



# QUARTERLY ACTIVITIES REPORT

For the period ended 31 December 2020



## Cape Hardy Stage I Project Commercialisation

In December 2020, Iron Road announced the appointment of former South Australian Premier and widely respected farming advocate, Rob Kerin, as Project Chair of the proposed \$250 million Cape Hardy Stage I port development on Eyre Peninsula, South Australia. Mr Kerin's appointment coincided with the launch of the joint venture's name – **Portalis**. The joint developers of the Cape Hardy Stage I Port (Iron Road, Eyre Peninsula Cooperative Bulk Handling and Macquarie Capital) were pleased to attract a Project Chair of outstanding calibre in Mr Kerin. Rob is well known to Eyre Peninsula communities and we look forward to his leadership in building on the important stakeholder engagement activity undertaken to date as Portalis works toward financial close.

As a key priority, the developers jointly commenced engagement with various stakeholders on the Eyre Peninsula including presenting at public meetings arranged by the Port Neill Progress Association and the Tumby Bay and District Community Consultative Group. The developer parties also presented the project to attendees at the Eyre Peninsula Cooperative Bulk Handling (EPCBH) AGM in Cleve, which attracted more than 80 growers. These presentations and discussions are part of a well-established and continuing grower and community consultation process with formal engagement stepping up further in Q1 2021.

In addition to community stakeholders, the joint developers have met with and briefed several South Australian State government politicians, including members of the opposition, Chief Executives, and various bureaucrats.



*Former South Australian Premier, Rob Kerin, Project Chair – Portalis, on Eyre Peninsula, South Australia.*

## Approvals

The EIS Amendment with the South Australian State government continued to progress and allows for construction of a port at Cape Hardy to be staged. Stage I will be designed and constructed to allow for Panamax vessels, with handling for both grain and other goods (including minerals). Stage II will involve expansion of the jetty and wharf to allow for Cape-class vessels and the export of iron concentrate from the Central Eyre Iron Project (CEIP) and other bulk mineral commodities.

During December 2020 Iron Road lodged an application for the partial surrender of ML6467 with the Department of Energy and Mining (DEM). The area to be relinquished comprises approximately 24% of the existing Mining Lease area or 2,044 ha agricultural land. The revised mine plan with 12 Mtpa iron concentrate production, as announced on 25 February 2019<sup>1</sup>, does not require as large a footprint as the previous significantly larger mine plan (24 Mtpa iron concentrate production). The reduction in the Mining Lease area relieves the Company from some of its annual Mining Lease rental obligations, with savings directed towards more immediate development priorities. This measure also aligns with greater potential investor interest in the lower capital, lower risk 12 Mtpa CEIP delivery model.

DEM has declared the CEIP a new mine in accordance with section 17A of the Mining Act 1971. Accordingly, the Hon. Rob Lucas MLC, Treasurer South Australian government, has advised that a reduced royalty rate will be two percent of the value of the minerals recovered, less any prescribed costs as set out in the Act. The reduced royalty rate will commence on the day that royalty is first payable and will apply until the earlier of five years or 30 June 2026.

## Green Hydrogen / Green Manufacturing Planning

In January 2021, Iron Road announced that master planning for a green manufacturing precinct at Cape Hardy by The Hydrogen Utility (H2U) is due to commence and will integrate an iron ore 'green pellet' plant fuelled by renewable energy, using high grade iron concentrate from the CEIP. This follows an extension to the Company's 2019 Heads of Agreement and Project Development Accord with H2U that, during November 2020, attracted Mitsubishi Heavy Industries, Ltd., a leading Japanese multinational engineering, technology, and investment partner. Having secured this strategic cornerstone investor, H2U is now able to accelerate its green hydrogen development projects in South Australia, including detailed planning for a green manufacturing precinct at Iron Road's 1,100-hectare Cape Hardy port site.

## Corporate

During the quarter, Iron Road announced a non-renounceable entitlement offer of new Iron Road shares at an offer price of \$0.14 (14 cents) per share. The entitlement offer was made on the basis of 1 new share for every 7 existing shares held by eligible shareholders on the Record Date. The Offer received significant support from eligible investors with applications received for entitlement and shortfall of approximately \$10.42 million. All Iron Road's directors participated up to their full entitlement under the Offer and were not eligible to participate in the shortfall offer. Iron Road's largest shareholder participated fully in the offer, which resulted in the extinguishment of \$8.7 million of the total \$9.0 million in debt owed to Sentient Global Resources Fund IV, L.P.

As previously advised, Iron Road and Macquarie entered into an agreement that, subject to satisfaction of the conditions precedent to the September 2020 Joint Development Agreement (JDA) and other procedural conditions, permitted the issuance of a total 40 million Iron Road warrants with vesting contingent on Financial Close and Commercial Operations being achieved for the Cape Hardy Stage I port. An initial 25 million tranche is exercisable from Financial Close with the second 15 million tranche exercisable from the Commercial Operations Date (COD). All warrants provide the holder with a right to acquire shares in Iron Road and have an exercise price of \$0.075 - equivalent to Iron Road's October 2018 entitlement offer price - and will expire 24 months post COD.

The exercise price was reduced to \$0.07376 in accordance with the terms of the warrants following completion of the latest entitlement offer undertaken during the quarter.

Iron Road's Appendix 5B includes amounts in item 6.1 representing the payment of non-executive director fees. The Company's quarterly cashflow report includes expenditure on exploration and evaluation activities of \$225k relating to development of the Cape Hardy port facility and maintaining the Company's mining lease rental and exploration licences.

## Tenement Schedule - 31 December 2020

South Australia	Tenement Reference	Interest
Warrambo	ML6467	100%
Warrambo	EL5934	100%
Lock	EL6425	100%
Mulgathing	EL6012	
	EL6173 (previously EL5298)	
	EL5661	100% interest in iron ore rights
	EL5720	
	EL5767	
Mulgathing	EL5998	
	EL5732	90% interest in iron ore rights

<sup>1</sup> ASX announcement "Revised CEIP Development Strategy" on 25 February 2019.

**Authorised for release by the board of Iron Road Ltd**

**For further information, please contact:**

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## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Iron Road Ltd

ABN

51 128 698 108

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(50)	(346)
(b) development	-	-
(c) production	-	-
(d) staff costs	(145)	(295)
(e) administration and corporate costs	(373)	(565)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	12	50
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(556)</b>	<b>(1,156)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	(175)	(175)
(e) investments	-	-
(f) other non-current assets	-	-

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	13
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(175)</b>	<b>(162)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	10,422	10,422
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(6)	(6)
3.5	Proceeds from borrowings	-	1,000
3.6	Repayment of borrowings	(8,657)	(8,657)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,759</b>	<b>2,759</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	798	385
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(556)	(1,156)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(175)	(162)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,759	2,759

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,826</b>	<b>1,826</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,781	753
5.2	Call deposits	45	45
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,826</b>	<b>798</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

<b>Current quarter \$A'000</b>
3
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. <b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	743	343
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>743</b>	<b>343</b>

7.5 **Unused financing facilities available at quarter end** 400

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The current facility in 7.1 is an unsecured facility from the Company's major shareholder, the Sentient Global Resources Fund IV, L.P (Sentient). It attracts nil interest and matures on 30 September 2021.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(556)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(175)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(731)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	1,826
8.5 Unused finance facilities available at quarter end (Item 7.5)	400
8.6 Total available funding (Item 8.4 + Item 8.5)	2,226
<b>8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	<b>3.0</b>

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

N/A

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 January 2021

Authorised by: the Board of the Company  
(Name of body or officer authorising release – see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.