

# 2017 ANNUAL REPORT

FOR THE YEAR ENDED  
30 JUNE 2017

ABN 51 128 698 108





# CORPORATE DIRECTORY

## Directors

### Peter Cassidy

Chairman

### Andrew Stocks

Managing Director

### Jerry Ellis AO

Non-Executive Director

### Leigh Hall AM

Non-Executive Director

### Julian Gosse

Non-Executive Director

### Ian Hume

Non-Executive Director

## General Manager

Larry Ingle

## Company Secretary

Jaroslav (Jarek) Kopias

## Share Registry

Security Transfer Registrars

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Applecross WA 6153

Telephone 08 9315 2333

registrar@securitytransfer.com.au

## Auditors

PricewaterhouseCoopers

Level 11, 70 Franklin Street

Adelaide SA 5001

Telephone 08 8218 7000

## Corporate Governance Statement

[http://www.ironroadlimited.com.au/](http://www.ironroadlimited.com.au/about-us/corporate-governance)

[about-us/corporate-governance](http://www.ironroadlimited.com.au/about-us/corporate-governance)

## Registered Office

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Telephone 08 8214 4400

## Postal Address

GPO Box 1164

Adelaide SA 5001

## ASX Code IRD

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ABN 51 128 698 108



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# CHAIRMAN'S LETTER

On behalf of the Board  
of Iron Road Limited,  
it is with pleasure  
I present to you the  
Annual Report  
for the year ended  
30 June 2017.

*L-R Dr Peter Cassidy, Iron Road  
Chairman, The Hon Darren Chester MP,  
Minister for Infrastructure & Transport, Mr  
Cai Zemin, Head of International Business  
China Railway Group attending the  
signing of the renewal of the Major Project  
Facilitation for the CEIP.*



Dear Shareholder

It has been a year of great progress for Iron Road. We have been able to generate significant momentum towards financing and construction of our flagship Central Eyre Iron Project (CEIP) through the achievement of key milestones and necessary project approvals.

One of the year's most significant milestones was the April 2017 announcement that three major Chinese banks - China Development Bank (CDB), Industrial and Commercial Bank of China Ltd (ICBC) and China Construction Bank (CCB) - had formally indicated lending appetite for the CEIP's requisite debt financing, with loan tenor of up to 15 years. The attendance of our project partner China Railway Group Limited (CREC) at various meetings with the banks greatly contributed to this signal of support for near-term financing of the CEIP. A coordinated due diligence process is underway for each of the financial institutions following a year long period of due diligence activities by CREC.

Another milestone occurred a month later, when we were very pleased to announce that the South Australian Government had granted the CEIP Mining Lease and Development Approval. These two approvals are fundamental to the development of the project and acknowledgement by the SA Premier and his Government of the importance of this project to the State. It followed the renewal of our Major Project Facilitation status with the Federal Government and the declaration of the rail and port components as a 'Priority Project' by Infrastructure Australia, a statutory authority of the Australian Government. The CEIP is only one of ten Projects currently on the national Infrastructure Priority List.

The only outstanding primary government approval is a Commonwealth environmental legislation decision pertaining to the shipping component of the CEIP, and we expect this approval imminently. Secondary approval applications are now being prepared and we are moving towards reaching a Final Investment Decision together with China Railway Group Limited (CREC).



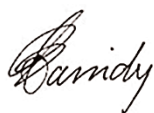
During the year, the Project Commercialisation Programme undertaken in partnership with CREC has delivered approximately US\$300 million of capital savings. The new capital estimate in 2017 real terms has been a significant outworking of CREC's project familiarisation and due diligence processes. Cost reductions were primarily driven by CREC's in-house procurement systems and leverage associated with key capital items and equipment required. Furthermore, we still see additional scope for reducing costs materially for the CEIP, which would maintain the trend established from our first studies demonstrating continual reductions in risk and cost profiles.

Despite ongoing volatility, average iron ore prices for the year showed a significant improvement over the previous period. Looking forward, the general outlook for world seaborne iron ore trade remains very positive despite a levelling out of the previous strong growth in Chinese steel production and an expected continuation in price volatility in the short term as new ore production is absorbed into the market.

China's dominance of the seaborne iron ore trade is set to continue as their domestic iron ore production further declines and restructuring of the steel industry continues to meet stricter environmental standards, improved steel quality and mill efficiency initiatives. This of course drives increased demand for high quality imported iron ore feedstocks and the CEIP is very well positioned to fill part of this ongoing demand. Discussions with major Chinese steel mills regarding future offtake remain extremely positive.

Our progress this year has been backed by a strong relationship with our strategic partner China Railway Group Limited. I feel it has been one of significant progress on both a project and corporate level.

We are grateful to all our shareholders for your support during the year. The ground work has been set to take the project to a Final Investment Decision, and we look forward to updating shareholders on our progress in the coming year.



**Peter Cassidy**  
Chairman



# MANAGING DIRECTOR'S REPORT



Iron Road continues to make considerable progress towards development and Final Investment Decision (FID) for the Central Eyre Iron Project (CEIP). There were several highlights during the past year, the most significant being:

- » The granting of the two key South Australian Government approvals required for the CEIP. On 3 May 2017 Minister Tom Koutsantonis granted the Mining Lease for the Company's proposed magnetite mining and minerals processing operation (CEIP Mine) near Warramboos on the central Eyre Peninsula for a term of 21 years. Concurrently, His Excellency the Honourable Hieu Van Le AC, Governor of South Australia, on advice from Executive Council, granted Development Approval for the infrastructure components of the CEIP (CEIP Infrastructure).

- » The declaration of the CEIP infrastructure (rail and port) a Priority Project by Infrastructure Australia, a statutory authority of the Australian Government, during 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 National Native Title Tribunal registered the Indigenous Land Use Agreement (ILUA) negotiated between Iron Road and the Barngarla Aboriginal Corporation (on behalf of the Barngarla Native Title Claimants).
- » Iron Road's April 2017 announcement regarding debt financing expressions of interest received from major Chinese banks was a breakthrough milestone for the Company, indicating credible near-term project financing prospects.





In addition to the above, Iron Road spent considerable effort working with China Railway Group (CREC) on their value engineering and capital re-estimate components of the Project Commercialisation Programme, including a comprehensive review of the basis of design for the project. As a consequence the estimated capital cost of the CEIP reduced by nearly US\$300 million to US\$3.7 billion, primarily driven by CREC's in-house procurement systems and leverage associated with key capital items and equipment required.

Iron Road had the pleasure of hosting His Excellency Mr Cheng Jingye, Ambassador of China to Australia, at Iron Road House, Adelaide. 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.

The Company's proposed deep water port will be a first for South Australia, with the export and import infrastructure expected to become a strong catalyst for further development in the region. Iron Road's intent to allow third party access to the Cape Hardy port facilities was further strengthened by the successful Registration of Preliminary Interest process led by Regional Development Australia Whyalla and Eyre Peninsula on behalf of the Company.

The ongoing strengthening of the partnership between Iron Road and Emerald Grain, a subsidiary of Sumitomo Corporation, is important in realising maximum benefit for local communities and grain producers by offering choice and a more competitive market in relation to the export of grain on the Eyre Peninsula.

*His Excellency Mr Cheng Jingye (centre),  
Ambassador of China to Australia,  
at Iron Road House, Adelaide, October 2016*

# MANAGING DIRECTOR'S REPORT

## HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2017

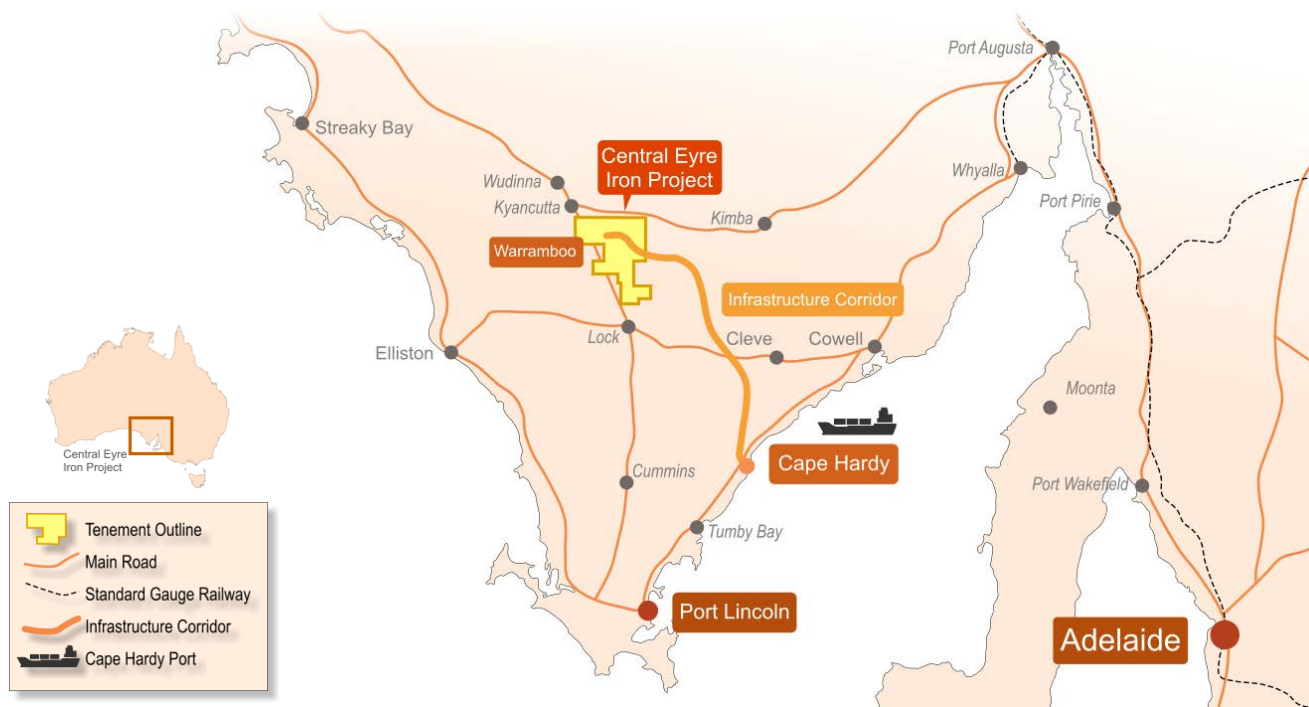


Figure 1: Location of the CEIP, showing the mine, infrastructure corridor and port

### Central Eyre Iron Project (CEIP, IRD 100%)

The CEIP is located on the Eyre Peninsula, South Australia. The proposed mine is located approximately 30 kilometres southeast of the regional centre of Wudinna and the proposed port is seven kilometres south of Port Neill at Cape Hardy. The mine and the port will be linked by an infrastructure corridor containing rail, water and power.

The CEIP will produce a high quality, low impurity iron concentrate that will serve as a clean, superior blending product for steel manufacturers. An output of 24Mtpa of approximately 67% iron concentrate is planned over 30 years. With a competitive projected operating cost, CEIP iron concentrate is well positioned to actively displace lower quality iron ores as customers increasingly focus on high quality, low impurity steel making feedstocks.

Iron Road continues to work towards development of a new credible and cost competitive iron concentrate export and infrastructure businesses, unlocking significant benefits well beyond the life of the mining and ore processing operations. The proposed deep water port at Cape Hardy, capable of handling the largest bulk cargo vessels, alongside a substantial heavy haulage railway, will be a first for South Australia and a radical improvement on the State's existing infrastructure base.



# MANAGING DIRECTOR'S REPORT

## HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2017

### Project Commercialisation Programme

During April 2016 Iron Road announced the signing of a Strategic Co-operation Agreement with a wholly owned subsidiary of China Railway Group. CREC is one of the world's largest infrastructure construction companies, and the key development and financing partner for the CEIP.

The Agreement with CREC includes a Commercialisation Programme, consisting of 11 key elements. Each element is a distinct cooperative activity between Iron Road and CREC in support of a FID and securing project finance. Significant time and effort has been spent working with CREC on the value engineering and capital re-estimate component of the commercialisation programme, including a comprehensive review of the basis of design for the project. A CREC Project Manager, resident in the Iron Road office, assisted with information transfer to numerous large engineering teams based in China and Malaysia.

Following detailed site visits by CREC port, rail, mine and process plant specialists, information exchange and detailed question and answer sessions, CREC have reviewed and refined the capital requirement for the project and together with Iron Road, formed a picture of how the implementation of the Project could occur. As a consequence the estimated capital cost of the CEIP has reduced by nearly US\$300 million to US\$3.7 billion, primarily driven by CREC's in-house procurement systems and leverage associated with key capital items and equipment required.

Apart from the Commercialisation Programme's objective of pursuing capital cost efficiencies, another major element is ensuring that the industry competitive operating cost structure that Iron Road has demonstrated through its detailed studies may be underpinned by competitive future power pricing in South Australia. Iron Road, together with major power utilities and service providers, continue to examine optimal long-term solutions for securing both a competitive and secure supply of power with the CEIP expected to draw a significant electrical load as the mine and process plant progressively ramp-up from a currently projected 2020 start-up.

