



QUARTERLY ACTIVITIES REPORT

For the period ended 30 September 2016



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

Central Eyre Iron Project

- Central Eyre Iron Project infrastructure (rail and port) declared a **Priority Project** by Infrastructure Australia (IA), one of only ten Projects nationwide.
- Debt Financing Discussions between China Railway Group Limited (CREC), Iron Road Limited and major banks underway.
- His Excellency Mr Cheng Jingye, Chinese Ambassador to Australia, visited the joint Iron Road-CREC development team in Adelaide.
- Iron Road and CREC *Project Commercialisation Programme* continued during the Quarter with working visits by three CREC specialist engineering teams.
- Response Documents relating to the Mining Lease Proposal and Environmental Impact Statement published by SA Government.



Iron Road and CREC visit to SCT Logistics, Penfield Freight Centre, Adelaide

Central Eyre Iron Project (CEIP)

Project Commercialisation Programme

In support of the CEIP development, Iron Road is assembling a consortium of aligned organisations with interests in iron concentrate offtake, mining and mineral processing, power supply, rail, port logistics and related activities.

During early April 2016 Iron Road announced the signing of a Strategic Co-operation Agreement with a wholly owned subsidiary of China Railway Group Limited (CREC) – Asia’s largest integrated construction group and currently ranked number one in the Engineering News Records list of the world’s Top 250 Global Construction Companies. CREC’s domestic businesses in China are estimated to account for a 1% share of China’s national GDP.

The Agreement with CREC includes a twelve month Commercialisation Program, consisting of 11 key elements. Each element is a distinct cooperative activity between Iron Road and CREC in support of a Final Investment Decision (FID) and securing project finance. A project management office has been established within the Iron Road Adelaide headquarters, permitting key CREC personnel to be present for the duration of the Commercialisation Programme.

Formal information transfer commenced with Iron Road personnel conducting several intensive workshops in the CREC Kuala Lumpur engineering offices, including data room procedures and access to project documentation.

Iron Road led several CREC specialist teams on detailed field trips to the mine, rail and port sites. The field trips have assisted various teams in understanding the scale of the project and visualising the terrain and environment in which the project is located.

A significant aspect of the Commercialisation Program is the value engineering component, led by CREC, which is currently undertaking a comprehensive review of the basis of design for the project. From this understanding, CREC will leverage their experience, size and global network to enhance the infrastructure design and review the procurement of services and equipment for the project.

The Commercialisation Programme’s primary objective is targeting 20-25% capital cost efficiencies compared with Iron Road’s October 2015 Optimisation Study findings. Another major element is ensuring that the industry competitive operating cost structure that Iron Road has demonstrated through many years of detailed studies may be underpinned by competitive power pricing in South Australia. Iron Road, together with the State’s major existing industrial users of power, continue to examine the optimal long-term solution for securing both a competitive and secure supply of power from 2020 onwards.

Project Approvals & Environmental

The Response Documents submitted to the Government of South Australia for the Mining Lease Proposal and Environmental Impact Statement (Development Application) during the previous Quarter were reviewed for adequacy and accepted for formal assessment in late September 2016. The Response Documents may be viewed or downloaded from the Iron Road website or the SA Government's dedicated CEIP website www.ceipconsultation.sa.gov.au.

The Company is addressing the secondary approvals required for the CEIP and undertaking appropriate pre-planning, particularly in relation to the Program for Environment Protection and Rehabilitation (PEPR) for the proposed mine and Environmental Management Plans (EMPs) for the infrastructure.

Community & Stakeholder Engagement

Community and stakeholder engagement continued with various groups including District Councils, State Government agencies, State and Federal politicians, landowners and the agricultural industry.

Iron Road Managing Director, Andrew Stocks presented alongside John Murray, former Managing Director, Emerald Grain, at a Rural Media Luncheon during August 2016. The focus of the presentations was to highlight the opportunities that the Iron Road and Emerald Grain partnership could bring to farming communities on the Eyre Peninsula. In addition, Iron Road and Emerald Grain jointly presented to the Transport and Supply Chain subcommittee of Grain Producers SA, an organisation representing South Australia's 3000 grain growers.

Corporate

The CEIP infrastructure (rail and port) was declared a *Priority Project* by Infrastructure Australia (IA), a statutory authority of the Australian Government, in September 2016. The CEIP is one of only ten Projects on the national Infrastructure Priority List and the only 'Opportunity for Growth Project' nationwide.

The categorisation of CEIP as a *Project* rather than merely an *Initiative* reflects that the full business case completed by Iron Road has been positively assessed by the IA Board. *Initiatives* are potential infrastructure solutions for which a business case has not yet been completed.

In support of the infrastructure business, planning is underway to call for expressions of interest this year for third parties interested in accessing the proposed rail and port facilities once operational. Regional Development Australia Whyalla and Eyre Peninsula (RDAWEP) has been engaged to manage the process.

His Excellency Mr Cheng Jingye, Chinese Ambassador to Australia, recently visited the joint Iron Road-CREC development team at Iron Road House. The Ambassador's visit coincided with the arrival of two teams of specialist CREC engineers from Kuala Lumpur and Beijing, accompanied by senior CREC executives. Over 50 CREC staff are currently working with Iron Road as part of the Project Commercialisation Programme for the CEIP.



His Excellency Mr Cheng Jingye, Chinese Ambassador to Australia, together with other dignitaries, met with Iron Road and CREC executives during a visit to Iron Road House, Adelaide.

