



ASX ANNOUNCEMENT

Iron Road Limited (Iron Road, ASX:IRD)



IRON ROAD SIGNS STRATEGIC CO-OPERATION AGREEMENT WITH CHINA RAILWAY

Agreement will advance Central Eyre Iron Project to Final Investment Decision

Highlights

- Agreement signed with China Railway Oriental International Construction Corporation, a wholly owned subsidiary of China Railway Group Limited (CREC), the largest integrated construction group in Asia and the second largest construction contractor globally by revenue.
- Agreement sustains development momentum for the Central Eyre Iron Project (CEIP) with the signatories to execute a Project Commercialisation Programme over a 12 month period according to a schedule of key outcomes.
- Project Commercialisation Programme includes finalising bankable construction contracts, iron concentrate sales contracts as well as equity and debt financing procurement to enable a Financial Close for CEIP to ultimately be achieved.
- CREC's subsidiary will provide consultancy services equivalent to A\$5 million for use during the project commercialisation phase, backed by a A\$5 million corporate guarantee.
- Agreement provides for time limited exclusivity, with CREC through its most active overseas subsidiary, anticipating making a direct investment of up to 15% of the total equity for the Project in its own right, pending a positive Final Investment Decision.



Iron Road Chairman Dr Peter Cassidy and China Railway Oriental International Construction Corporation Managing Director Mr Cai Zemin, with dignitaries including (from left to right) the Hon Martin Hamilton-Smith, Hon Jay Weatherill Premier of South Australia, Mr Chen Zhi Gong, Chairmen of the Board and Mr Liu Weizhi, Vice President of Chain Railway Oriental International Group during the signing ceremony held earlier today in Beijing, China.

Iron Road Limited (Iron Road, ASX: IRD) is pleased to announce the signing of a Strategic Co-operation Agreement with a wholly owned subsidiary of China Railway Group Limited (CREC), China's largest rail engineering firm and currently ranked number one in the Engineering News Records list of the world's Top 250 Global Construction Companies.

The Strategic Co-operation Agreement will achieve a Final Investment Decision point for the CEIP through a number of structured activities as part of the Project Commercialisation Programme, including:

- Finalising the construction and operations strategy through a package of bankable construction contracts for the CEIP, with CREC and agreed third parties;
- Executing long-term iron concentrate sales contracts;
- Refining the definitive feasibility and optimisation studies to incorporate the financing plan;
- Developing a regional infrastructure plan to identify and evaluate export opportunities;
- Securing government approvals;
- Procuring equity investment commensurate with the acquisition of a portion of the Project to enable a total funding solution to be realised. CREC through its subsidiary, anticipates making a direct investment of up to 15% of the total equity funding task for the Project in its own right; and
- Facilitating and obtaining sufficient written binding debt commitments from external debt financiers for the Project.

CREC's subsidiary has entered into a twelve month exclusivity agreement with Iron Road, as the prime construction contractor for the CEIP. In return for the twelve month exclusivity arrangements, consultancy services will be made available by CREC to a Special Purpose Vehicle wholly owned by Iron Road, equivalent in value to A\$5 million, for use during the project commercialisation phase.

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

Iron Road Managing Director, Mr Andrew Stocks, said the agreement was one of the most significant milestones to date for the CEIP and comes shortly after Iron Road announced its grain handling partner, Emerald Grain, a subsidiary of Sumitomo Corporation.

"With recently announced annual sales figures of over US\$85 billion, CREC is one of the world's largest construction companies and I am pleased to welcome them to the CEIP. We are building a consortium of aligned organisations to deliver this State significant project, and CREC is now a key member of this team.

"The willingness of CREC's most active overseas subsidiary to enter into this agreement, alongside the parallel exclusivity arrangement, speaks to the importance of the CEIP to future high grade supply of iron concentrate. It also demonstrates CREC's enthusiasm for the establishment of domestic infrastructure business opportunities and recognises the quality of Iron Road's development work achieved across all aspects of the project to date," Mr Stocks said.

“Over the next 12 months, working with CREC, we will transition the CEIP from an emerging project candidate to South Australia’s next large, long life resources development” Mr Stocks said.

The signing ceremony was held in Beijing this morning as part of a South Australian Government Trade Mission to China. Present at the ceremony were senior representatives of Iron Road, CREC, the State Development and Investment Corporation of China and the South Australian Government, including the Hon Jay Weatherill, Premier of South Australia and the Hon Martin Hamilton-Smith, Minister for Investment and Trade.

The CEIP is a credible long life project as demonstrated through the investment of over \$120 million so far, over eight years, with a definitive feasibility study and follow-on value engineering and optimisation work now complete. A high grade, low impurity iron concentrate will be produced for export to Asia, attracting a quality premium over reference iron ore prices. Substantial benefits for steel mill customers in pollution reduction and operating efficiencies have been validated through bulk CEIP sample tonnage preparation and testing. The shared export infrastructure is expected to be a strong catalyst for further development in the Eyre Peninsula and wider regions of South Australia.

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About China Railway Group

China Railway Group Limited (“CREC”) is Asia’s largest integrated construction group and the second largest construction contractor globally, integrating survey and design, construction and installation, industrial manufacturing, real estate development, resources and mineral products, financial investment and other services. In 2015, CREC ranked 71 amongst the Fortune Global 500 largest companies and 11 among Top 500 Chinese Enterprises with annual sales of over US\$85 billion. CREC has over 280,000 employees and has constructed many high-quality projects throughout Asia, Africa, Europe, South America and Oceania.

CREC has participated in the construction of major ports and over 1000 successive railways. It has assumed the primary role of new construction, reconstruction and extension of over two thirds of the total mileage of Chinese railways.

About Iron Road Limited

Iron Road Limited is the developer of the Central Eyre Iron Project (CEIP), located on the Eyre Peninsula in South Australia which is now at the final stage of planning and pre-construction activities, moving to a Final Investment Decision (FID). This final stage follows eight years of development work, including a Definitive Feasibility Study and over A\$120 million of investment in the project to date.

The CEIP is a long life proposal, which will produce a high grade, low impurity iron concentrate for export to Asia for an initial mine life of over 25 years. 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. CEIP is expected to produce over 20 million tonnes per annum of this high grade concentrate. Design capacity represents the equivalent of around 3% of Australia's total iron ore exports in 2015, reflecting the project's high grade, premium niche.

Iron Road has now partnered with a wholly owned subsidiary of China Railway Group Limited ("CREC"), one of the world's largest construction engineering contractors and the 11th largest Chinese Enterprise by revenue, to take the CEIP through a final Project Commercialisation Program through 2016/17.

Iron Road is building a consortium of aligned organisations with interests in iron concentrate offtake, mining and mineral processing, electricity supply, rail, port export logistics and related activities. Emerald Grain, a subsidiary of Sumitomo, has been nominated as the grain handling partner utilising CEIP infrastructure.