Debt financing talks commenced with meetings held in Beijing and Shanghai during February and March 2017. Attended jointly by Iron Road and CREC, detailed presentations were given to China Development Bank (CDB), Industrial and Commercial Bank of China Ltd (ICBC) and China Construction Bank (CCB). CREC is an important strategic partner for major Chinese financial institutions given its status as one of China's largest State Owned Enterprises. Following a further meeting in Sydney, formal Expression of Interest (EOI) Letters were received from each of the three banks indicating strong lending appetite for US\$3 billion debt financing. The EOIs indicated a willingness and ability to provide senior debt with loan tenors of up to 15 years, subject to satisfactory due diligence, completion of formal financing documentation and credit committee approval. Letters of credit, working capital and financial instrument facilities were also offered.

Each of the banks also clearly signalled that CREC's commitment for 10Mtpa of high quality iron concentrate offtake, proposed equity investment at both the Iron Road and CEIP levels, together with the provision of a Project Completion Guarantee was driving their strong support and appetite to lend.

Equity finance interest is gaining momentum as a result of the strong debt financing feedback described above. Iron Road continues to focus on discussions with highly experienced local, potential project engineering and construction partners that foresee a clear strategic opportunity in positioning themselves to work with CREC. Advanced talks have also taken place with large global mining contractors that have identified and appreciated the scale of the CEIP to respective forward order books and work in hand.

Thiess-RWE, leading experts in continuous mining systems such as In-pit Crushing and Conveying (IPCC) and mining contracting, recently conducted a preliminary mine plan review at the CEIP. The review indicates that significant mine establishment efficiencies and cost savings around the planned use of selective in-pit crushing and conveying technologies are likely. Further detailed work is anticipated that is expected to result in a significant reduction in up-front capital costs and shape a key component of the Independent Technical Expert report to be provided to the Banks and other financial institutions during their due diligence processes. In addition, the engagement of a suitably experienced law firm specialising in project finance to undertake comprehensive legal services as well as the commissioning of an updated market report from a well credentialed and independent resources consultancy, is in progress.

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# MANAGING DIRECTOR'S REPORT

## HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2017

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### Central Eyre Iron Project (CEIP, IRD 100%)

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#### Project Approvals & Environmental

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On 3 May 2017, and following an 18 month assessment period, the Premier of South Australia, the Hon Jay Weatherill MP, and the Minister for Mineral Resources and Energy, the Hon Tom Koutsantonis MP, jointly announced the approval of Iron Road's Mining Lease and Development Applications. Mineral Lease 6467 for the mine at Warramboos was granted for a term of 21 years, and may be renewed for a further term, while the Development Approval (DA) in respect of the CEIP infrastructure does not have an expiry date.

The last outstanding primary approval for the CEIP is a decision by the Commonwealth Minister for the Environment and Energy (DoEE) in respect of the offshore / shipping component of the CEIP under the Environment Protection and Biodiversity

Conservation Act 1999 (Cth). The decision relates to the port and the potential impact that increased shipping movements in the Spencer Gulf could have on the Southern Right Whale, a protected species. Approval has been delayed to later in the year due to work volumes within DoEE.

Work on the two largest secondary approvals required prior to the commencement of construction activities, being the Program for Environment Protection and Rehabilitation for the mine and the Construction Environmental Management Plan for the infrastructure is well advanced with the intention of submitting applications to the South Australian Government in the final Quarter of 2017.

Iron Road contributed to the South Australian Government's review of the Mining Act 1971, making a submission in its own right and contributing to two others. Of particular importance to the Company is a regulatory and policy regime that improves Government efficiencies, has clear timeframes for the assessment of tenement applications, reduces fees and charges in line with other Australian jurisdictions and provides a mechanism for changes to mining operations to occur.

#### Community & Stakeholder Engagement

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Ongoing engagement continued during the year with various stakeholders including Regional Development Australia Whyalla and Eyre Peninsula, the Eyre Peninsula Local Government Association, impacted District Councils (Wudinna, Cleve, Kimba and Tumby Bay), representatives of the Barngarla Aboriginal Corporation and various community members and landowners. Briefings were also provided to Government agencies and State and Federal politicians and, together with Emerald Grain, to the broader agricultural industry.

The Company's participation in the Wudinna Community Centenary and Annual District show, part of the town's 100 year celebrations, also provided an opportunity to give interested community members a project update.

The CEIP Community Consultative Committee (CCC), formed by the Warramboos and Wudinna communities in 2013 to provide a key mechanism for community engagement relating to the CEIP, held its final meeting in April 2017. It is envisaged that a committee comprising various stakeholders and Iron Road, chaired by Wudinna District Council, will perform a similar role going forward.

Planning for ongoing engagement post-major approvals is underway. This includes various opportunities for seeking feedback from community members in relation to the Program for Environment Protection and Rehabilitation, in particular demonstrating how Iron Road intends meeting its environmental outcomes for the mine.

On 1 December 2016, the National Native Title Tribunal registered the Indigenous Land Use Agreement (ILUA) negotiated between Iron Road and the Barngarla Aboriginal Corporation (on behalf of the Barngarla Native Title Claimants (SAD 6011/1998)). The ILUA covers all areas of the CEIP and its registration pursuant to the Native Title Act 1993 (Cth) was the final process required to bring the ILUA into effect.



# MANAGING DIRECTOR'S REPORT

## HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2017

### Iron Ore Marketing

While the previous strong growth in Chinese steel production is levelling out, demand for imported iron ore into this key target market for CEIP product remains very strong which, in part, is being driven by the progressive decline in domestic Chinese iron ore production. Restructuring of the Chinese steel industry, together with continued active enforcement of stricter environmental regulations, is contributing to the ongoing removal of less efficient and more polluting steel production capacity. This has resulted in an increased reliance on higher quality iron ore feedstocks together with a widening in the pricing premium for these.

### Corporate

During September 2016 the CEIP infrastructure (rail and port) was declared a Priority Project by Infrastructure Australia (IA), a statutory authority of the Australian Government. 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 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 October 2016 His Excellency Mr Cheng Jingye, Chinese Ambassador to Australia, visited the joint Iron Road-CREC development team at Iron Road House in Adelaide. 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 worked with Iron Road as part of the Project Commercialisation Programme for the CEIP.

Ongoing discussion with major Chinese steel mills, including those who previously entered into Memoranda of Understanding (MoUs) with Iron Road, has reinforced the view that high quality CEIP product would prove a very desirable addition to feedstock blends and result in significant reductions in mill pollution and operating costs.

Average spot benchmark iron ore prices during FY17 (62% Fe Fines, CFR China, in AUD terms) exceeded the CEIP's modelled long-term (2021-2035) real benchmark price assumptions.

On 10 November 2016, the Hon Darren Chester, Federal Minister for Infrastructure and Transport, renewed the Company's Major Project Facilitation service in respect of the CEIP. The renewal recognises, on a national level, the strategic significance of the CEIP to the State's economic growth, employment and infrastructure development.

In early December 2016 an open invitation was made by Regional Development Australia Whyalla and Eyre Peninsula (RDAWEP) to third parties, interested in utilising Iron Road's proposed Cape Hardy port facilities, to submit a non-binding Registration of Preliminary Interest. Individuals and businesses that may wish to use the port facilities for the import or export of commodities, goods and services, or service providers' essential for general port operations, were encouraged to contact RDAWEP for further information. The process was extended from the initial closing date of 31 March 2017 to August 2017 due to the high level of interest shown by several parties.



Press conference, May 2017 with Premier, the Hon Jay Weatherill MP, the Minister for Mineral Resources and Energy, the Hon Tom Koutstantonis and Iron Road Managing Director, Andrew Stocks

## MINING LEASE & DEVELOPMENT APPROVAL RECEIVED

Iron Road's Mining Lease and Development applications were approved by the SA Government with a formal announcement being made by the Premier, the Hon Jay Weatherill MP and the Minister for Mineral Resources and Energy, the Hon Tom Koutstantonis MP on Wednesday, 3 May 2017.

Receiving the two key South Australian Government approvals for the CEIP Mine and associated Infrastructure is a significant milestone for the Company and adds to the momentum being generated in the areas of finance and construction, particularly in light of Iron Road's strategic partnerships with China Railway Group Limited (CREC) and Emerald Grain.

The next stages of Iron Road's development journey will include further engagement with landowners and stakeholders, preparing secondary approval applications, reaching a Final Investment Decision with CREC and ultimately achieving financial close.

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## MANAGING DIRECTOR'S REPORT

### HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2017

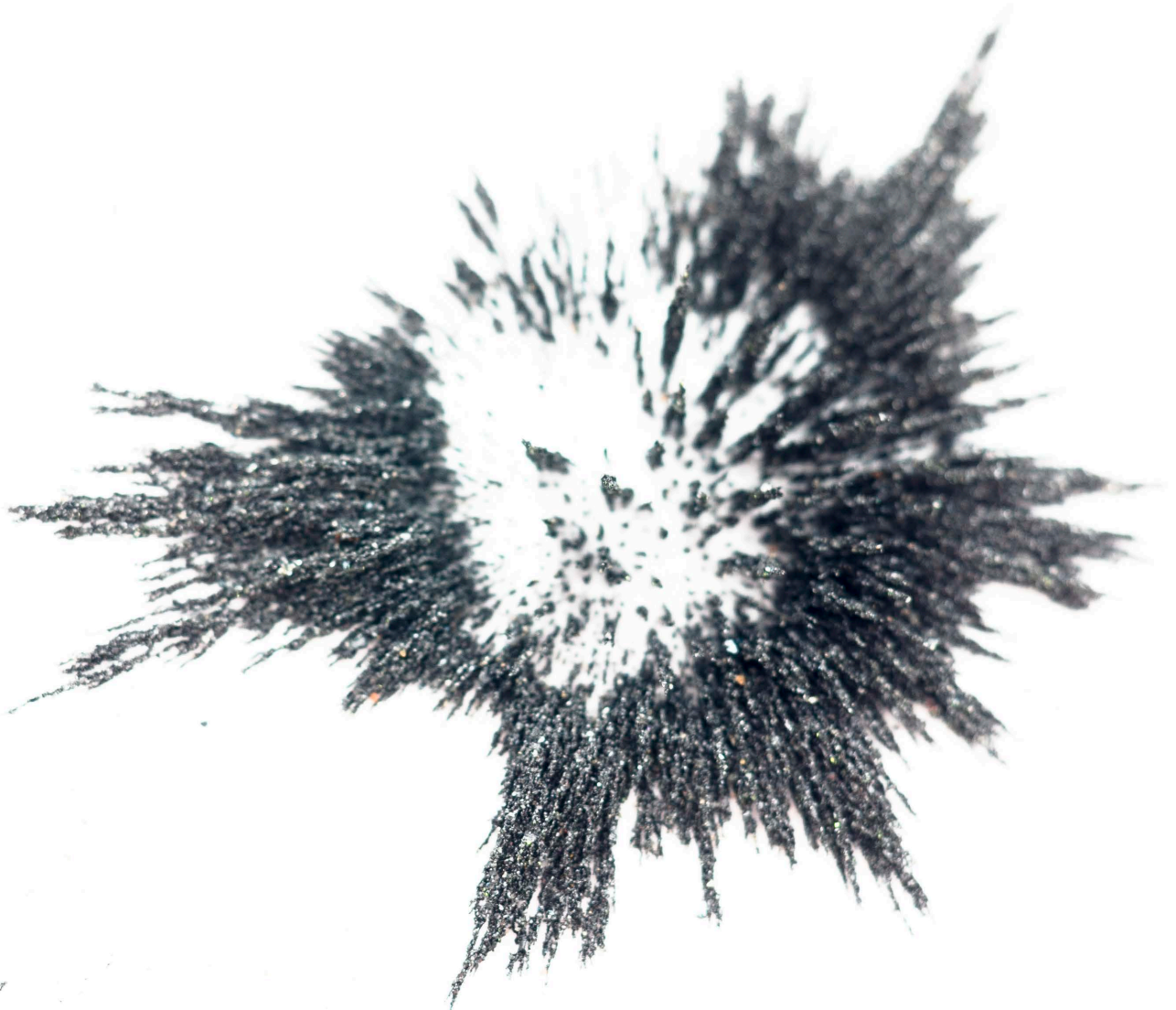
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#### Gawler Iron Project (GIP, IRD 81-90% of the iron rights)

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The Gawler Iron Project (GIP) is located approximately 25km north of the standard gauge Trans-Australian Railway that connects to the Central Australia Railway at Tarcoola.

The GIP hosts mineralisation anticipated to support a small to medium scale magnetite iron ore mining operation with the potential to produce a quality iron concentrate using a simple beneficiation process. The Company has focused all effort on the CEIP and therefore minimal evaluation activity has been conducted on the GIP and no expenditure is forecast in the next period..



# MANAGING DIRECTOR'S REPORT

## HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2017

### Global Mineral Resource and Ore Reserve Statement

The Global Mineral Resource and Ore Reserve Statement remains unchanged from that published in the 2016 Iron Road Annual Report. The Statement is reviewed annually and compared with the Statement from the previous year. Governance and internal controls measures ensure that the Statement is valid in its current context and that depletion through mining (if any) and material changes to other factors are taken into account.

