

December 2021 Quarterly Activities Report



TOMBADOR IRON

31 January 2022

Tombador Iron Limited

Suite 5, 85 Forrest Street
Cottesloe WA 6011

ABN: 20 108 958 274
ASX: TI1

Tombador Iron Limited (ASX:TI1) is an Australian company established in October 2020.

The Company owns 100% of the world-class Tombador iron ore project in Bahia State, Brazil.

Tombador has commenced production of high-grade hematite iron ore from a simple open cut mining operation during Q2 CY2021

Executive Director

Stephen Quantrill

Non-Executive Directors

Anna Neuling – Chair
David Chapman
Keith Liddell

CEO

Gabriel Oliva

Company Secretary

Abby Macnish Niven

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HIGHLIGHTS

- The December 2021 Quarter marked Tombador Iron's second quarter of sales into export and local Brazil markets
- 103,900 wet metric tonnes (wmt) of high-grade lump and fines were sold during the December 2021 quarter
- 191,500 wmt of lump and fines ore was on stockpile as at 31 December 2021
- New and recurrent sales to Brazilian Steel Mills through the December 2021 Quarter
- Updated Mineral Resource estimate of 8.92Mt of high-grade hematite was announced on 24 December 2021
- Cash holdings of AUD\$25.2m as at 31 December 2021
- Stronger March 2022 Quarter expected with an increased production rate, higher iron ore prices and growing demand in the domestic Brazilian market for Tombador lump and fines



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OVERVIEW

During the quarter, the Company focused on increasing production capacity at the project, whilst selectively selling the high-grade product into the market only where the Company was able to achieve positive profit margins.

Tombador Iron Limited CEO Gabriel Oliva commented:

"We produced 147,800 wet metric tonnes (wmt) of lump and fines and increased our inventory over the last 3 months. Our focus remains on increasing production during the ramp up phase and delivering some of the best quality lump ore produced globally. With the recent recovery in iron ore prices the company expects to take advantage of commercial opportunities in the upcoming quarter."

Despite the persistently high seaborne Handysize freight market the Company selectively sold a total of 103,861wmt of high-grade iron ore during the quarter, including two export shipments totalling 75,631wmt and also 28,230wmt of domestic sales, principally for ongoing trials with Brazilian Steel Mills.

The average grade of product sold was an exceptional 65.4% Fe for lump export shipments. Tombador lump ore remains the highest grade lump ore produced in Brazil.

At the end of the December 2021 quarter, TI1 held cash and cash equivalents of AUD\$26.4m, including receivables of \$1.2m relating to shipments dispatched in the December 2021 quarter for which payments were received in January 2022. In addition, two final payments for December 2021 quarter shipments are expected to be received in the March 2022 quarter.

TOMBADOR PROJECT

Tombador Iron Limited (TI1.ASX, the "Company") is pleased to report the second quarter of sales of its high-grade iron ore.

The Company continues to focus on:

- Finalising the ramp-up phase and increasing the production rate and the availability of the crushing and screening plant;
- Growing the volume of high-grade lump and fines sales into the local Brazil market;
- Studying the feasibility of beneficiating medium iron grade rock, and
- Producing a JORC Ore Reserve.



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Production

Approximately 78,000wmt of lump product and 69,000wmt of fines product were crushed and screened during the December 2021 quarter, for a total production of 147,000wmt.

A tertiary cone crushing circuit was added to the crushing and screening plant to improve reliability and availability of the plant. The additions add flexibility to the plant to cater for customer requirements and allows for more flexibility in plant maintenance.



Figure 1 – A Tertiary Crushing Circuit was added in the December Quarter

As at 31 December 2021, Tombador had approximately 125,100 tonnes of medium grade¹ product and 64,400 tonnes of high-grade product on lump and fines stockpiles at the mine and 1,950 tonnes of high-grade product on stockpile at the port.

Production has been higher than sales and inventory has accordingly increased during the quarter as the Company continues with its strategy to develop the local Brazilian market to complement exporting product, especially whilst the shipping rates remain historically high. The Company continues to focus on preserving its valuable resource in the prevailing market.

¹Medium grade product is defined as product with grade below 64%Fe and above 58%Fe



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Figure 2 – Lump Stockpiles at the Tombador Mine



Figure 3 - Fines Stockpiles at the Tombador Mine



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Sales

During the December 2021 quarter, the Company loaded two ships for sale into the export market, totalling 75,631wmt of high-grade lump with an average grade of over 65%Fe. Average moisture content of the shipments was 0.43%. Since commencing export sales in mid-July 2021, the Company has now shipped a total of approximately 190,000wmt of lump and fines products into the European market.

The company also continued to develop the local Brazilian market and sold 28,230wmt of high-grade lump product to various Brazilian steel mills in the quarter. Four industrial tests are underway with Tier 1 steel mills in Brazil. The remarkable quality of the Tombador lump product has been confirmed by one of the largest steel mills in Latin America, which has made repeated monthly purchase orders since the commencement of sales.