Iron Road announced that debt financing discussions for the CEIP have commenced with major Chinese Banks. Subject to a positive Final Investment Decision, key elements of debt finance packages are expected to incorporate:

- CREC providing a completion guarantee to the lenders;
- Long-term tenure (15+ years);
- Project gearing ratio of 70-75%; and
- Guaranteed iron concentrate offtake agreements at transparent market pricing terms equivalent to annual debt servicing costs.

Tenement Schedule

Following is the schedule of Iron Road Limited tenements as at 30 September 2016.

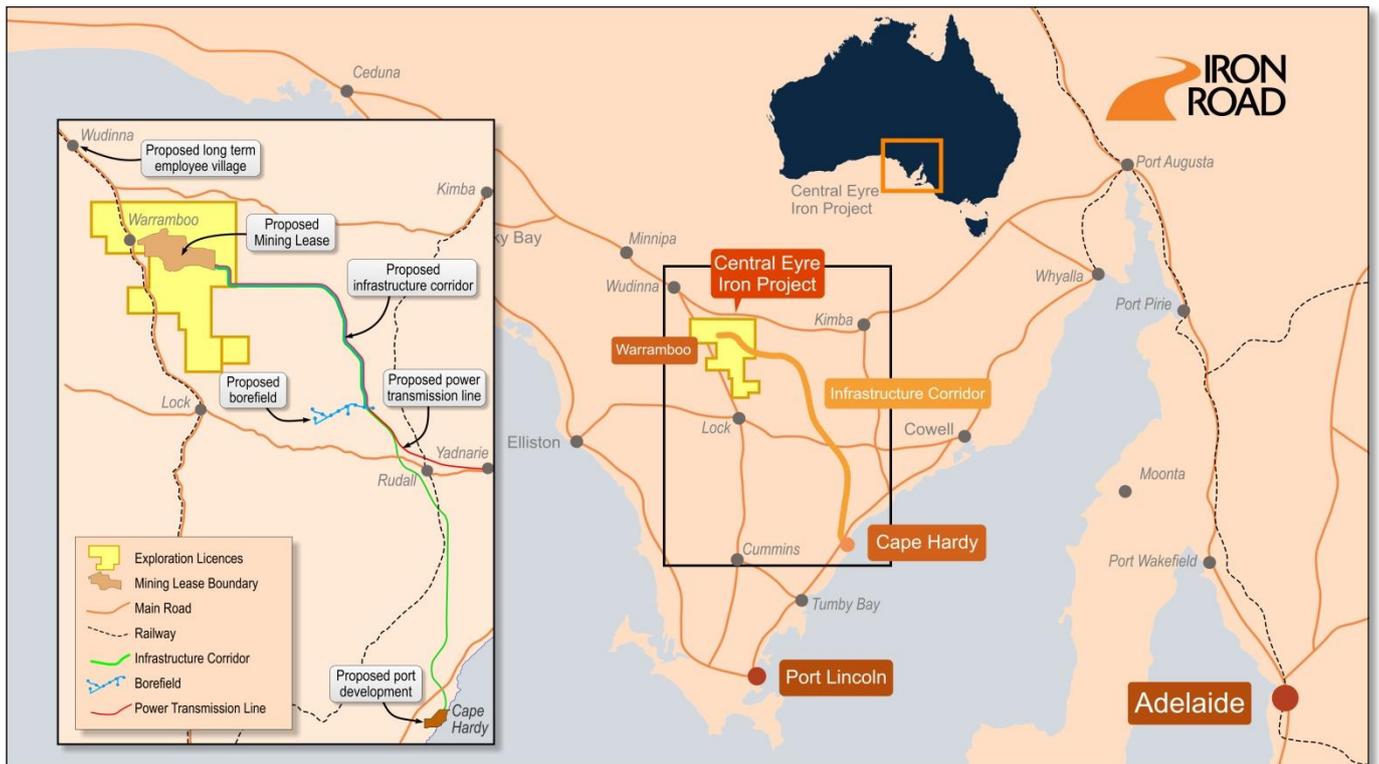
South Australia	Tenement Reference	Interest
Warrambo	EL4849	100%
Lock	EL5496	100%
Mulgathing	EL4951	90% Iron Ore rights
	EL5298	90% Iron Ore rights
	EL5661	90% Iron Ore rights
	EL5720	90% Iron Ore rights
	EL5183	81% Iron Ore rights
	EL5732	81% Iron Ore rights
	EL5767	81% Iron Ore rights

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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		Quarter ended ("current quarter")
51 128 698 108		30 September 2016

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(277)	(277)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(351)	(351)
	(e) administration and corporate costs	(586)	(586)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	2
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (GST paid to be recouped)	-	-
1.9	Net cash from / (used in) operating activities	(1,212)	(1,212)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(2)	(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 (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other financial 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)	(2)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	8,510	8,510
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	(253)	(253)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(4,000)	(4,000)
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	4,257	4,257

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	948	948
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,212)	(1,212)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(2)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,257	4,257
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,991	3,991

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

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	3,901	858
5.2	Term 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)	3,991	948

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	167
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	70
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	
Repayment of \$4M short-term debt facility provided by the Sentient Group. This is disclosed in item 3.6		

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	-	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.		
N/A			

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	294
9.2	Development	-
9.3	Production	-
9.4	Staff costs	351
9.5	Administration and corporate costs	580
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	1,225

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: 
(Company secretary)

Date: 31 October 2016

Print name: **LEONARD MATH**

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.