CEIP Ore Reserve Summary				
Resource Classification	Dry Tonnes (Mt)	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)
Proved	2,131	15.55	53.78	12.85
Probable	1,550	14.40	53.58	12.64
<b>Total</b>	<b>3,681</b>	<b>15.07</b>	<b>53.70</b>	<b>12.76</b>

The Ore Reserves estimated for CEIP involving mine planning is based on and fairly represents information and supporting documentation compiled by Mr Bob McCarthy, a Member of the Association of Professional Engineers and Geoscientists of British Columbia (Canada) and a full time employee of SRK Consulting (North America). Mr McCarthy has sufficient experience relevant to the style of mineralisation and the type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr McCarthy consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. The Ore Reserves estimated for the CEIP involving aspects other than mine planning is based on and fairly represents information and supporting documentation compiled by Mr Larry Ingle, a Member of the Australian Institute of Mining and Metallurgy and a full time employee of Iron Road Limited. Mr Ingle has sufficient experience relevant to the style of mineralisation and the type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Ingle consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. This report includes results that have previously been released under JORC 2012 by the Company on 2 May 2016. The Company is not aware of any new information or data that materially affects the information included in this announcement and all material assumptions and technical parameters underpinning the Ore Reserve continue to apply and have not materially changed.

CEIP Global Mineral Resource							
Location	Classification	Tonnes (Mt)	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	LOI (%)
Murphy South/Rob Roy	Measured	2,222	15.69	53.70	12.84	0.08	4.5
	Indicated	474	15.6	53.7	12.8	0.08	4.5
	Inferred	667	16	53	12	0.08	4.3
Boo-Loo/Dolphin	Indicated	796	16.0	53.3	12.2	0.07	0.6
	Inferred	351	17	53	12	0.09	0.7
<b>Total</b>		<b>4,510</b>	<b>16</b>	<b>53</b>	<b>13</b>	<b>0.08</b>	<b>3.5</b>

The Murphy South/Rob Roy Mineral Resource estimate was carried out following the guidelines of the JORC Code (2004) by Iron Road Limited and peer reviewed by Xstract Mining Consultants. The Murphy South - Boo-Loo/Dolphin oxide and transition Resource estimate was carried out following the guidelines of the JORC Code (2004) by Coffey Mining Limited. The Boo-Loo/Dolphin fresh Mineral Resource estimate was carried out following the guidelines of the JORC Code (2012) by Iron Road Limited and peer reviewed by AMC Consultants. This report includes results that have previously been released under JORC 2004 and JORC 2012 by the Company on 30 June 2010, 28 May 2013 and 27 February 2015. The Company is not aware of any new information or data that materially affects the information included in this announcement and all material assumptions and technical parameters underpinning the Mineral Resource continue to apply and have not materially changed.

CEIP Indicative Concentrate Specification – 100 micron (p80)*			
Iron (Fe)	Silica (SiO <sub>2</sub> )	Alumina (Al <sub>2</sub> O <sub>3</sub> )	Phosphorous (P)
66.7%	3.36%	1.90%	0.009%

\* The concentrate specifications given here are based on current data from metallurgical test work, bulk samples and simulation modelling designed specifically to emulate the proposed beneficiation plant.



# DIRECTORS' REPORT



*His Excellency Mr Cheng Jingye,  
Ambassador of China to Australia,  
at Iron Road House, Adelaide,  
October 2016*

**Your directors present their report on the consolidated entity consisting of Iron Road Limited and the entities it controlled at the end of or during the year ended 30 June 2017.**

Throughout this report, the consolidated entity is referred to as the Group.

## **Directors and Company Secretary**

The following persons were directors of Iron Road Limited during the whole of the financial year and up to the date of this report:

**Peter Cassidy**

**Andrew Stocks**

**Jerry Ellis AO**

**Leigh Hall AM**

**Julian Gosse**

**Ian Hume**

**Jaroslav Kopias** – appointed as Company Secretary (22 December 2016)

**Leonard Math** – resigned as Company Secretary (22 December 2016)

## Principal activities

The principal activity of the Group during the year was the exploration and evaluation of the Group's iron ore interests at its flagship project, the Central Eyre Iron Project (CEIP) in South Australia.

The following milestones occurred during the year:

- » Mining Lease and Development Approval for the CEIP granted by the South Australian Government on 3 May 2017
- » Iron Road's Central Eyre Iron Project (CEIP) partner, China Railway Group Limited (CREC), delivers an estimated US\$295 million of capital savings as part of the Joint Project Commercialisation Programme.
- » The drafting of two secondary approvals for the CEIP – a Programme for Environment Protection and Rehabilitation (PEPR) for the mine and a Construction Environmental Management Plan (CEMP) for the infrastructure is well underway.
- » Formal Expression of Interest (EOI) letters received from three major banks indicating strong lending appetite for CEIP US\$3 billion debt financing:
  - Industrial and Commercial Bank of China Ltd and China Construction Bank are ranked No. 1 and No. 2 globally and the policy bank, China Development Bank is ranked No. 6.
- » Regional Development Australia Whyalla and Eyre Peninsula (RDAWEP), on behalf of Iron Road, concluded a successful Registration of Preliminary Interest process in relation to the Cape Hardy port development.

## Dividends

No dividends were paid, declared or recommended during the year ended 30 June 2017.

## Corporate governance statement

Iron Road Limited and the Board are committed to achieving and demonstrating high standards of corporate governance. Iron Road's corporate governance statement was approved by the Board on 15 September 2017 and can be viewed at [www.ironroadlimited.com.au/about-us/corporate-governance](http://www.ironroadlimited.com.au/about-us/corporate-governance).

## Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the review of operations and activities on page 25 of this report.

## Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

## Events since the end of the financial year

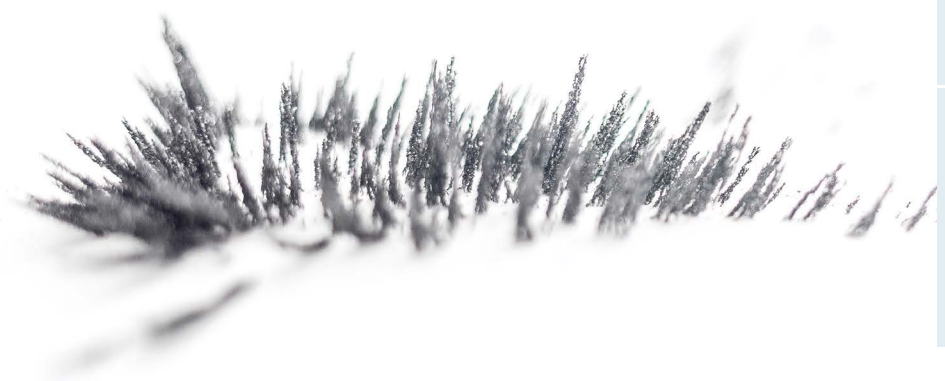
No matters of circumstances have arisen since 30 June 2017 that have significantly affected the Group's operations, results or state of affairs.

## Likely developments and expected results of operations

Likely developments in the operations of the Group and expected results of these operations in future financial years have been included in the Operating and Financial Review.

## Environmental regulation

The Group's operations are subject to environmental regulation in respect to mineral tenements relating to exploration activities on those tenements. No on-ground exploration or other work was undertaken during the financial year and there were subsequently no breaches of any environmental requirements. The Group's proposed CEIP Infrastructure is subject to the Environment Protection and Biodiversity Conservation Act 1999 (Cth) as this element of the Project was declared a 'Controlled Action' on the 26 August 2014. The Group has reviewed its energy consumption and greenhouse gas emissions for the reporting year, with both found to be below the reporting threshold as specified within the National Greenhouse and Energy Reporting Act 2007 (Cth) (NGER).



## DIRECTORS' REPORT



### **Peter Cassidy**

#### **Chairman**

Dr Cassidy is co-founder and Chairman of The Sentient Group (Sentient), Chairman of Enirgi Group Corporation and a Director of Xinli Titanium. Prior to co-founding Sentient in 2000, Dr Cassidy established AMP Life's private equity division, worked with Ford Motor Company and was involved with industry development on behalf of Australian State and Commonwealth Governments.

Dr Cassidy holds a degree in geology and a first class honours degree in chemistry from the University of Tasmania and a PhD in coal science from Monash University.

No other directorships of listed companies have been held in the last three years.



### **Andrew Stocks**

#### **Managing Director**

Mr Stocks is a Mining Engineer with approximately thirty years' experience in the resources sector, primarily in mining operations and corporate roles. He has been particularly active in the areas of business optimisation, cost and production efficiency improvements, project evaluation and development of mining projects in Australia and overseas.

Mr Stocks has led Iron Road as Managing Director from its inception and is an elected councillor on the South Australian Chamber of Mines and Energy (SACOME) Council.

No other directorships of listed companies have been held in the last three years.



### **Jerry Ellis AO**

#### **Non-executive director**

Mr Ellis has had a long and distinguished career in business, particularly in the resources sector. Mr Ellis' career included three decades at BHP Ltd, Chairing the company from 1997 to 1999. He also served on the boards of a number of listed companies and governing bodies including Newcrest Mining, Aurora Gold, the International Copper Association, Australia and New Zealand Banking Group, the International Council on Metals and the Environment and the American Mining Congress.

Mr Ellis is the former Chairman of Alzheimers Australia (NSW), former Chancellor of Monash University, former President of the Minerals Council of Australia and former Chairman of the Australia-Japan Foundation and the Australian National Occupational Health and Safety Commission.

In the three years immediately prior to the end of the financial year, Mr Ellis served as a director of the following companies:

- » MBD Energy Limited





## DIRECTORS' REPORT



### Leigh Hall AM

#### Non-executive director

Mr Hall is a highly experienced company director, with a strong background in finance and investment from a career spanning senior executive positions at AMP, membership of a range of investment oversight boards, board positions at securities industry organisations, and significant participation in government advisory boards related to the securities, corporate law, managed funds and superannuation sectors.

Mr Hall is a Member of the Order of Australia, with a citation for service to business and commerce, in particular to the improvement of ethical and professional standards and the efficiency of the Australian securities markets. Mr Hall is also a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors.

In the three years immediately prior to the end of the financial year, Mr Hall served as a director of the following companies:

- » Funds SA
- » Enirgi Group Corporation
- » Compliance Committee, Lazard Asset Management Pacific\* (Chairman)

\* denotes current directorships



### Julian Gosse

#### Non-executive director

Mr Gosse has served as a professional director for the last 20 years on various listed company Boards. Prior to this he was involved in the stockbroking, merchant banking and venture capital industries.

In the three years immediately prior to the end of the financial year, Mr Gosse served as a director of the following companies:

- » WAM Research Limited\*
- » Clime Capital Limited\*
- » Australian Leaders Fund\*

\* denotes current directorships



### Ian Hume

#### Non-executive director

Mr Ian Hume's career in the resources industry stretches back several decades, primarily in the fields of managed fund investments, capital raising and project development. Mr Hume was a Founding Partner of The Sentient Group, a manager of closed end private equity funds specialising in global investments in the natural resource industries.

He remains an independent advisor to The Sentient Group, following his retirement from the fund in 2009. Prior to the founding of The Sentient Group, Mr Hume was a consultant to AMP's Private Capital Division.

In the three years immediately prior to the end of the financial year, Mr Hume served as a director of the following companies:

- » Golden Minerals Company\*
- » Silver City Minerals Limited
- » Marengo Mining Limited
- » African Energy Resources Limited\*

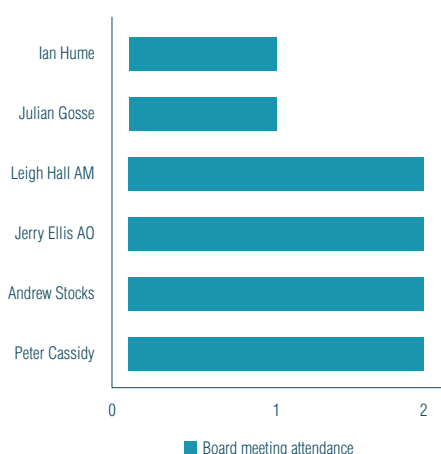
\* denotes current directorships

# DIRECTORS' REPORT

## REMUNERATION REPORT

### Meetings of directors

There were two formal board meetings held during the year ended 30 June 2017 with attendance as follows:



### Remuneration report

The directors present the Iron Road Limited 2017 remuneration report, outlining key aspects of the remuneration policy and framework and the remuneration awarded during the year.

The report is structured as follows:

- a) Key management personnel (KMP) covered in this report
- b) Remuneration policy and link to performance
- c) Elements of remuneration
- d) Remuneration expenses for executive KMP's
- e) Contractual arrangements for executive KMP's
- f) Non-executive director arrangements
- g) Additional statutory information

### a) Key management personnel covered in this report

#### Executive and Non-executive directors:

Peter Cassidy – Chairman

Andrew Stocks – Managing director

Jerry Ellis AO – Non-executive director

Leigh Hall AM – Non-executive director

Julian Gosse – Non-executive director

Ian Hume – Non-executive director

#### Other key management personnel:

Larry Ingle – General Manager

### b) Remuneration policy and link to performance

The remuneration policy of Iron Road Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives based on key performance areas. The Board of Iron Road Limited believes the remuneration policy is appropriate and effective in its ability to attract and retain high calibre executives and directors to manage the Group.

The remuneration policy, detailing the terms and conditions for the executive director and other senior executives, was developed by the Board. All executives receive a base salary (which is determined by factors such as skills and relevant experience) and superannuation. The Board reviews executive packages annually by reference to the Group's results, executive performance and relevant information on prevailing remuneration practices across the resources sector for comparable roles within other listed organisations.

