



QUARTERLY ACTIVITIES REPORT

For the period ended 31 March 2018



About Iron Road

Iron Road Limited is the developer of the Central Eyre Iron Project (CEIP), located on the Eyre Peninsula in South Australia.

The CEIP is a long life proposal, which will produce a high grade, low impurity iron concentrate for export to Asia. The product will attract a quality premium over reference iron ore prices, and is expected to have substantial benefits for steel mill customers in pollution reduction and operating costs.

A definitive feasibility study (DFS) supported by an optimisation study, has credibly demonstrated a highly industry competitive operating cost profile for a mining, beneficiation and infrastructure solution producing +20 million tonnes per annum of premium iron concentrates for export over an initial mine life of 30 years.

Infrastructure Australia has declared the CEIP infrastructure (rail and port) a Priority Project, one of only ten Projects nationwide.

Iron Road has signed MoUs with five leading Chinese steel mills, including Shandong Iron & Steel. An infrastructure funding MoU has also been signed with AIXI Investments.

A strategic co-operation agreement with China Railway Group includes a Project Commercialisation Programme with the aim to finalise a whole-of-project financing solution.

The Company has a multi-disciplinary Board and management team that are experienced in the areas of exploration, project development, mining, steel making and finance.

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Highlights

- **Final major approval for the Central Eyre Iron Project (CEIP) received, being an approved decision under the Commonwealth Government's *Environment Protection and Biodiversity Conservation Act 1999*.**
- **Iron Road and China Railway Group (CREC) in discussion over those parts of the AS4300 contract linked to the commercial and financing aspects of the CEIP.**
- **Iron Road working with Eyre Peninsula Co-operative Bulk Handling (EPCBH) and others on a 'grain first' strategy for Cape Hardy.**
- **Appointment of Mr Glen Chipman as Non-Executive Director.**
- **Iron Road encouraged by the broad and open support for the Company's plans by the major political parties in the lead up to the 17 March 2018 South Australian general election.**
- **A further \$1 million in debt finance received from major shareholder, The Sentient Group.**



View of Cape Hardy shoreline. The proposed development of a multi-user deep sea port in the Spencer Gulf received prominence during the recent South Australian general election.

Central Eyre Iron Project (CEIP)

Project Commercialisation Programme

Iron Road further developed the CEIP contract based on Australian Standard 4300. The draft contract includes amendments and additions discussed and agreed with CREC late in 2017. Iron Road and CREC are now in discussion and negotiation over those parts of the contract linked to the commercial aspects of the Project, including financing. Initial equity commitments by CREC have been delayed due to sustained Chinese government controls on outbound investment until all necessary regulatory processes have been completed.

Grain First Strategy

Since signing a Memorandum of Understanding with EPCBH, Iron Road has been working with the co-operative and other parties on a 'grain first' strategy for the proposed deep sea port at Cape Hardy. The strategy envisages the staged construction and commissioning of a globally competitive grain terminal and export facility at Cape Hardy, prior to iron concentrate export.

Options are currently being assessed and costed with studies underway to develop a new grain distribution and supply chain network. Preliminary engineering work is being undertaken in-house by Iron Road as is identifying necessary government approvals.

Project Approvals & Environmental

Approval from the Federal Minister for the Environment and Energy under the *Environment Protection and Biodiversity Conservation Act 1999* was received during the Quarter. The approval is subject to conditions and relates to the potential of increased shipping movements in the Spencer Gulf to impact on the Southern Right Whale population. This is the last major approval required for the CEIP and details may be viewed or downloaded from the Company's website.

A requirement of both Mineral Lease (6467) and the Development Authorisation granted on 3 May 2017 is the preparation and implementation of a Social Management Plan (SMP) for the CEIP. This project-wide document covers a range of matters including health, education, employment, training, opportunities for local businesses, housing affordability and safety and security. To ensure the SMP is robust and fit for purpose, and that engagement with all relevant Government agencies and stakeholders is undertaken during 2018, Iron Road has obtained a further 12 months period from the SA Department of the Premier and Cabinet in which to prepare the document. The final SMP must be submitted by 2 May 2019.

