<sub>3</sub> was in the form of high-grade, low impurity concentrates of wolframite and scheelite from sheeted veining. There was no recovery of <75 micron material, which was lost to tailings. III is targeting a bulk tonnage operation focused on the existing granted Mine Leases (ML), with a three-stage development program. This involves retreating the mine tailings (JORC inferred resource 1.6mt @ 0.1% WO<sub>3</sub>) in a two year operation; re-opening the open pit (1.05mt @ 0.2% WO<sub>3</sub>) and potentially waste dumps (non-JORC estimate ~18mt @ ~0.1% WO<sub>3</sub>); and, later, re-opening the underground development (resource 9.6mt @ 0.22% WO<sub>3</sub> accessible by a 500m decline). There is an exploration target for the underground material in the range of 55-60mt at 0.07- 0.09% WO<sub>3</sub>, based on historic drilling. A significant resource increase is expected in Sep '10. In 2Q10, two exploration permits (EPM, 210km<sup>2</sup>) surrounding the ML were acquired. These have historic W-Sn workings (e.g at Mt Holmes, 10km SE of Carbine) and are prospective for Carbine-style sheeted vein mineralisation, as well as alluvial tin and tungsten deposits. **Metallurgy:** The historic mine used visual ore sorting technology, which has improved since that time, as have downstream metallurgical recoveries. An XRF sorter will be tested in 3Q10. This beneficiation could reduce the concentrator throughput by 80%. Trials of gravity separation of tailings recovered 50-53% to a ~65% WO<sub>3</sub> concentrate, and 75% to a ~45% WO<sub>3</sub> concentrate (centrifuge, flotation). **Scoping Study:** October 2009 (Mining One P/L); the study contemplates an open cut mine with a 5 year life, producing 1.5mtpa grading 0.21% WO<sub>3</sub> for 2,350t WO<sub>3</sub> pa, mill recovery 75% (X-ray ore sorters and gravity), capex A\$60m, opex A\$22.72/t. At A\$250/mtu for a 70% WO<sub>3</sub> concentrate, the study found pre-tax NPV (@8%) to be A\$59m; increasing grade 20% and tonnage 50% boosts NPV to A\$200m. The latter scenario is reasonable given the exploration potential at Mt Carbine. An update of the hard rock mining model and project financial forecasts are expected in late 3Q or early 4Q10.

**Eastern Australian Exploration (100%):** Icon may divest or JV some assets, to focus on Mt Carbine. A current focus is on the **Peel Fault Project (NSW)**, where III holds 75km strike over historic hard-rock gold workings and a chargeability anomaly. Drilling in 1H10 found 14m @ 1g/t Au from 137m. Other projects include **Fitzroy (Central Qld)**, which has an Indicated JORC resource 1.75Mt @ 1.7% Cu + 2% Zn).

**Investment Comment:** In our previous research note on III, in 2Q09, we saw that the company was within 6-12 months of being in tungsten production from the Mt Carbine tailings and waste heaps, and potentially ~2-3 years from hard rock production. The GFC caused a 1 year delay to the operation but it now seems to be back on track, with the same schedule. Recent share placements funded A\$0.88m exploration in 2Q10 but more funding may be needed in 2H10, ahead of possible early cash flow from the tailings operation. Significant short to mid-term value drivers for III could include the expected resource upgrade (Sep '10), a successful trial of the XRF ore sorter on ROM and waste dumps (2H10), commencement of the tailings operation (Dec '10), and a strengthening tungsten market.