The Board sought shareholder approval for an Equity Incentive Plan at the Annual General Meeting on 28 November 2014. This plan forms part of the Group's remuneration policy and provides the Group with a mechanism for driving long term performance for shareholders and the retention of executives. The Board has the discretion to issue shares or rights to acquire shares and offers may be subject to performance criteria consistent with the Group's key strategic objectives. The plan is administered by the Board which has the discretion to determine which persons are eligible to participate in the plan. Additional information on the Equity Incentive Plan is contained in section c).

# DIRECTORS' REPORT

## REMUNERATION REPORT

In the event of serious misconduct or a material misstatement in the Group's financial statements, the Board can cancel or defer performance based remuneration and may also claw back performance based remuneration paid in previous financial years.

Directors, executives and other employees receive a superannuation guarantee contribution required by the government and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary towards superannuation.

### Statutory performance indicators

The Board aims to align executive remuneration to strategic and business objectives. As required by the *Corporations Act 2001*, the figures below show the Group's financial performance over the last five years. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMP. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

## c) Elements of remuneration

### Fixed annual remuneration

Executives receive their fixed remuneration as cash and statutory superannuation. Fixed remuneration is reviewed annually by the Board and benchmarked against market data for comparable roles in listed companies across the resources sector. In the year ended 30 June 2017, fixed remuneration of executives and KMP remained unchanged.

### Long term incentives

The remuneration policy has been designed to align the long term objectives between the Group, its directors and executives by encouraging strong performance in the realisation of the Group's growth strategy and the enhancement of shareholder value.

In prior years, this has been facilitated through the Employee Share Option Plan and the issue of share options which were granted for no consideration, but may contain performance related vesting conditions (share price) or milestone related vesting conditions which must be satisfied within defined timeframes in order for the options to be exercised.

Once vested, the options must be exercised prior to their expiry date. There are no participating rights or entitlements inherent in the options.

To address future incentive arrangements, the Board adopted the Iron Road Equity Incentive Plan dated 8 October 2014, directed at attracting, motivating and retaining persons with the skills and experience to deliver successful outcomes in pursuit of the Group's key strategic goals.

Awards under the plan may be structured as either shares or performance rights to acquire shares and the Board may grant such awards with specific performance criteria that are to be satisfied within defined time restrictions.

For details of individual interests in options and performance rights at year end, refer to section g).

	30 June 2017 \$	30 June 2016 \$	30 June 2015 \$	30 June 2014 \$	30 June 2013 \$
Revenue	4,407	5,481	321,831	1,232,188	794,279
Loss before tax	(3,926,284)	(6,674,238)	(4,910,678)	(4,207,036)	(5,469,066)
Share price at 30 June	0.175	0.110	0.065	0.300	0.170
Basic loss per share (cents)	(0.58)	(1.16)	(0.86)	(0.83)	(1.82)



# DIRECTORS' REPORT

## REMUNERATION REPORT

Iron Road's vision is to become a trusted and reliable supplier of premium iron concentrates to the Asian marketplace.



Proposed port development site - Cape Hardy, South Australia

### d) Remuneration expenses for executive KMP

The following table shows details of the remuneration expense recognised for the Group's executive KMP for the current and previous financial year measured in accordance with the requirements of the accounting standards.

No cash bonuses were paid to executive KMP during the financial year.

Name	Year	Fixed remuneration				Variable remuneration	Total
		Short term employee benefits		Long term benefits	Post employment benefits	Share based payments	
		Cash salary	Non-monetary benefits	Annual and long service leave	Superannuation	Performance rights*	
		\$	\$	\$	\$	\$	\$
<b>Managing Director</b>							
	<b>2017</b>	<b>365,297</b>	<b>-</b>	<b>23,968</b>	<b>34,703</b>	<b>68,119</b>	<b>492,087</b>
Andrew Stocks	2016	365,297	-	(8,278)	34,703	78,818	470,539
<b>Other key management personnel</b>							
<b>General Manager</b>							
	<b>2017</b>	<b>306,301</b>		<b>556</b>	<b>29,099</b>	<b>45,412</b>	<b>381,368</b>
Larry Ingle	2016	306,301	6,285	(35,070)	29,099	52,546	359,161
<b>Chief Financial Officer</b>							
Howard Rae - resigned 13 October 2015	2016	163,791	-	(13,186)	5,851	225,000	381,456
	<b>2017</b>	<b>671,598</b>	<b>-</b>	<b>24,524</b>	<b>63,802</b>	<b>113,531</b>	<b>873,455</b>
Total Executive Director and KMP	2016	835,389	6,285	(56,534)	69,653	356,364	1,211,156

\* Performance rights under the executive LTI scheme are expensed over the vesting period. Refer to section g) for additional information.

# DIRECTORS' REPORT

## REMUNERATION REPORT



### Capsize (left) and Handymax (far right) vessels docked at proposed port for loading

Artist's rendering

#### e) Contractual arrangements for executive KMP

	Andrew Stocks Managing Director	Larry Ingle General Manager
Fixed remuneration	\$400,000 including statutory superannuation	\$335,400 including statutory superannuation
Contract duration	No fixed term arrangement	No fixed term arrangement
Notice by the individual/company	Three months	Three months
Termination of employment	If employment ceases due to genuine redundancy, resignation under reasonable circumstances as determined by the Board, death or invalidity, some or all of the unvested performance rights will not lapse and may vest or the performance criteria may be waived.	

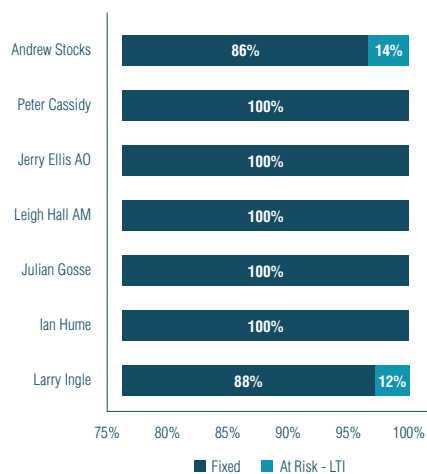
#### f) Non-executive director arrangements

Non-executive directors receive a board fee of \$50,000 per annum and do not receive performance based remuneration, retirement allowances or termination benefits. Fees are reviewed annually by the Board and have remained unchanged.

The maximum aggregate amount of fees that can be paid to non executive directors is currently \$400,000 which was approved by shareholders at the 2012 AGM on 23 November 2012.

#### g) Additional statutory information

##### Remuneration mix for financial year 2017



Long term incentives are currently provided exclusively by way of performance rights and are calculated on the value of the right expensed during the year. There was no performance based remuneration granted during the year.

# DIRECTORS' REPORT

## REMUNERATION REPORT

### Terms and conditions of share-based payment arrangements

#### Performance rights

The Iron Road Equity Incentive Plan was implemented in December 2014 as part of the Group's remuneration policy to encourage long term performance and the retention of executives. It is targeted at Iron Road's Managing Director and KMP whose responsibilities provide them with opportunity to significantly influence long term shareholder value. The plan is administered by the Board which has discretion over persons eligible to participate and the performance criteria attached to performance rights.

Performance rights under the Equity Incentive Plan expire five years from the date of issue if the applicable vesting conditions as set by the Board are not met. Satisfaction of any vesting condition will not automatically trigger the exercise of the performance right. The fair value of the rights is determined by the market price of Iron Road Limited shares at the grant date. Rights are granted under the plan for nil consideration and carry no dividend or voting rights. Once vested and exercised, any share acquired by participants will rank equally with all existing shares of the same class.

At the Board's discretion, the Managing Director and General Manager were granted 5,000,000 performance rights at a fair value of \$0.16 for nil consideration, with an exercise price of nil. All performance rights granted have vesting conditions in relation to securing funding for the advancement of the CEIP and will lapse if not exercised within five years from grant date.

Should the participant's employment cease due to genuine redundancy, resignation under reasonable circumstances if so determined by the Board, death or invalidity, the unvested performance rights will not lapse and may vest or the performance criteria may be waived. This may constitute a benefit for the purposes of Section 200B of the Corporations Act 2001 resulting in the Board seeking shareholder approval and a 99.6% "Yes" vote at the Annual General Meeting on 28 November 2014.

There were no performance rights granted during the year ended 30 June 2017.

#### Options

The Employee Option Plan is designed to provide long term incentives for directors and KMP to deliver long term shareholder returns. Participants are granted options, some of which vest on issue and others that vest if certain market and non-market vesting conditions are met. Options are granted under the plan for nil consideration, carry no dividend or voting rights and expire if not exercised within five years from issue. When exercisable, each option is convertible into one ordinary share.

Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

There are no unissued ordinary shares of Iron Road Limited under option for directors and executives as at 30 June 2017, as all remaining options expired on 25 July 2016.

#### Performance rights on issue

2017 KMP and Grant date	Balance at the start of the year	Balance at the end of the year		Maximum value yet to vest*
		Vested and exercisable	Unvested	
<b>Andrew Stocks</b>				
23 December 2014	3,000,000	-	3,000,000	\$68,118
<b>Larry Ingle</b>				
23 December 2014	2,000,000	-	2,000,000	\$45,412
<b>Total</b>	<b>5,000,000</b>	<b>-</b>	<b>5,000,000</b>	<b>\$113,530</b>

\* The maximum value of performance rights yet to vest has been determined as the amount of the grant date fair value that is yet to be expensed. The minimum value of performance rights yet to vest is nil, as the rights will be forfeited if the vesting conditions are not met.



# DIRECTORS' REPORT

## REMUNERATION REPORT

### Shareholdings

Several Directors chose to exercise their entitlement as part of a rights issue launched in June 2016. Changes to Directors holdings are shown below:

Ordinary Shares held by:	30 June 2017	Acquired through Rights issue	30 June 2016
Peter Cassidy	8,409,652	840,966	7,568,686
Andrew Stocks	2,915,938	-	2,915,938
Jerry Ellis AO	315,556	31,556	284,000
Leigh Hall AM	444,444	44,444	400,000
Julian Gosse	656,667	65,667	591,000
Ian Hume	5,723,559	572,356	5,151,203
Larry Ingle	-	-	-
<b>Total</b>	<b>18,465,816</b>	<b>1,554,989</b>	<b>16,910,827</b>

None of the shares above are held nominally by the directors or KMP.

### *Voting of shareholders Annual General Meeting held on 18 November 2016*

Iron Road Limited received more than 99% of "yes" votes on its remuneration report for the 2016 financial year. The company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

**This is the end of the audited remuneration report.**

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## DIRECTORS' REPORT

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### Insurance of directors and officers

During the financial year, Iron Road Limited paid an insurance premium to insure the directors and officers of the Group and its controlled entities.

No details of the nature of the liabilities covered and the amount of premium paid in respect of the directors and officers liability insurance policy have been disclosed as such disclosure is prohibited under the terms of the policy.

The Group has also entered into a Deed of Indemnity, Insurance and Access with each director. In summary, the Deed provides for:

- » access to corporate records for each director for a period after ceasing to hold office in the company;
- » the provision of directors and officers liability insurance; and
- » indemnity for legal costs incurred by directors in carrying out the business affairs of the company.

### Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

### Non-audit services

The Group may decide to engage the auditor on assignments additional to their statutory audit duties where the auditors expertise and experience with the Group are important. The Board is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers, Australia) for audit and non-audit services provided during the year are set out in Note 16.

### Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 23.

Signed in accordance with a resolution of the directors, for and on behalf of the Board by:



### Andrew Stocks

Managing Director

20 September 2017



## Auditor's Independence Declaration

As lead auditor for the audit of Iron Road Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Iron Road Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Andrew Forman', is written over a light blue horizontal line.

Andrew Forman  
Partner  
PricewaterhouseCoopers

Adelaide  
20 September 2017

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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# OPERATING AND FINANCIAL REVIEW

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## CORPORATE AND SOCIAL RESPONSIBILITY





## OPERATING AND FINANCIAL REVIEW

### Company strategy and operating activities

During the year, Iron Road and China Railway Group Limited (CREC) collaborated to review the capital component of the CEIP. This included forensic evaluation of designs, engineering and cost elements by CREC engineering specialists many of whom temporarily relocated to Adelaide. With the ability to leverage the procurement systems of one of the largest construction companies in the world, CREC was able to deliver a capital cost reduction of \$USD295 million. The revised capital estimate brings total start up capital down to US\$3.7 billion.

During the first quarter of 2017, Iron Road obtained Expressions of Interest from three global leaders in banking and finance. The China Development Bank, Industrial and Commercial Bank of China and China Construction Bank have expressed their willingness to provide senior debt with long loan tenor, working capital and financial instruments facilities.

Significant progress was made in the regulatory area, with the approval of Iron Road's Mining Lease and Development Applications for the CEIP. The drafting of two secondary approvals – the Program for Environment Protection and Rehabilitation (PEPR) and the Construction and Environment Management Plan (CEMP) are well underway with targeted stakeholder engagement already commenced.

### Operating results for the year

The principal activities of the Group during the year were progressing with Government approvals and optimisation of mining & process solutions, with an additional focus on the efficient delivery of both port and rail infrastructure solutions. These activities were initially financed through a short term debt facility which was subsequently repaid through an entitlement offer and institutional placements finalised in July 2016.