Community & Stakeholder Engagement

Iron Road representatives have been involved with the Eyre Peninsula Freight Strategy and Rail Network Study comprising representatives from a variety of industries including SA Government, Genesee Wyoming Australia, Grain Producers SA and Flinders Ports.

The Company hosted a site visit to the proposed CEIP mine, rail and port locations by SA Government representatives in January 2018.

Iron Road presented at the annual Eyre Peninsula Local Government Association (EPLGA) conference in Port Lincoln in February 2018. The presentation focussed on the proposed port at Cape Hardy and the

implications of the development for the region. Presentations have been made at various forums, with feedback indicating significant support for Cape Hardy, particularly as a staged development. Following the EPLGA conference, the 11 member Councils passed a motion supporting Cape Hardy as the most suitable location for a new multi-commodity deep-sea port on the Spencer Gulf.

Other stakeholders engaged with during the Quarter included Wudinna District Council, District Council of Tumby Bay, Eyre Peninsula Co-operative Bulk Handling, Regional Development Australia Whyalla and Eyre Peninsula, Grain Producers SA and various landowners.

Corporate

The Iron Road Board announced the appointment of Mr Glen Chipman as Non-Executive Director. This appointment coincided with the resignation of Mr Julian Gosse as a Non-Executive Director. Mr Chipman is a private equity investment professional at Sentient Equity Partners and represents Iron Road's major shareholder, the Sentient Global Resources Funds. Prior to joining Sentient in 2012 he was a sell-side analyst with Bank of America Merrill Lynch and Citigroup. Mr Chipman has a chemical engineering background and over 15 years of combined industry, commodity and equity capital markets experience. Since 2015, Mr Chipman has been seconded to Iron Road, principally engaged with commercial, business development, capital raising and finance planning activities relating to the CEIP. He is also a Director of Ferrous Resources Limited, a private Brazilian iron ore producer, majority owned by Icahn Enterprises L.P.

The Company was encouraged by the broad and open support for Iron Road's plans by the major political parties in the lead up to the 17 March 2018 South Australian general election. The newly elected State Government plans to draft enabling legislation, expected to be enacted by September 2018, allowing Infrastructure South Australia to assess, plan and coordinate major infrastructure projects in South Australia. Of the ten major projects identified is a grain/minerals port on the Eyre Peninsula.

Iron Road received a further \$1 million in debt finance from the Sentient Group that attracts a zero rate of interest and does not bear any fees. Formal guidance of additional financial support over the next 12 months was also provided by Sentient, along with an extension of existing loan facilities to 31 March 2019. Although progress in formalising strategic project partner equity investment has been slower than anticipated, Sentient remains encouraged by levels of engagement, further CEIP capital cost reduction opportunities and other critical project de-risking activities.

With major studies and primary project approvals complete and secondary approvals submitted to the State Government for assessment, Iron Road has reduced corporate and administrative overheads, significantly reducing annual spend.

The Company continues to seek out and engage with potential partners and investors with both direct and indirect interest in the Company and the CEIP.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Iron Road Limited

ABN

51 128 698 108

Quarter ended ("current quarter")

31 March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(228)	(834)
(b) development	-	-
(c) production	-	-
(d) staff costs	(575)	(1,330)
(e) administration and corporate costs	(162)	(1,352)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(964)	(3,514)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(2)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) 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)	-	-
2.6	Net cash from / (used in) investing activities	-	(2)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	1,000	3,000
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,000	3,000

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	800	1,352
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(964)	(3,514)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(2)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,000	3,000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	836	836

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	746	710
5.2 Call deposits	90	90
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	836	800

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	168
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

N/A

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	39
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	5,400	4,000
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

A short term working capital facility of \$3 million from major shareholder The Sentient Group was made available during the quarter. The facility due to be repaid by 31 March 2019 attracts a zero interest rate and zero fees.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	120
9.2 Development	-
9.3 Production	-
9.4 Staff costs	250
9.5 Administration and corporate costs	160
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	530

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Nil			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Nil			

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.

Sign here:


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Company Secretary

Date: 27 April 2018

Print name: Jaroslaw (Jarek) Kopias

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.