**Reserves and Resources/Mineralised Material**

Code for reporting mineral resources - Australian (JORC)

Tungsten	Classification	Project	Ore	WO <sub>3</sub>	Cut Off	WO <sub>3</sub>	WO <sub>3</sub>	WO <sub>3</sub> Eqty
		Equity	Mt	%	%	kt	M mtu	kt
<b>Reserves</b>						0.0	0.0	0.0
<b>Resources</b>								
Mt Carbine - tailings	Inferred	100%	1.6	0.11	na	1.8	0.2	1.8
Mt Carbine - open cut	Inferred	100%	1.1	0.20	na	2.1	0.2	2.1
Mt Carbine - u/ground	Inferred	100%	9.6	0.22	na	21.1	2.1	21.1
						25.0	2.5	25.0
<b>Mineralised Material</b> (est., non compliant w ith JORC)						0.0	0.0	0.0

Also Fitzroy (QLD), has total Inferred Resource: 1.75mt @ 1.7% Cu, 2% Zn, 8.5g/t Ag, 0.2g/t Au, cutoff 1% equiv Cu in Nov '07

**Key Projects**

Project	Ownership/		JV	Target	Process	Project	
	Option	Metal				Partner	Type
Mt Carbine	100%	W	none	Vein	Grav, float	Scoping	Aus (QLD)
Peel	100%	Au	none	Structural	na	Mid Expl.	Aus (NSW)
Burketown	100%	IOCGU, Ni	none	IOCGU	na	Early Expl	Aus (QLD)
New Century	100%	Zn, Pb	none	Skarn	na	Early Expl	Aus (QLD)
Fitzroy	100%	Cu, Zn	none	Epitherm.	na	Adv Expl.	Aus (QLD)
Constance Range	100%	Fe	none	Ironstone	na	Mid Expl	Aus (QLD)
Tara	100%	Sn	none	Granite	na	Mid Expl	Aus (NSW)

**Contacts**

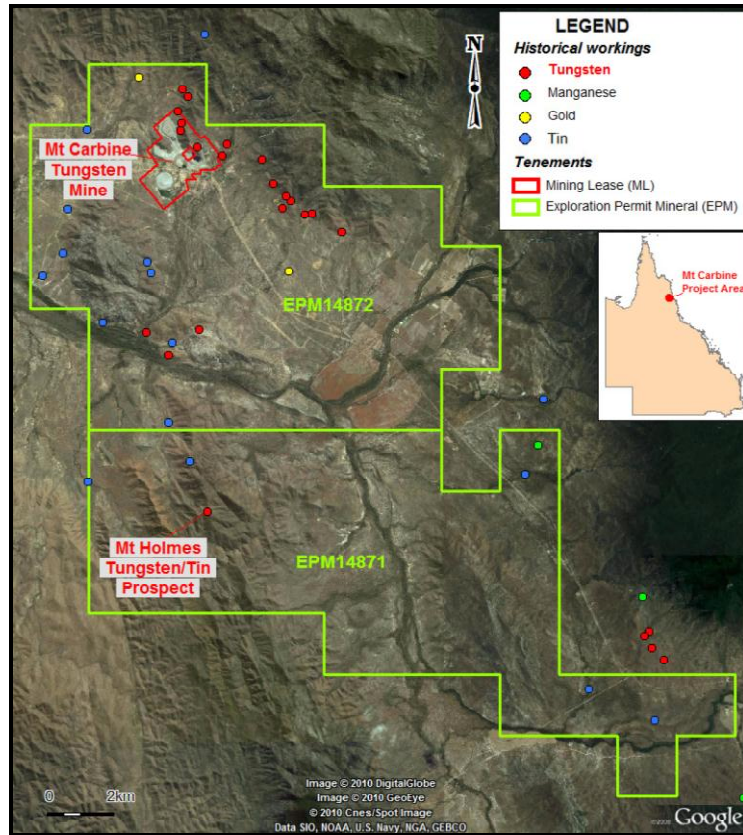
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**Mt Carbine Project location map: Ill is focused on this historic tungsten deposit (QLD), where it plans to develop a tailings re-processing operation, followed by open-cut and underground mines. The two EPMs around the Mining Lease are recent acquisitions, and are prospective for Carbine-style mineralisation.**



**Mt Carbine Project: As well as hard rock resources and mineralised dumps, the area has pre-existing infrastructure, including a mining lease and 132KV power line. Tailings reprocessing is planned for late 2010 and hard rock mining for 2013. The original operation closed in 1986 due to weak tungsten prices.**



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