The Group incurred an operating loss after income tax for the year ended 30 June 2017 of \$3,926,284 (2016: \$6,674,238). With the Gawler Iron Project (GIP) fully impaired in 2016, exploration impairment was significantly lower this year (2017: 3,791 2016: 1,998,546)

Total exploration and evaluation expenditure was also lower again this year \$1,757,530 (2016: \$2,544,319) as the Group's activities evolve and mature.

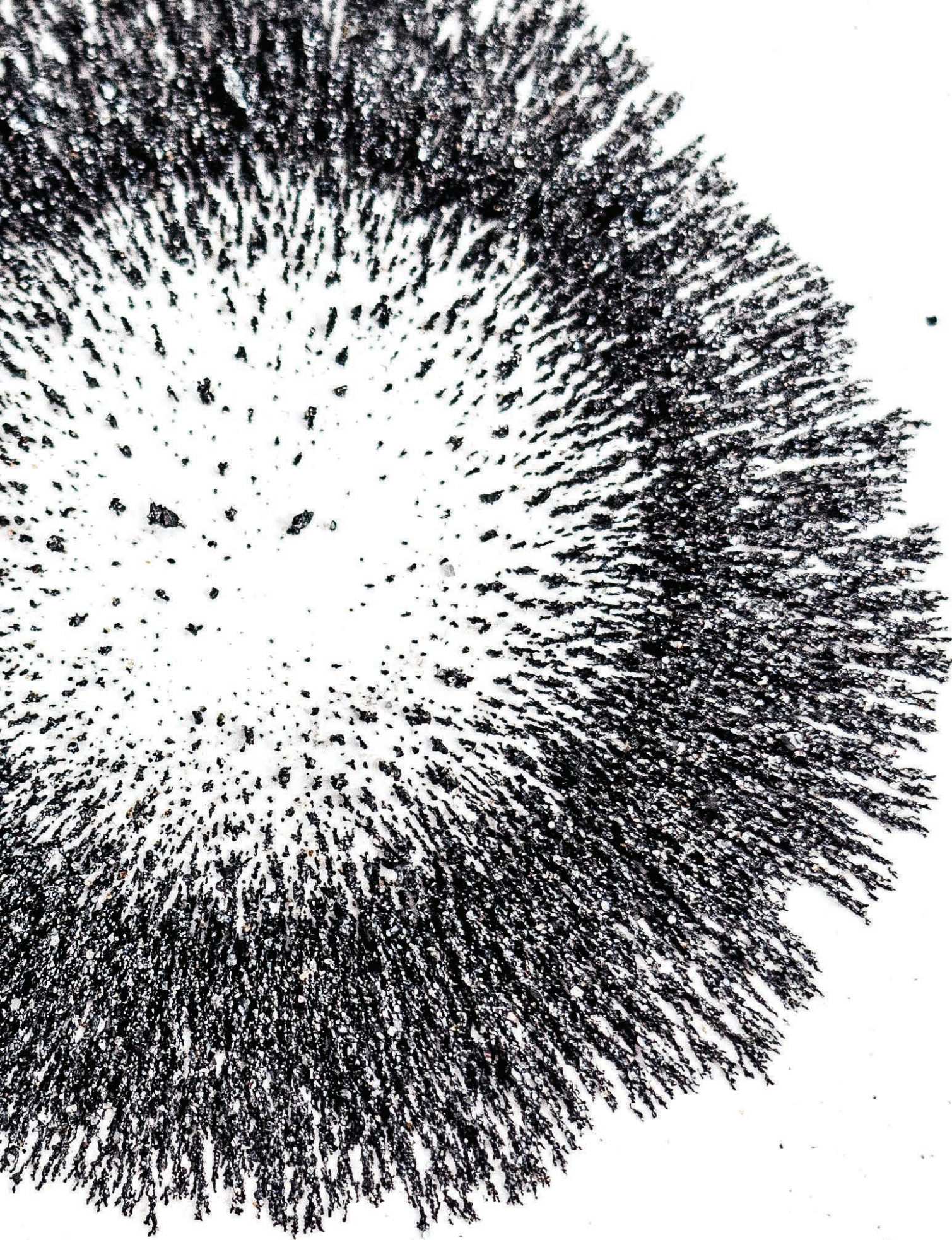
### Changes in financial position

The Group's net assets increased by 4% this year (2017: \$129,456,908 2016: \$124,777,461) as finance raised through institutional placements and an entitlement offer was used to extinguish debt. Such capital increased equity by 5.6%, with an additional 85,099,382 shares issued in July 2016.

### Risk management

Operational, financial and regulatory risks are considered and addressed by management, with specific areas of significant risk referred by management to the Board. The Board considers that at this stage of the Group's project development operations, it is important for all Board members to be a part of this process and as such the Board has not established a separate risk management committee.





*Iron concentrate from the CEIP, South Australia*



# FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017

### Contents

Financial statements	Consolidated Income Statement	Page 28
	Consolidated Statement of Financial Position	Page 29
	Consolidated Statement of Change in Equity	Page 30
	Consolidated Statement of Cash flows	Page 31
Notes to the Financial statements	<b>Structure of Notes and materiality</b>	Page 32

Note disclosures are split into five sections shown below to enable a better understanding of how the Group performed.

Key numbers	Structures	Capital	Additional Information	Unrecognised Items
1. Cash	9. Controlled entities	13. Equity and reserves	16. Remuneration of auditors	19. Commitments
2. Exploration	10. Segment information	14. Share-based payments	17. Accounting policies	20. Contingencies
3. Property, plant and equipment	11. Related parties	15. Loss per share	18. Risk management	21. Events after reporting date
4. Operating activities	12. Parent entity information			
5. Provisions				
6. Taxation				
7. Receivables and prepayments				
8. Trade payables				

Accounting policies and critical accounting judgements applied to the preparation of financial statements have been moved to the relevant section.

Information is only being included in the Notes to the extent that it has been considered material and relevant to the understanding of the financial statements.

## CONSOLIDATED INCOME STATEMENT

### FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
<b>Revenue from continuing operations</b>			
Interest income		4,407	5,481
<b>Expenses</b>			
Impairment of exploration expenses	2	(3,791)	(1,998,546)
Depreciation	3	(183,408)	(243,276)
Employee benefits expense	4	(1,611,003)	(2,149,955)
General expenses		(248,047)	(315,772)
Professional fees	4	(858,578)	(947,804)
Travel and accommodation		(298,300)	(249,146)
Marketing		(168,867)	(158,759)
Rent and administration		(558,697)	(616,461)
<b>Loss before income tax</b>		<b>(3,926,284)</b>	(6,674,238)
Income tax expense	6	-	-
<b>Loss for the year</b>		<b>(3,926,284)</b>	(6,674,238)
Other comprehensive loss for the year		-	-
Total comprehensive loss for the year attributable to owners of Iron Road Limited		<b>(3,926,284)</b>	(6,674,238)

Loss per share for loss attributable to the ordinary equity holders of the company:

		Cents	Cents
Basic and diluted loss per share (cents)	15	<b>(0.58)</b>	(1.16)

The above consolidated income statement should be read in conjunction with the notes to the consolidated financial statements.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	1	1,262,109	858,413
Bank Term deposits	1	90,000	90,000
Receivables and prepayments	7	120,287	128,518
Total current assets		1,472,396	1,076,931
<b>Non-current assets</b>			
Exploration and evaluation expenditure	2	120,397,386	118,643,647
Property, plant and equipment	3	9,968,272	10,149,731
Total non-current assets		130,365,658	128,793,378
Total assets		131,838,054	129,870,309
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	1,884,400	4,519,448
Provisions	5	456,361	467,563
Total current liabilities		2,340,761	4,987,011
<b>Non-current liabilities</b>			
Provisions	5	40,385	105,837
Total non-current liabilities		40,385	105,837
<b>Total liabilities</b>		<b>2,381,146</b>	<b>5,092,848</b>
<b>Net assets</b>		<b>129,456,908</b>	<b>124,777,461</b>
<b>EQUITY</b>			
Contributed equity	13	160,916,191	152,423,991
Reserves	13	5,053,229	4,939,698
Accumulated losses	13	(36,512,512)	(32,586,228)
<b>Total equity</b>		<b>129,456,908</b>	<b>124,777,461</b>

The above consolidated statement of financial position should be read in conjunction with the notes to the consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 30 JUNE 2017

Attributable to owners of Iron Road Limited					
		Contributed Equity	Accumulated losses	Reserves	Total Equity
	Note	\$	\$	\$	\$
<b>Balance at 1 July 2015</b>		151,676,845	(25,911,990)	4,814,136	130,578,991
Loss for the year		-	(6,674,238)	-	(6,674,238)
<b>Transactions with owners in their capacity as owners:</b>					
Contributions to equity net of transaction costs		747,146	-	-	747,146
Share based payments	14	-	-	125,562	125,562
<b>Balance at 30 June 2016</b>		<b>152,423,991</b>	<b>(32,586,228)</b>	<b>4,939,698</b>	<b>124,777,461</b>
Loss for the year		-	(3,926,284)	-	(3,926,284)
<b>Transactions with owners in their capacity as owners:</b>					
Contributions to equity net of transaction costs	13	8,492,200	-	-	8,492,200
Share based payments	14	-	-	113,531	113,531
<b>Balance at 30 June 2017</b>		<b>160,916,191</b>	<b>(36,512,512)</b>	<b>5,053,229</b>	<b>129,456,908</b>

The above consolidated statement of changes in equity should be read in conjunction with the notes to the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees (inclusive of GST)		(3,624,797)	(3,987,575)
Interest received		4,695	8,162
<b>Net cash outflow from operating activities</b>	4	<b>(3,620,102)</b>	(3,979,413)
<b>Cash flows from investing activities</b>			
Payments for term deposits		(90,000)	(90,000)
Receipts from term deposits		90,000	272,408
Payments for exploration and evaluation		(1,231,198)	(3,494,642)
Payments for property and equipment		(1,949)	(48,095)
<b>Net cash outflow from investing activities</b>		<b>(1,233,147)</b>	(3,360,329)
<b>Cash flows from financing activities</b>			
Proceeds of issue from shares	13	8,509,938	1,051,800
Share based payment purchase	13	-	(225,000)
Proceeds/ (repayment) of borrowings		(3,000,000)	4,000,000
Share issue transaction costs		(252,993)	(69,399)
<b>Net cash inflow from financing activities</b>		<b>5,256,945</b>	4,757,401
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the half-year		858,413	3,440,754
<b>Cash and cash equivalents at the end of the year</b>	1	<b>1,262,109</b>	858,413

The above consolidated statement of cash flows should be read in conjunction with the notes to the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS: KEY NUMBERS

## FOR THE YEAR ENDED 30 JUNE 2017



### 1. Cash

#### Where we spent money

Per the Consolidated Statement of Cash flows, total cash expended during the year was significantly lower than prior years as the Group's consolidated its focus in the regulatory and commercial arena.



Exploration and evaluation	\$1,231,198
Employee benefits expense	\$1,497,472
Professional fees	\$847,927
Rent and administration	\$558,697
Share issue transaction costs	\$252,993
Property, plant and equipment	\$1,949
Other	\$467,708



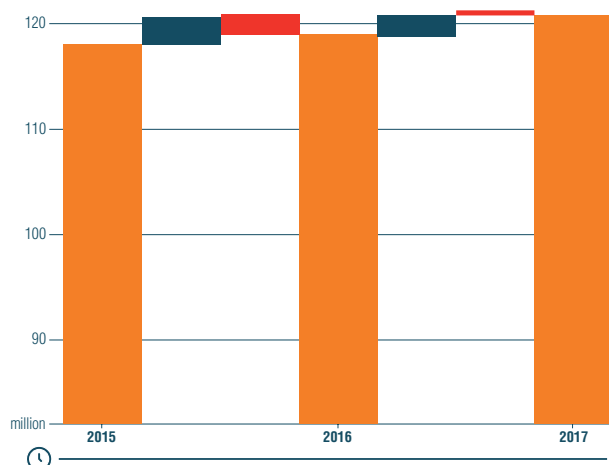
Exploration and evaluation	\$3,494,642
Employee benefits expense	\$2,024,393
Professional fees	\$847,872
Rent and administration	\$606,656
Share issue transaction costs	\$69,399
Property, plant and equipment	\$48,095
Other	\$439,095

Cash and cash equivalents at 30 June 2017 was \$1,262,109 (2016: \$858,413) and bank term deposits held were \$90,000 (2016: \$90,000). The bank term deposit of \$90,000 is held as security for the Group's credit card facility.

Cash at bank earns a floating interest rate based on the at call daily rate. Funds held in a term deposit facility for greater than 3 months have been reclassified to bank term deposits in the consolidated statement of financial position per AASB 107.

### 2. Exploration

Exploration and evaluation expenditure fell by 30% in 2017 as the Group concentrated on commercial decision making



<b>2015</b>	Opening balance 1 July 2015	\$118,097,874
	Additions during the period	\$2,544,319
	Impairment of exploration expenses	(\$1,998,546)
<b>2016</b>	Closing balance 30 June 2016	\$118,643,647
	Additions during the period	\$1,757,530
	Impairment of exploration expenses	(\$3,791)
<b>2017</b>	Closing balance 30 June 2017	\$120,397,386

Exploration and evaluation expenditure in relation to the CEIP's exploration licence 5932 for the year ended 30 June 2017 was \$1,757,530 (2016: \$2,544,319). The CEIP asset is tested for impairment periodically or when events or circumstances indicate the carrying value may not be recoverable. For the year ended 30 June 2017, the directors deemed the current capitalisation of development of the CEIP resource to be appropriate, as the Group continues to refine mining and processing methods and capital cost estimates.

