

December 2022 Quarterly Activities Report



TOMBADOR IRON

30 January 2023

Tombador Iron Limited

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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 Quanttrill

Non-Executive Directors

Anna Neuling – Chair
David Chapman
Keith Liddell

CEO

Gabriel Oliva

Company Secretary

Abby Macnish Niven

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HIGHLIGHTS

- The Company produced 152,000 wet metric tonnes (wmt) of lump and fines ore during the December 2022 quarter
- 83,900 wmt of high-grade product was sold during the December 2022 quarter
- 559,000 wmt of lump and fines ore were on stockpile (to a value of AUD\$13.9m at cost of production) as at 30 December 2022
- Cash holdings of AUD\$14.16m as at 31 December 2022, after payment of UAD\$5.984m maiden dividend
- Environmental Alteration Licence (LA) approved covering life of mine project plan as outlined in the PFS.
- Focus on market development in Brazil and in the European & Asian export markets to optimise operational margins
- Tombador has secured contracts for two export shipments of high-grade iron ore to be delivered into the Asian market in the March 2023 quarter



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Tombador Iron Limited CEO Gabriel Oliva commented: “Last quarter we produced 152,000 tonnes of lump and fines product and sold 83,900 tonnes. Tombador remains very active in its goal of extending its Brazilian market footprint, focusing on developing long-term agreements with the main steel companies in the domestic market whilst also developing new markets in Asia, targeting the strong demand for raw materials in that region.

OVERVIEW

The Company has continued its focus on growing sales and market development in the Brazilian domestic market during the last quarter.

Production was maintained at approximately 50,000 tonnes of ore per month with sales managed to market conditions.

Tombador lump ore remains the highest-grade lump ore produced in Brazil. The Company selectively sold a total of 83,900 wmt of high-grade iron ore during the quarter. 47,000 wmt was sold to the domestic Brazil market, and the remaining 36,900 wmt was exported to Europe.

At the end of the December 2022 quarter, TI1 held cash and receivables of AUD\$16.29m, (including receivables of AUD\$2.13m relating to sales executed in the December 2022 quarter for which payments were received in January 2023).

TOMBADOR PROJECT

Tombador Iron Limited (TI1.ASX, the “Company”) produced 152,000 wmt and sold 83,900 wmt of iron ore for the December quarter.

The Company continues to focus on:

- Growing the volume of high-grade lump and fines sales, and shortening the average distance to clients with continued development of sales to the local Brazilian market.
- Monitoring the situation in Europe and the freight market to Asia for export sales opportunities;
- Managing production and sales to best match market conditions;
- Studying the feasibility of beneficiating medium grade iron ore.



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Production

Tombador received approval of its environmental alteration licence (LA) during the December quarter. This licence extends the limits of operations to the area required for the full life of mine as outlined in the PFS. Work commenced on preparing areas for stockpile expansion and for a highwall cutback.

Approximately 60,000 wmt of lump product and 92,000 wmt of fines product were crushed and screened during the December 2022 quarter, for a total production of 152,000 wmt. Mining during the quarter was in a friable portion of the ore body resulting in the lower lump yield.



Figure 1 – Overview of Tombador Stockpiles

As at 31 December 2022, Tombador had approximately 559,000 tonnes of product on stockpiles. Stockpiles both at the mine and at the port are valued at the cost of production and accounted for on the Company's Balance Sheet until such time as the product is sold.

Production tonnes have been higher than sales, and inventory has increased during the quarter. The Company is continuing its strategy of managing production and sales to realise positive margins for its valuable resource in the prevailing market.

The Company used excess production capacity in the quarter for maintenance, waste stripping and preparing areas obtained under the LA for extending mining operations and stockpile area.



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Sales

During the December 2022 quarter, the Company sold approximately 47,000 wmt of high-grade product to various Brazilian steel mills in the domestic market.

The Company also loaded an export shipment with 36,900 wmt of high-grade lump to a Tier 1 European steel mill during the December 2022 quarter.

The fourth quarter of 2022 was marked by a reduction of crude steel production in Brazil and also high energy costs in Europe, Tombador's main export market in 2022.

European markets were under stress, especially during the winter season, impacting local steel margins and dynamics. The reduction of market liquidity was also a direct consequence of the zero-Covid policies in China which pressured the main iron ore index prices to a 2-year low of USD 79,50/dmt at the end of October 2022,.

Also, during the December 2022 quarter, China made significant shifts in the zero-Covid policy by softening restrictions, which raised confidence in the iron ore market from December 2022 onwards. Such factors are increasing commercial activity and driving stronger demand from the Asian markets.

Ocean freight prices have come down due to a combination of demand and lower oil prices presenting sales opportunities for the seaborne market. Following the export market trend, Tombador worked on securing contracts for two export shipments of high-grade iron ore to be delivered to the Asian market in the March 2023 quarter.

These proposed contracts are for one lump and one fines shipment of approximately 45,000 wet metric tonnes each. These export shipments are being made possible through the possibility of loading larger vessels of 45,000 wet metric tonnes through the port of Enseada, located in Maragogipe.

Tombador will continue to focus on growing sales to meet production capacity and move inventory.

Dry Beneficiation Studies

In the December 2022 quarter, study work continued to evaluate the potential 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. Following positive proof-of-concept sensor-based sorting technology study results, 2 phases of bulk test work were completed by the December 2022 quarter and showed positive results. Definitive technical and economic analysis is planned for the March 2023 quarter.



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Additional bulk samples were collected in the December 2022 quarter in preparation for both dry and wet jigging test work scheduled for the March 2023 quarter. The objective for these tests will be to provide a comparison with sensor-based sorting for lump size fractions and determine if the overall yield can be increased by upgrading the fines to a saleable product.

CORPORATE

Cash flows

The December 2022 quarter resulted in a net cash amount of AUD\$1.46m being utilised during operating activities in the quarter, as shown in the Company's Appendix 5B. The product on stockpile increased by AUD\$0.4m to an approximate value of AUD\$13.9m, valued at the cost of production.

The Company invested AUD\$2.66m in developing the project in the quarter, which related to capital expenditure of \$2.313m to extend the pit design in line with the mine plan, as shown in the Company's Appendix 5B as deferred stripping costs. The Company also spent \$350k on improvements to the tertiary crusher.

The Company spent AUD\$0.715m on financing costs related to the lease of both mining equipment and housing. The Company also paid AUD\$5.984m to shareholders for its maiden dividend.

At the end of the quarter, the Company had approximately AUD\$14.16m in cash. 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 2022. The payments include Director payments of \$122k, consulting fees of \$87k, and \$16k for office rent and administration services.

Authorised for release by the Board.



TOMBADOR IRON

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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	872.431/200	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. Tombador is building sales volumes within the Brazilian steel industry with repeat orders received from several domestic steel mills and other potential Brazilian customers currently trialling the Company's high grade lump and fines products.

The Company's board of directors is focused on maximising profit margins from mining operations and returning dividends to shareholders.