Subsequent to the December quarter's end, the Company has also begun selling fines into the domestic market for industrial tests with a further two Brazilian Steel Mills.

During the quarter, the Company received AUD\$5.05m in relation to completed sales to both domestic and export customers, and AUD\$3.26m for partial payments delivered to the port stockpile.

Additionally, in January 2022, a further AUD\$491k has been received in payment of sales executed in the December 2021 quarter, and two final payments for December 2021 quarter shipments are expected to be received in the March 2022 quarter.

Since moving to commercial production for accounting purposes on 1 December 2021 the Company has received AUD\$4.6m in cash payments for sales, as disclosed in the Operating Activities section item 1.1 of the Company's Appendix 5B.



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Mineral Resources

The updated Mineral Resource estimate was announced on 24 December 2021 with 8.92Mt of high-grade hematite as categorised in Table 1 and 2 below.

Table 1 - Hematite Mineral Resource

Classification	Tonnes (Mt)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)
Measured	3.98	64.60	4.46	0.61	0.069
Indicated	3.02	65.77	3.76	0.63	0.078
Measured & Indicated	7.00	65.11	4.16	0.62	0.073
Inferred	1.62	61.92	9.33	0.64	0.086
Total	8.62	64.51	5.13	0.63	0.075

Hematite and High Phosphorus Hematite resources use a cut-off grade of 55% Fe.

Table 2 - High Phosphorus Hematite Mineral Resource

Classification	Tonnes (Mt)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)
Measured	0.29	60.70	8.46	1.17	0.327
Indicated	0.02	56.41	13.38	1.27	0.308
Total	0.30	60.45	8.74	1.17	0.326

Hematite and High Phosphorus Hematite resources use a cut-off grade of 55% Fe.

The Company is now preparing an ore reserve estimation. The ore reserve is expected to be completed by end March 2022, which will include a life of mine plan and enable the Company to provide forward-looking production guidance to the market.

Dry Beneficiation Studies

In the December 2021 quarter, study work continued into the evaluation to upgrade medium iron grade rock and mineralised waste located on Tombador Iron tenements into a high-grade lump product. Since operations began, medium iron grade rock and mineralised waste have been classified and stockpiled separately from barren waste for potential processing (beneficiation) at a later date. Test work of potentially beneficiable ore types has continued using dry sensor-based sorting technologies. Preliminary results from proof-of-concept study test work have been encouraging. The feasibility level studies will continue in the March 2022 quarter.



CORPORATE

Cash flows

During the December 2021 quarter, the Company moved to commercial production on 1 December 2021 for accounting purposes, resulting in a net cash amount of \$636k used for operating activities in the quarter, as shown in the Company's Appendix 5B. Prior to 1 December 2021, all revenues and direct production costs for the project have been capitalised as the project was in pre-production phase.

The Company invested AUD\$2.14m in developing the project in the quarter, including capital expenditure of \$399k to add the cone crusher circuit to the crushing and screening plant. The remaining development costs relate to the direct costs of production for the project in October and November 2021, whilst the project was operating in pre-production phase. This is reflected under the Appendix 5B under Cash flows from investing activities.

At the end of the quarter, the Company had approximately AUD\$25.2m in cash and cash equivalents. The Company currently holds no bank loans.

Payments to related parties and associates

In accordance with ASX Listing Rule 5.3.5, AUD\$225k was paid to related parties or their associates during the quarter, as shown in section 6 of the Company's Cashflow Report (Appendix 5B) for the quarter ended 31 December 2021. The payments include Director payments of \$129.3k, consulting fees of \$79.8k, and \$15.9k for office rent and administration services.

Authorised for release by the Board.

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TENEMENT SCHEDULE

The Company's interests in tenements are set out below:

Location	Project	Tenement Number	Interest at beginning of Quarter	Interest at End of Quarter
Sento Sé	Tombador Project	872.431/2003	100%	100%

ENDS.