The Group's exploration and evaluation policy is to capitalise and carry forward exploration and evaluation expenditure where a JORC compliant resource has been identified. This appropriately recognises that these projects are in the advanced exploration, evaluation or feasibility phase. Expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition.



## NOTES TO THE FINANCIAL STATEMENTS: KEY NUMBERS

### FOR THE YEAR ENDED 30 JUNE 2017



# \$1,757,530

EXPLORATION AND EVALUATION  
EXPENDITURE FOR THE YEAR 2017

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. The Group fully impaired iron ore rights of \$1,961,018 in the Gawler Iron Project (GIP) in the year ended 30 June 2016 in order to completely focus on the CEIP. The impairment for the year ended 30 June 2017 in relation to the GIP was \$3,791.

For areas of interest where a JORC Mineral Resource is yet to be identified or where exploration rights are no longer current, the capitalised values are subsequently impaired and charged to the profit and loss. There was no expenditure or impairment on exploration license 5496 in the year (2016: \$37,528).

#### Recoverability of exploration and evaluation assets

The Group's accounting policy requires management make certain assumptions as to future events and circumstances. Exploration and evaluation costs are carried forward based on the accounting policy set out above. Should development not be possible, or the existence of reserves does not allow for economic development, amounts recorded may require impairment in future periods. Iron Road periodically evaluates the economic potential of the CEIP using discounted cashflow modelling techniques. The model includes assumptions for production volumes, forecast iron ore pricing, foreign exchange rates and project costs, which are updated for the latest available data.



*Iron concentrate from the CEIP, South Australia*

# NOTES TO THE FINANCIAL STATEMENTS: KEY NUMBERS

## FOR THE YEAR ENDED 30 JUNE 2017



### 3. Property, plant and equipment

	LAND AND BUILDINGS		PLANT AND EQUIPMENT		Total \$
	Land \$	Buildings & Improvements \$	Equipment \$	Motor Vehicles \$	
<b>Year ended 30 June 2016</b>					
Opening net book value	8,978,418	869,526	482,492	14,476	10,344,912
Additions	47,000	-	1,095	-	48,095
Depreciation charge	-	(78,479)	(159,421)	(5,376)	(243,276)
<b>Closing net book amount</b>	<b>9,025,418</b>	<b>791,047</b>	<b>324,166</b>	<b>9,100</b>	<b>10,149,731</b>
<b>At 30 June 2016</b>					
Cost or fair value	9,025,418	1,040,190	1,079,460	64,839	11,209,907
Accumulated depreciation	-	(249,143)	(755,294)	(55,739)	(1,060,176)
<b>Net book amount</b>	<b>9,025,418</b>	<b>791,047</b>	<b>324,166</b>	<b>9,100</b>	<b>10,149,731</b>
<b>Year ended 30 June 2017</b>					
Opening net book value	9,025,418	791,047	324,166	9,100	10,149,731
Additions	-	-	1,949	-	1,949
Depreciation charge	-	(54,045)	(123,038)	(6,325)	(183,408)
<b>Closing net book amount</b>	<b>9,025,418</b>	<b>737,002</b>	<b>203,077</b>	<b>2,775</b>	<b>9,968,272</b>
<b>At 30 June 2017</b>					
Cost or fair value	9,025,418	1,040,190	1,081,409	64,839	11,211,856
Accumulated depreciation	-	(303,188)	(878,332)	(62,064)	(1,243,584)
<b>Net book amount</b>	<b>9,025,418</b>	<b>737,002</b>	<b>203,077</b>	<b>2,775</b>	<b>9,968,272</b>

During the year ended 30 June 2017, the Group invested \$1,949 in property, plant and equipment (2016: \$48,095).

All property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

#### Depreciation methods and useful lives

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

Land is not depreciated and on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

- » Computer equipment 3 - 4 years
- » Office equipment 3 - 20 years
- » Plant and equipment 3 - 20 years
- » Buildings & improvements 4 - 40 years
- » Motor vehicles 5 - 10 years

In the case of leasehold improvements, the allocation of cost is over the term of the lease. The assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and included in profit or loss.

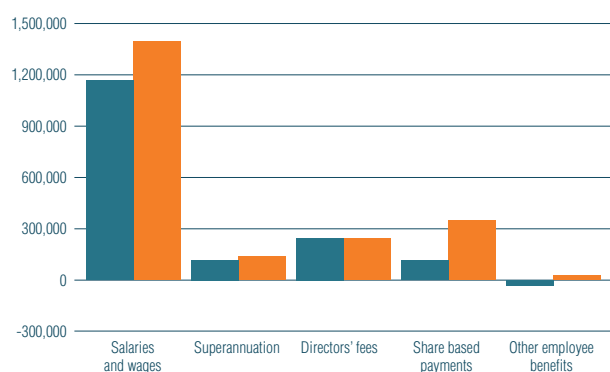
# NOTES TO THE FINANCIAL STATEMENTS: KEY NUMBERS

## FOR THE YEAR ENDED 30 JUNE 2017

### 4. Operating activities

Operating expenses were \$3,930,691 for the year ended 30 June 2017 (2016: \$6,679,719) and include the following:

#### Employee benefits expense



	2017	2016
<b>Total</b>	<b>\$1,611,003</b>	<b>\$2,149,955</b>
Salaries and wages	\$1,167,752	\$1,392,979
Superannuation	\$118,347	\$139,161
Directors' fees	\$245,834	\$241,905
Share based payments	\$113,531	\$350,562
Other employee benefits	(\$34,461)	\$25,348

#### Professional fees

**\$858,578** 2017      **\$947,804** 2016



	2017	2016
Consulting	\$647,054	\$539,652
Legal	\$48,377	\$204,645
Accounting and audit	\$113,644	\$98,593
ASX & ASIC	\$47,628	\$41,540
Other professional fees	\$1,875	\$63,374

Reconciliation of profit after income tax to net cash outflow from operating activities is as follows:

	2017 \$	2016 \$
<b>Net loss for the period</b>	<b>(3,926,284)</b>	<b>(6,674,238)</b>
Depreciation	183,408	243,276
Share based payments	113,531	350,562
Non cash - rent incentive	(29,167)	(50,000)
Formation	993	497
Impairment of exploration expenses	3,791	1,998,546
<b>Change in operating assets and liabilities</b>		
Decrease in trade and other receivables	8,231	264,731
Increase/(Decrease) in trade payables	72,881	(150,395)
Increase in other provisions	(47,487)	37,608
<b>Net cash outflow from operating activities</b>	<b>(3,620,102)</b>	<b>(3,979,413)</b>

# NOTES TO THE FINANCIAL STATEMENTS: KEY NUMBERS

## FOR THE YEAR ENDED 30 JUNE 2017



### 5. Provisions

Provisions	CURRENT PROVISIONS		NON CURRENT PROVISIONS		Total \$
	Annual leave \$	Long service leave \$	Long service leave \$	Other provisions \$	
Carrying amount as at 1 July 2016	257,933	209,630	76,671	29,166	573,400
Additional provision recognised during the year	119,989	(27,774)	(36,286)	-	55,929
Amounts used during the year	(103,417)	-	-	(29,166)	(132,583)
<b>Carrying amount as at 30 June 2017</b>	<b>274,505</b>	<b>181,856</b>	<b>40,385</b>	<b>-</b>	<b>496,746</b>

The employee benefits provision covers the Group's liability for long service leave and annual leave. This provision represents a present obligation as a result of past events, where it is probable that an outflow of resources will be required to settle the obligation. The current portion of this liability includes all of the accrued annual leave and the unconditional entitlements to long service leave where employees have completed the required period of service. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within twelve months.

#### Short term employee benefit obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables.

#### Other long term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Notwithstanding the classification of annual leave as a long term employee benefit, the related obligations are presented as current liabilities in the balance sheet if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when actual settlement is expected to occur.

The following amounts reflect leave that is not expected to be taken or paid within twelve months:

	2017 \$	2016 \$
Annual leave obligations expected to be settled after twelve months	164,703	156,958
Current long service leave obligations to be settled after twelve months	181,856	194,887
<b>Total current leave obligations expected to be settled after twelve months</b>	<b>346,559</b>	<b>351,845</b>



## NOTES TO THE FINANCIAL STATEMENTS: KEY NUMBERS

### FOR THE YEAR ENDED 30 JUNE 2017



# \$42,344,723

## TAX LOSSES

### 6. Taxation

Iron Road Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

This note provides an analysis of the Group's income tax expense, amounts recognised and deferred tax assets and liabilities. The income tax expense of nil for the year ended 30 June 2017 (2016: nil) represents the tax payable on the current period's taxable loss adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is determined using a tax rate applicable at the end of the reporting period and expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Reconciliation of income tax benefit to prima facie tax	2017 \$	2016 \$
Loss from continuing operations before income tax benefit	(3,926,284)	(6,674,238)
Tax at the Australian tax rate of 30% (2016: 30%)	(1,177,885)	(2,002,271)
Tax effect of amounts which are not deductible in calculating taxable income	34,624	105,477
Current year tax losses not recognised	1,143,261	1,896,794
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities	2017 \$	2016 \$
<b>The balance of deferred tax assets comprises temporary differences attributable to:</b>		
Tax losses	42,344,723	40,810,711
Business related costs	111,414	316,669
Accrued expenses	189,574	207,400
<b>Total recognised and unrecognised deferred tax assets</b>	<b>42,645,711</b>	41,334,780
<b>The balance of deferred tax liabilities comprises temporary differences attributable to:</b>		
Accrued income	371	371
Exploration expenditure	34,171,778	34,496,270
<b>Total deferred tax liabilities</b>	<b>34,172,149</b>	34,496,641
Net deferred tax assets	8,473,562	6,838,139
Deferred tax assets not recognised	(8,473,562)	(6,838,139)
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>

A net deferred tax asset of \$8,473,562 (2016: \$6,838,138) has not been recognised as it is not probable within the immediate future that taxable profits will be available against which temporary differences and tax losses can be utilised.

The Group is subject to income taxes in Australia. Significant judgement is required in determining the provision of income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

# NOTES TO THE FINANCIAL STATEMENTS: KEY NUMBERS

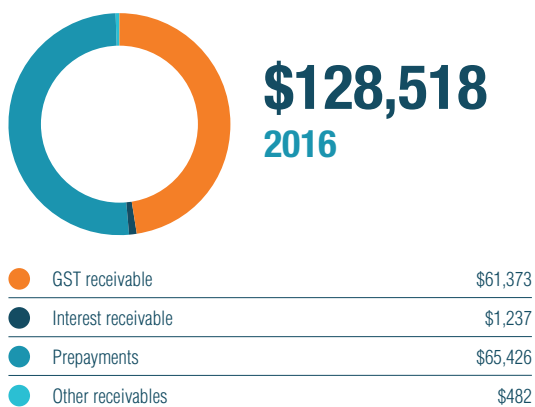
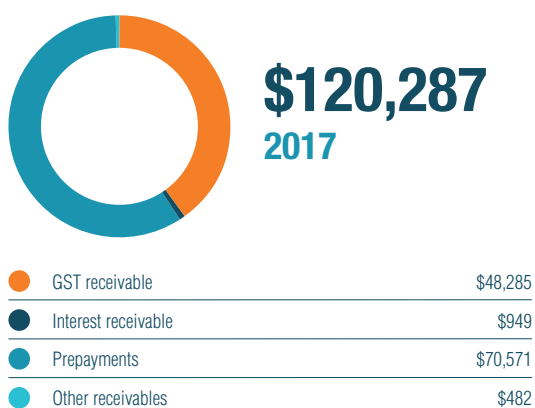
## FOR THE YEAR ENDED 30 JUNE 2017

# DEBT REDUCTION



### 7. Receivables and prepayments

Receivables and prepayments for the year ended 30 June 2017 were \$120,287 (2016: \$128,518) which is largely due to a reduction in prepayments and GST receivable.



As at 30 June 2017, other receivables that were past due or impaired were nil (2016: nil). At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Exposure to risk is considered in Note 18(a).

Due to the short term nature of current receivables, their carrying amount is assumed to approximate fair value.

### 8. Trade payables

	2017 \$	2016 \$
Trade payables	770,906	90,291
Accruals	112,122	428,015
Short term loan facility	1,000,000	4,000,000
Other payables	1,372	1,142
<b>Total trade and other payables</b>	<b>1,884,400</b>	4,519,448

Trade and other payables for the year ended 30 June 2017 were \$1,884,400 (2016: \$4,519,448). The Group received \$1,000,000 in short term debt finance from its major shareholder, The Sentient Group, which is reflected in other payables. The loan attracts nil interest and is repayable in June 2018.

All amounts are unsecured and are presented as current liabilities unless payment is not due within 12 months from the reporting date. The carrying amount of trade and other payables are assumed to approximate their fair values, due to their short term nature.

# NOTES TO THE FINANCIAL STATEMENTS: STRUCTURES

## FOR THE YEAR ENDED 30 JUNE 2017

### 9. Controlled entities

Iron Road Limited has the following subsidiaries, all of which are 100% owned (2016: 100%) and located and incorporated in Australia.

