



September 2023 Quarterly Activities Report



31 October 2023

Tombador Iron Limited

Suite 5, 85 Forrest Street
Cottesloe WA 6011

ABN: 20 108 958 274
ASX: T11

Tombador Iron Limited (ASX:T11) 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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KEY EVENTS

- The Company sold 123,000 wmt of high-grade product during the September 2023 quarter.
- 112,000 wet metric tonnes (wmt) of lump and fines ore was produced during the September 2023 quarter.
- Production was constrained due to a geotechnical event that occurred at the beginning of the September 2023 quarter.
- 412,000 wmt of lump and fines ore were on stockpile (to a value of AUD\$12.1m at cost of production) as at 30 September 2023.
- Cash holdings of AUD\$14.7m as at 30 September 2023.

Tombador Iron Limited's quarterly report for September 2023 reflects the impact of an unexpected geotechnical event on its production and sales activities. The Company produced 112,000 wmt of iron ore during the quarter, facing constraints due to the geotechnical event, which necessitated additional safety measures, cutback operations and shallower pit slopes. While managing these constraints and challenges, Tombador focused on meeting commitments in the domestic market, selling approximately 123,000 wmt of iron ore to mitigate the effects of production constraints. Following the September 2023 quarterly reporting period, the Company announced suspension of operations and then subsequently accepted an offer for the sale of the Tombador Iron Project, subject to shareholder approval. The Company is currently in voluntary suspension whilst the sale and approval process is finalised.



TOMBADOR IRON

TOMBADOR PROJECT

Tombador Iron Limited (TIL.ASX, the "Company") produced 112,000 wmt and sold 123,000 wmt of iron ore for the September quarter. Lower production levels were attributable in part to a geotechnical event at the end of June 2023.

During the Quarter the Company focused on:

- Reducing pit wall slopes, cutback operations and additional geotechnical works;
- Slope monitoring and other safety measures;
- Maintaining a conservative sales program with its Brazil domestic customers to mitigate the effect of the recent production constraints;
- Exploring market opportunities to move fines stockpiles in export market;
- Studying the feasibility of beneficiating medium grade iron ore.

Production

The September 2023 quarter production of crushed and screened product was a total of approximately 112,000 wmt. This was comprised of 56,700 wmt of lump product and 55,300 wmt of fines product.

As at 30 September 2023, Tombador had approximately 412,000 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 was constrained due to the previously announced unexpected geotechnical event, cutback operations and additional geotechnical work and safety measures. Shallower pit slopes were adopted while awaiting further geotechnical advice, which is expected to be delivered following completion and analysis of a program of geotechnical drilling and mapping currently underway.

The infill drilling program was concluded in the September 2023 Quarter.

Sales

During the September 2023 quarter the Company sold approximately 123,000 wmt which was placed entirely in the domestic market. The Company maintained a conservative sales program with its Brazil domestic customers to mitigate the effect of the recent production constraints.

The Company did explore market opportunities to move fines stockpiles in the export market, however the prevailing market conditions, including higher freight and logistics costs, meant that suitable buyers were not secured in the quarter.



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Beneficiation Studies

In the September 2023 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. A definitive technical and economic analysis of sensor-based sorting was completed in the September 2023 quarter. The analysis showed that sensor-based sorting (suitable only for lump), as a standalone beneficiation technology, was only marginally economic and would need to be supported by beneficiation of the fines to provide a positive economic outcome.

Dry and wet jigging test work was completed in the September 2023 quarter. The objective of these tests was 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. The results were encouraging for the wet jigging test work. The dry jigging test work results did not achieve desired grades and mass recoveries. No further work or evaluation is planned for the use of this technology.



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Project Sale

Following the September 2023 quarterly reporting period, the Company announced that the Board decided to suspend mining operations at the Tombador Project. This was a decision that was deeply considered by the Board and was made after a Board visit to the project, careful consideration of safety and geotechnical concerns and advice, market conditions and uncertainty of project economics. As the Company entered into discussions with its mining contractor regarding the suspension, it received an offer from PJ INVESTIMENTOS E PARTICIPAÇÕES LTDA, which is a party affiliated with the project's mining contractor, to purchase the Company's Brazilian assets associated with the Tombador Iron Project.

On the 25th of October 2023 the Company announced that it had accepted the offer to acquire the Tombador Iron Project, subject to shareholder approvals.

Under the terms of the agreement, PJ INVESTIMENTOS E PARTICIPAÇÕES LTDA, will acquire the Company's Brazilian subsidiary, Tombador Iron Mineracao. They will take over the costs and benefits of the Tombador project from 1 November 2023 and the Company will receive:

- staged payments BRL\$10million,
- a royalty of 4.25% on gross revenue from iron ore sales of direct ship ores, and
- approximately BRL\$5 million tax refund (PIS and COFINS) subject to Federal Government of Brazil approval of refund requests.

The offer was accepted to preserve value to shareholders and considered the risks and costs associated with retaining and operating the project. These included the required cutback operations and increased waste strip ratio necessitated by geotechnical advice, and the uncertainty of project economics whilst waiting for updated final pit design parameters. Retaining a project with suspended operations would also incur demobilization costs, care and maintenance costs and an ongoing rehabilitation liability.

The Company has stated it will work closely with PJ INVESTIMENTOS E PARTICIPAÇÕES LTDA to facilitate a smooth transition. The project's operations will continue to safeguard the welfare of employees during this process, and to ensure continuous supply of ore to key customers.

The offer has conditions including a due diligence period and Tombador Iron Ltd shareholder approval. Shareholders will be provided with details of the approval process relating to the sale of the Tombador Iron Project.



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CORPORATE

Cash flows

The September 2023 quarter resulted in a net cash amount of AUD\$0.22m being generated during operating activities in the quarter, as shown in the Company's Appendix 5B. The product on stockpile decreased by AUD\$0.65m to an approximate value of AUD\$12.05m, valued at the cost of production.

The Company spent AUD\$6.079m on cutback and waste stripping in the quarter, which was apportioned to capital expenditure, as shown in the Company's Appendix 5B, in addition to AUD\$17k in small asset purchases.

The Company spent AUD\$1.275m on financing costs related to the lease of its mining equipment and an adjustment was made to reallocate \$0.46m from item 1.5: "Interest and other costs of finance paid" to item 3.9: "Other" (equipment lease financing costs).

At the end of the quarter, the Company had approximately AUD\$14.7m 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\$169k 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 30 September 2023. The payments include Director payments of \$92k, consulting fees of \$61k, and \$16k 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 | 872.431/200 | 100% | 100% |

ENDS.