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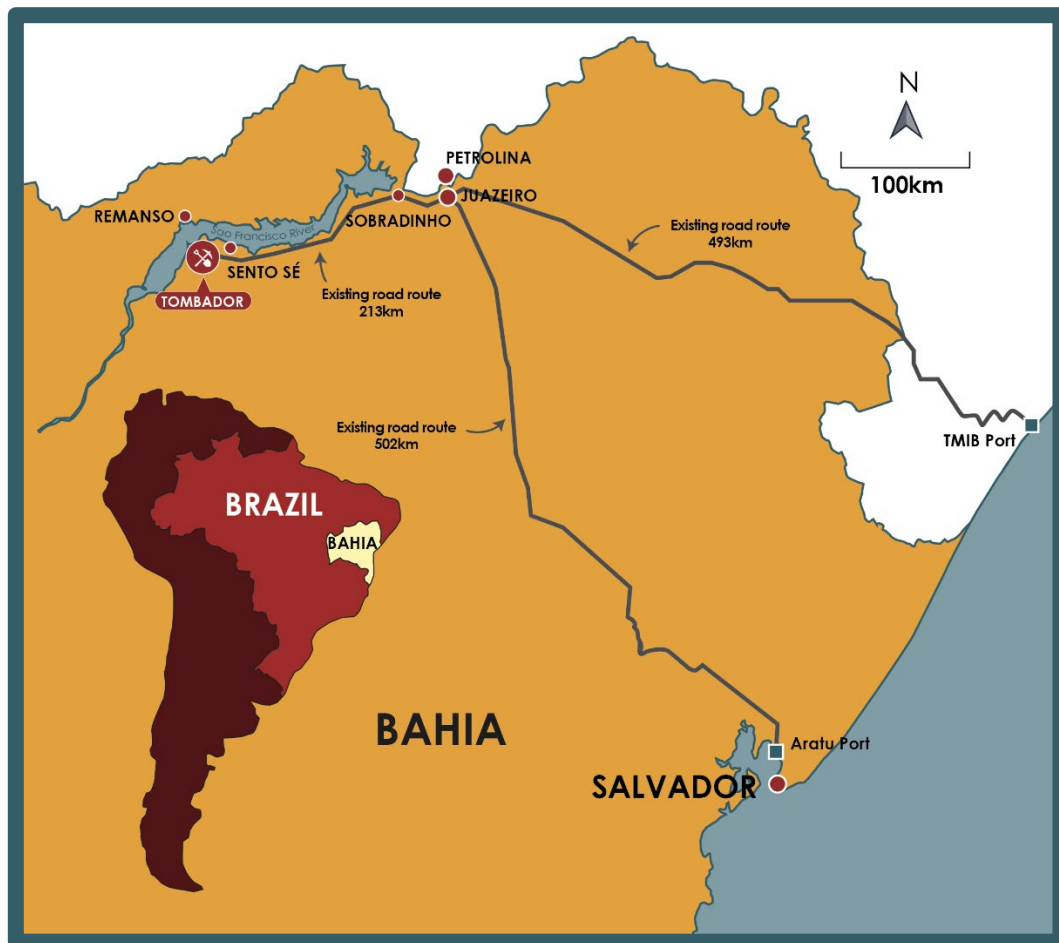
ABOUT TOMBADOR IRON LIMITED

Tombador Iron Ltd owns 100% of the fully permitted Tombador Iron Ore mine located in Bahia State Brazil.

Tombador commenced production of premium-grade lump and fines hematite iron ore in May 2021 from a low-capex open-pit mining operation.

Tombador's lump ore is in scarce supply globally and is suitable for Direct Reduced Iron and/or Blast Furnace steelmakers. Offtake partner Trafigura will purchase 100% of lump and fines product which Tombador sells into the international export market. Potential customers from the Brazilian steel industry have also indicated interest in Tombador's ore quality and trials are in progress.

The Company's board of directors is focused on rapidly ramping up production at the Tombador Project to achieve the potential of the operations and return dividends to shareholders.



Appendix 5B

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

Name of entity

Tombador Iron Limited

ABN

20 108 958 274

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	4,639	4,639
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	(3,006)	(3,006)
	(d) staff costs	(841)	(1,699)
	(e) administration and corporate costs	(736)	(1,222)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(2)	(2)
1.6	Income taxes paid	(690)	(690)
1.7	Government grants and tax incentives	-	-
1.8	Other (payment received from customers)	-	6,627
1.8	Other (product manufacturing and operating costs – discontinued operations)		
1.9	Net cash from / (used in) operating activities	(636)	4,647
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(2,139)	(4,010)
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(2,139)	(4,010)

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

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	28,410	24,707
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(636)	4,647
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,139)	(4,010)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
4.5	Effect of movement in exchange rates on cash held	(433)	(142)
4.6	Cash and cash equivalents at end of period	25,202	25,202

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	25,202	28,410
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	25,202	28,410

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

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

**Current quarter
\$A'000**

225

-

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

7. Financing facilities

*Note: the term "facility" includes all forms of financing arrangements available to the entity.
Add notes as necessary for an understanding of the sources of finance available to the entity.*

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

**Total facility
amount at quarter
end
\$A'000**

**Amount drawn at
quarter end
\$A'000**

-

-

-

-

-

-

-

-

7.5 Unused financing facilities available at quarter end

-

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

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(636)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(636)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	25,202
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	25,202
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	(36.63)
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
	1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: Not applicable.	
	2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: Not applicable.	
	3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: Not applicable.	

Compliance statement

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

Date: 31 January 2022

Authorised by: By the Board of Tombador Iron Limited