The following are subsidiaries of Iron Road Limited:

IRD Corporate Services Pty Ltd

IRD Group Finance Pty Ltd

IRD Port Assets Midco Pty Ltd

IRD Port Assets Holdings Pty Ltd

IRD Rail Assets Holdings Pty Ltd

IRD Port Assets Pty Ltd

IRD (Central Eyre) Pty Ltd

IRD (Gawler) Pty Ltd

IRD Train Operations Pty Ltd

IRD Track Services Pty Ltd

IRD Marine Operations Pty Ltd

IRD Cargo Services Pty Ltd

IRD Mining Operations Pty Ltd

Eyre Exploration Pty Ltd

IRD Rail Assets Midco Pty Ltd

### 10. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors and management of the Group. These internal management reports are reviewed on a monthly basis and are aligned with the information provided in the statement of comprehensive income, statement of financial position and statement of cash flows. The Group does not have any customers or operating segments with discrete financial information and all of the Group's assets and liabilities are located within Australia, as a result no reconciliation is required.



*Iron concentrate from the CEIP, South Australia*

# NOTES TO THE FINANCIAL STATEMENTS: STRUCTURES

## FOR THE YEAR ENDED 30 JUNE 2017



### 11. Related parties

The parent entity of the Group and the ultimate parent entity and controlling party is The Sentient Group (incorporated in the Cayman Islands) which at 30 June 2017 owned 73.73% (2016: 71.56%) of the issued ordinary shares of Iron Road Limited.

Transactions with Key Management Personnel having authority and responsibility over the Groups activities are as follows:



	2017	2016
<b>Total</b>	<b>\$1,135,689</b>	<b>\$1,682,345</b>
Short term employee benefits	\$921,598	\$1,079,413
Long term employee benefits	\$22,508	(\$56,534)
Post employment benefits	\$78,052	\$83,903
Performance rights expenses	\$113,531	\$350,562
Performance rights repurchased	\$0	\$225,000

Detailed remuneration disclosures are provided in the Remuneration Report on page 14.

The following additional transactions occurred with The Sentient Group:

	2017	2016
	\$	\$
Reimbursement of travel related expenditure	18,255	42,902
Directors fees	50,000	37,739
Capital raising costs	302	64,185
Consulting fees	201,879	151,443
<b>Total</b>	<b>270,436</b>	<b>296,269</b>

Of the above, \$17,000 (2016: \$37,686) remained outstanding as at 30 June 2017 and has been disclosed within trade payables. All transactions were made on standard commercial terms and conditions and at market rates.

### 12. Parent entity information

The individual financial statements for the parent entity show the following amounts:

	2017	2016
	\$	\$
<b>ASSETS</b>		
Total current assets	12,409,810	12,009,931
Total non-current assets	119,697,619	118,084,012
<b>Total assets</b>	<b>132,107,429</b>	130,093,943
<b>LIABILITIES</b>		
Total current liabilities	2,340,761	4,987,010
Total non-current liabilities	40,385	105,838
<b>Total liabilities</b>	<b>2,381,146</b>	5,092,847
<b>Net assets</b>	<b>129,726,284</b>	125,001,096
<b>EQUITY</b>		
Issued capital	160,916,191	152,423,991
Reserves	5,053,229	4,939,698
Accumulated losses	(36,243,137)	(32,362,594)
<b>Total equity</b>	<b>129,726,284</b>	125,001,096
<b>Loss for the year</b>	<b>(3,880,543)</b>	(6,613,630)
<b>Total comprehensive loss for the year</b>	<b>(3,880,543)</b>	(6,613,630)

The financial information for the parent entity, Iron Road Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint ventures.

Investments in subsidiaries are accounted for at cost in the financial statements of Iron Road Limited.

(ii) Tax consolidation

Iron Road Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Iron Road Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, Iron Road Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The company has not provided any financial guarantees as at 30 June 2017 and has no contingent liabilities as at 30 June 2017.



## NOTES TO THE FINANCIAL STATEMENTS: CAPITAL

### FOR THE YEAR ENDED 30 JUNE 2017

# 85 MILLION SHARES ISSUED IN THE YEAR ENDED JUNE 2017

### 13. Equity and reserves

#### Share capital

	2017 \$	2017 Shares
<b>Opening balance 1 July 2016 - Ordinary shares fully paid</b>	<b>152,423,991</b>	<b>592,454,904</b>
Shares issued as part of institutional placement	8,509,938	85,099,382
Cost of capital raising	(17,738)	-
<b>Balance 30 June 2017</b>	<b>160,916,191</b>	<b>677,554,286</b>

During the year, 85,099,382 shares were issued under a capital raising programme.

Ordinary shares entitle the holder to participate in dividends and to share in the proceeds of winding up of the Group in proportion to the number of and amounts paid on the shares held. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

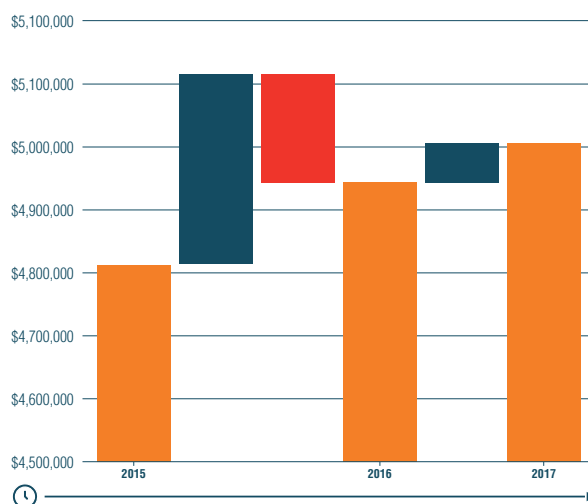
#### Performance rights

Information relating to the IRD Employee Option Plan and Equity Incentive Plan including details of options issued, exercised and lapsed during the financial year and outstanding at the end of the reporting period are set out in Note 14.

#### Reserves

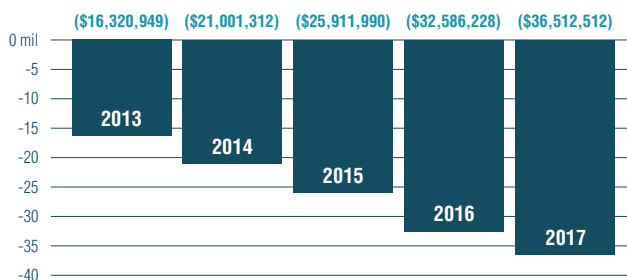
The share based payment reserve is used to recognise the value of options and performance rights issued. Options are vested on issue and are fully expensed whereas performance rights have vesting conditions that are yet to be satisfied. Performance rights are expensed throughout the vesting period and should they fail to vest before the expiry date, no amount is recognised per AASB 2.

During the year, \$113,531 of performance rights were expensed in the profit and loss (2016: \$350,562)



<b>2015</b>	● Opening balance 1 July 2015	\$4,814,136
	● Performance rights expenses	\$350,562
	● Repurchase of instrument	(\$225,000)
<b>2016</b>	● Closing balance 30 June 2016	\$4,939,698
	● Performance rights expenses	\$113,531
<b>2017</b>	● Closing balance 30 June 2017	\$5,053,229

#### Accumulated losses



There have been no dividends paid during the current or prior financial years (2016: nil).

# NOTES TO THE FINANCIAL STATEMENTS: CAPITAL

## FOR THE YEAR ENDED 30 JUNE 2017

### 14. Share-based payments

Share-based compensation benefits are provided to Directors and KMP through the Iron Road Limited Employee Option Plan and the Iron Road Equity Incentive Plan.

#### Employee Option Plan

There were no options granted or exercised during the reporting period ended 30 June 2017, with all options expensed in prior periods. There are no options on issue, as 500,000 options expired on 25 July 2016.

Grant date	Expiry date	Exercise price	Balance at start of period	Expired/ forfeited during the year	Balance at end of period	Vested and exercisable at end of period
<b>30 June 2017</b>						
<b>Director options</b>						
25 July 2016	25 July 2016	\$0.9926	500,000	(500,000)	-	-
<b>Total</b>			<b>500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Weighted average exercise price</b>			<b>\$0.9926</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>30 June 2016</b>						
<b>Director options</b>						
25 July 2016	25 July 2016	\$0.9926	500,000	-	500,000	500,000
<b>Total</b>			<b>500,000</b>	<b>-</b>	<b>500,000</b>	<b>500,000</b>
<b>Weighted average exercise price</b>			<b>\$0.9926</b>	<b>-</b>	<b>\$0.9926</b>	<b>\$0.9926</b>

#### Equity Incentive Plan – Long term incentive

The Board adopted the Iron Road Equity Incentive Plan issued on 8 October 2014, aimed at attracting, motivating and retaining persons with the skills and experience to deliver exceptional performance and outcomes in pursuit of the Groups key strategic outcomes. The plan forms part of the Groups remuneration policy and provides a mechanism for driving long term performance and the retention of executives.

Under the plan, participants are granted performance rights, all of which have performance related vesting conditions. Performance rights are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each right is convertible into one ordinary share with an exercise price of nil. A participant in the plan is at the Boards discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The fair value of the rights are determined by the market price of Iron Road Limited shares at grant date and assuming no dividend pay-out during the five year period. All performance rights granted have vesting conditions in relation to securing funding for the advancement of the CEIP and will lapse if not exercised within five years.

Set out below is a summary of performance rights under the plan:

There were no rights granted or exercised during the reporting period ended 30 June 2017 and the weighted average remaining contractual life of all rights at this date is 2.51 years (2016: 3.51).

Total expenses arising from share-based payment transactions recognised during the year is disclosed in Note 13 – Reserves.

Grant date	Expiry date	Fair value at grant date	Balance at start of period	Granted during the year	Forfeited during the year	Balance at end of period	Vested and exercisable at end of period
<b>30 June 2017</b>							
23 December 2014	24 December 2019	\$0.16	3,000,000	-	-	3,000,000	-
23 December 2014	13 January 2020	\$0.16	2,000,000	-	-	2,000,000	-
<b>Total</b>			<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>5,000,000</b>	<b>-</b>
<b>30 June 2016</b>							
23 December 2014	24 December 2019	\$0.16	3,000,000	-	-	3,000,000	-
23 December 2014	13 January 2020	\$0.16	2,000,000	-	-	2,000,000	-
23 December 2014	13 January 2020	\$0.16	1,750,000	-	(1,750,000)	-	-
<b>Total</b>			<b>6,750,000</b>	<b>-</b>	<b>(1,750,000)</b>	<b>5,000,000</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS: CAPITAL

### FOR THE YEAR ENDED 30 JUNE 2017

#### 15. Loss per share

Basic earnings per share is calculated by dividing:

- i) the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, and
- ii) the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- i) the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- ii) the weighted average number of additional ordinary shares that would have been outstanding, assuming the conversion of all dilutive potential ordinary shares.

Basic and diluted earnings per share	2017 cents	2016 cents
Total basic loss per share attributable to the ordinary equity owners of the company	<b>(0.58)</b>	(1.16)
Total diluted loss per share attributable to the ordinary equity owners of the company	<b>(0.58)</b>	(1.16)
Loss from continuing operations attributable to the members of the group used in calculating basic earnings per share:	<b>(3,926,284)</b>	(6,674,238)

Weighted average number of shares used as the denominator is 673,057,915 (2016: 572,272,972).



Iron concentrate from the CEIP, South Australia

# NOTES TO THE FINANCIAL STATEMENTS: ADDITIONAL INFORMATION

## FOR THE YEAR ENDED 30 JUNE 2017



### 16. Remuneration of auditors

During the year ended 30 June 2017, total fees paid or payable for services provided by PricewaterhouseCoopers and its related practices were as follows:

PricewaterhouseCoopers (Australia)	2017 \$	2016 \$
Total remuneration for audit and other assurance services	59,786	53,420
Total remuneration for tax services	17,697	11,501
<b>Total remuneration of PricewaterhouseCoopers (Australia)</b>	<b>77,483</b>	<b>64,921</b>

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers expertise and experience is important. These assignments are principally audit and assurance services and taxation advice. PricewaterhouseCoopers is awarded assignments on a competitive basis and it is the Group's policy to seek competitive tenders for all major projects

### 17. Accounting policies

#### Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Iron Road Limited and its controlled entities. The financial statements were authorised for issue by the directors on 20 September 2017. The directors have the power to amend and reissue the financial statements.

#### (a) Basis of preparation of historical financial information

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Iron Road Limited is a for-profit entity for the purpose of preparing the financial statements. Iron Road Limited is a company limited by shares, incorporated and domiciled in Australia. The financial statements are presented in Australian Dollars.

##### (i) Compliance with IFRS

The consolidated financial statements of Iron Road Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

##### (ii) Historical cost convention

These financial statements have been prepared under the historical cost convention.

##### (iii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statement are disclosed in Note 17(g).

##### (iv) Going concern

The directors have prepared the financial statements on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Group incurred a net loss of \$3,926,284 for the year (2016: \$6,674,238). With cash reserves as at 30 June 2017 of \$1,262,109, Management are confident that these funds and additional funding to be obtained through further progression of the CEIP or from its major shareholder will be sufficient to allow the Group to continue to meet its obligations as and when they fall due. Accordingly, the directors believe the going concern assumption is appropriate.

##### (v) New standards and interpretations not yet adopted.

There are no standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.



# NOTES TO THE FINANCIAL STATEMENTS: ADDITIONAL INFORMATION

## FOR THE YEAR ENDED 30 JUNE 2017

### (b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of Iron Road Limited as at 30 June 2017 and the results of all controlled entities for the year then ended. Iron Road Limited and its controlled entities together are referred to in this financial report as the Group.

Controlled entities are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Controlled entities are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

### c) Goods and service tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### d) Investment and other financial assets

The Group classifies its financial assets as loans and receivables. Management determines the classification of its investments at initial recognition. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

### e) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Iron Road Limited's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS: ADDITIONAL INFORMATION

## FOR THE YEAR ENDED 30 JUNE 2017



### f) Revenue recognition

Interest income on bank term deposits is calculated on the term of the deposit and the bank interest rate at lodgement date and accrued in revenue from continuing operations.

### g) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the respective notes:

- (i) Exploration and evaluation assets (Note 2)
- (ii) Taxation (Note 6)

## 18. Risk management

The Groups activities expose it to a variety of financial and market risks (including interest rate risk and price risk), credit risk and liquidity risk. The Groups overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks, to minimise potential adverse effects on the financial performance and position of the Group.

### a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial asset fails to meet its contractual obligations and arises principally from the Group's receivables, cash and cash equivalents and bank term deposits.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalent and bank term deposit.

#### Exposure to credit risk

The carrying amount of the Groups financial assets represents the maximum credit exposure. There are no significant concentrations of credit risks, whether through exposure to individual customers or specific industry sectors. The Group's maximum exposure to credit risk at the reporting date was \$1,472,396 (2016: \$1,076,931).

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Financial assets that are neither past due nor impaired are as follows:

	2017 \$	2016 \$
<b>Counterparties without an external credit rating:</b>		
Financial assets with no default in the past	<b>120,287</b>	128,518
<b>Cash at bank and fixed term deposits with a credit rating:</b>		
AA-	<b>1,324,524</b>	921,493
A	<b>27,585</b>	26,920
<b>Total</b>	<b>1,472,396</b>	1,076,931

# NOTES TO THE FINANCIAL STATEMENTS: ADDITIONAL INFORMATION

## FOR THE YEAR ENDED 30 JUNE 2017

### b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring forecast and actual cash flows.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Group incurred short term debt to meet operational expenses of \$1,000,000 during the year ended 30 June 2017, which has been disclosed in trade and other payables.

The following are the contractual maturities of undiscounted financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Contractual maturities of financial liabilities	Less than 6 months	Total contractual cash flows	Carrying amount
<b>At 30 June 2017</b>			
Trade and other payables	1,884,400	1,884,400	1,884,400
<b>Total non-derivatives</b>	<b>1,884,400</b>	<b>1,884,400</b>	<b>1,884,400</b>
<b>At 30 June 2016</b>			
Trade and other payables	4,519,448	4,519,448	4,519,448
<b>Total non-derivatives</b>	<b>4,519,448</b>	<b>4,519,448</b>	<b>4,519,448</b>

There are no derivative financial instruments.

### c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns. The following market risk exposures have been assessed:

#### (i) Currency risk

The Group operates in Australian dollars with infrequent and low value transactions in other currencies. Such transactions present immaterial currency risk.

#### (ii) Interest rate risk

Exposure arises from assets bearing variable interest rates. With consideration of the cash balance at 30 June 2017 and the Group's intention to hold fixed rate assets to maturity, the impact of interest rate risk is considered to be immaterial.

#### (iii) Price Risk

Changes in commodity prices may impact the Group's projected cash flows in future years and may impact the assessment of the carrying value of its assets. However, given the company is not yet in production, changes in commodity prices do not currently impact the Group's profit or loss or its cash flows.

### d) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern.

There were no changes to the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

# NOTES TO THE FINANCIAL STATEMENTS: UNRECOGNISED ITEMS

## FOR THE YEAR ENDED 30 JUNE 2017



### 19. Commitments

#### Mining tenements

All of the Group tenements are situated in the South Australia. In order to maintain an interest in the mining and exploration tenements, the Group is committed to meet the conditions under which the tenements were granted. The timing and amount of exploration expenditure commitments and obligations of the Group are subject to the minimum expenditure commitments required as per the Mining Act 1971.

The following obligations are not provided for in the financial report:

Exploration expenditure commitments	2017 \$	2016 \$
Within one year	-	67,168
Later than one year but no later than five years	684,388	-
<b>Total exploration expenditure commitments</b>	<b>684,388</b>	67,168

The Groups interest in mining tenements is as follows:

South Australia	Tenement Reference	Interest
Warrambo	EL5934	100%
Lock	EL5496	100%
Mulgathing	EL5298	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

#### Lease commitments

The Group leases an office in Adelaide expired in 2017 and a long term lease has not been entered in to. The Lessor has agreed to a month by month tenancy for the foreseeable future.

Consequently, the total commitments for minimum payments in relation to operating leases for the year ended 30 June 2017 were nil (2016: \$265,923) and are categorised as follows:

Operating Lease commitments	2017 \$	2016 \$
Within one year	-	265,923
Later than one year but no later than five years	-	-
<b>Total lease commitments</b>	<b>-</b>	265,923

#### Capital commitments

There were no outstanding contractual commitments as at 30 June 2017.

### 20. Contingencies

There are no material contingent liabilities or contingent assets of the Group at reporting date.

### 21. Events after reporting date

There are no events after reporting date.



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# DIRECTORS' DECLARATION

## IRON ROAD LIMITED AND ITS CONTROLLED ENTITIES

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### The directors' of the Group declare that:

1. The consolidated financial statements, comprising the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and accompanying notes are in accordance with the *Corporations Act 2001* and:
  - a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - b) give a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosures included in the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2017, comply with section 300A of the *Corporations Act 2001*.
4. The directors' have been given the declarations by the chief executive officer and finance manager required by section 295A of the *Corporations Act 2001*.
5. The Group has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Board of directors and is signed for and on behalf of the directors by Andrew Stocks.



### Andrew Stocks

Managing Director  
20 September 2017



## *Independent auditor's report*

To the shareholders of Iron Road Limited

### *Report on the audit of the financial report*

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#### *Our opinion*

In our opinion:

The accompanying financial report of Iron Road Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **What we have audited**

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2017
- the consolidated income statement for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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# INDEPENDENT AUDITOR'S REPORT



## *Our audit approach*

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



### *Materiality*

- For the purpose of our audit we used overall Group materiality of \$1.3 million, which represents approximately 1% of the Group's total assets.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group total assets because, in our view, it is the metric against which the performance of the Group is most commonly measured given it is an exploration and evaluation company that has no production or sales.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly accepted thresholds in the mining industry.

### *Audit Scope*

- Our audit focused on areas where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group's accounting processes are performed at their head office in Adelaide, which is where we performed our audit procedures.



## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
<p><b>Funding for further exploration and evaluation</b> (Refer to note 17)</p> <p>The Group has continued to focus on the commercialisation of the Central Eyre Iron Project (CEIP) and requires additional funds to enable it to pursue this objective.</p> <p>The Group currently has no significant cash-generating assets in operation and has \$1,262,109 of available cash at balance date. The directors believe that these funds and additional funding to be obtained through further progression of the CEIP or from its major shareholder will be sufficient to allow the Group to continue to meet its financial obligations as and when they fall due. Accordingly, as described in note 17 of the financial report, the financial statements have been prepared by the Group on a going concern basis, which contemplates that the Group will continue to meet its commitments, realise its assets and settle its liabilities in the normal course of business.</p> <p>Assessing the appropriateness of the Group's basis of preparation of the financial report was a key audit matter due to its importance to the financial report and the level of judgement involved in assessing future funding and operational status, in particular with respect to the Group forecasting future cash flows for a period of at least 12 months from the date of the financial report.</p>	<p>In assessing the appropriateness of the Group's going concern basis of preparation for the financial report we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Evaluated the appropriateness of the Group's assessment of its ability to continue as a going concern including whether the level of analysis was appropriate given the nature of the Group.</li> <li>• Assessed the Group's cash flow forecast for at least 12 months from the date of signing of the auditor's report. In particular we: <ul style="list-style-type: none"> <li>○ Developed an understanding of expected additional funding and assessed the appropriateness of inclusion of this funding in the Group's cash flow forecast. This included obtaining representations from the directors regarding their plans for future funding;</li> <li>○ Developed an understanding of the Group's forecast monthly expenditure and the amount which is committed or discretionary to evaluate the level of cash reserves under different scenarios.</li> </ul> </li> <li>• Evaluated the adequacy of the disclosures made in the financial report, including the directors' conclusion that the Group is a going concern in accordance with the requirements of Australian Accounting Standards.</li> </ul>





## Key audit matter

### Carrying value of exploration and evaluation assets

(Refer to note 2) \$120.4m

The Group accounts for exploration and evaluation activities in accordance with the policy in Note 2 of the financial report. The amount recorded at 30 June 2017 relates entirely to the Group's principal project being the CEIP.

Judgement was required by the Group to determine whether there were indicators of impairment of the exploration and evaluation assets, due to the need to make estimates about future events and circumstances, such as whether the resources may be economically viable to develop in the future.

The carrying value of exploration and evaluation assets was considered a key audit matter given the size of the balance recorded on the Consolidated Statement of Financial Position at 30 June 2017 and the fact that determination of the balance involves significant judgements made by the Group as outlined above.

## How our audit addressed the key audit matter

We performed the following procedures:

- Evaluated the Group's assessment that there had been no indicators of impairment during the current period with reference to the requirements of Australian Accounting Standards;
- Considered the latest available information concerning the CEIP through inquiries of management and the directors, and review of press releases;
- Inquired of management and the directors as to whether there had been any changes to, and obtained evidence to support, the Group's right of tenure to the CEIP. This includes identifying the licence status recorded by the South Australian Department of State Development; and
- Tested a sample of current year capitalised expenditure to source documents and considered whether they had been accounted for in accordance with the Groups policy and that the expenditure met the minimum licence requirements.

## Other information

The directors are responsible for the other information. The other information comprises the Chairman's Letter, Managing Director's Report, Directors' Report and Operating and Financial Review included in the Group's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## *Responsibilities of the directors for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## *Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:  
[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)  
This description forms part of our auditor's report.

## *Report on the remuneration report*

### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 16 to 21 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the remuneration report of Iron Road Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Andrew Forman'.

Andrew Forman  
Partner

Adelaide  
20 September 2017

## ASX ADDITIONAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2017

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is shown below. All information is current as at 15 September 2017.

### Distribution of equity securities

Analysis of number of equity security holders by size of holding:

Spread of holding	Number of holders	Shares held	Percentage of ordinary fully paid shares
1-1,000	185	86,333	0.01%
1,001-5,000	479	1,435,420	0.21%
5,001-10,000	290	2,345,762	0.35%
10,001-100,000	626	20,718,679	3.06%
100,001 and over	142	652,968,092	96.37%
<b>Total holdings on register</b>	<b>1,722</b>	<b>677,554,286</b>	<b>100.00%</b>

There were 355 holders of less than a marketable parcel of ordinary shares.

### Twenty largest shareholders

The names of the twenty largest shareholders of quoted ordinary shares are:

	Holder name	Shares held	Percentage of ordinary fully paid shares
1	HSBC Custody Nominees Australia Limited	570,680,789	84.23%
2	SANBA II Inv Company	9,861,112	1.46%
3*	DEVIPO Pty Ltd	5,723,559	0.84%
4*	Cedarose Pty Ltd	4,535,624	0.67%
5	SEISUN Capital Pty Ltd	3,874,028	0.57%
6*	National Nominees Ltd	3,738,000	0.55%
7	Paul, Geoffrey John	2,920,450	0.43%
8	Anderson, CM & SM	2,900,000	0.43%
9	BNP Paribas Nominees Pty Ltd	2,826,010	0.42%
10	HSBC Custody Nominees Australia Ltd	2,660,150	0.39%
11	Citicorp Nominees Pty Ltd	2,632,587	0.39%
12	Stoncot Pty Ltd	2,005,000	0.30%
13	JEM Investment Fund Holdings Pty Ltd	1,550,000	0.23%
14	Leadville Investments Pty Ltd	1,500,000	0.22%
15*	Kiritopoulos A and Ford J	1,450,000	0.21%
16*	Stocks, Claire Margaret	1,442,657	0.21%
17*	Stocks, Andrew James	1,442,656	0.21%
18	Bond Street Custodians Ltd	1,321,000	0.19%
19	Faltas Abraham	1,000,360	0.15%
20	Rilat Lty Ltd	890,000	0.13%
	<b>Total</b>	<b>624,953,982</b>	<b>92.24%</b>

\* denotes merged holders

### Substantial shareholder

These substantial shareholders have notified the company in accordance with section 671B of the *Corporations Act 2001*:

	Shares held
Sentient Executive GP II, Limited	29,131,005
Sentient Executive GP III, Limited	51,558,593
Sentient Executive GP IV, Limited	418,881,392
<b>Total holding</b>	<b>499,570,990</b>

### Voting rights

All ordinary shares are fully paid and carry one vote per share without restriction.

### Performance rights

Carry no dividend or voting rights.  
On issue - 5,000,000  
Number of holders - 2

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*Stages of grinding media.*

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