



08 June 2018

Mr. Brad Parker
ElectraNet Pty Ltd
52-55 East Terrace
Adelaide, SA 5000
AUSTRALIA

Dear Mr. Parker,

RE: Eyre Peninsula Analysis

AME Consulting Pty Ltd (“AME”) has been engaged by ElectraNet Pty Ltd (“ElectraNet”, or the “Client”) to assess the Iron Ore projects on the Eyre Peninsula and discuss the likelihood of the projects commencing over the next 20 years (the “Report”). We understand and acknowledge that ElectraNet will use this report, in whole or part, with their advisors, on their planning report for network upgrades on the Eyre Peninsula.

Production and Cost Analysis

Available data varies greatly between operations and projects. Much information is not reliable due to language difficulties, the confidential nature of the information, the inability to estimate the reliability of AME’s sources and general lack of data. Consequently, much information has to be estimated and the quality, accuracy and completeness of the resulting cost comparisons will reflect this and cannot be guaranteed. Furthermore, forecast costs embody a number of significant assumptions with respect to exchange rates and other technical variables. Because of these factors, direct comparability between individual projects may be limited and, as such, our supply and cost estimates must be treated with caution and cannot be relied upon.

Supply/Demand Analysis

In addition, AME has supplied tables of historical data and estimated future supply, demand and market trends by compiling, interpreting and analysing engineering, supply, economic, statistical and technical information from many third-party sources. Such company and country statistics usually contain inconsistencies and utilise sampling data techniques and, thus, should not be relied upon.

Data Accuracy

AME has prepared this Report using information from its in-house database as well as a wide range of public domain and industry data sources for which assessment cannot be made in regard to accuracy. This is because AME does not have access to confidential company information to verify our data quality. Therefore, reliance can only be provided where we have data of sufficient quality that is acceptable to an international commercial court.

Forward-Looking Statements

Statements in this document may contain forward-looking information identified by words such as 'estimates', 'intends', 'expects', 'believes', 'may' and 'will' and include, without limitation, statements regarding companies' plans of business operations, supply levels and costs, potential contractual arrangements and the delivery of equipment, receipt of working capital, anticipated revenues, mineral reserve and mineral resource estimates, and projected expenditures. There can be no assurance that such statements will prove to be accurate—actual results and future events could differ materially from such statements. Factors that could cause actual results to differ materially include, among others, changes to metal prices, risks inherent in the mining industry, changes in the economic environment, financing risks, labour risks, uncertainty of mineral reserves and resource estimates, equipment and supply risks, regulatory risks and environmental concerns. Caution is needed and no reliance on forward-looking information can be made. Except as otherwise required by applicable securities statutes or regulation, AME expressly disclaims any intent or obligation to update publicly forward-looking information, whether as a result of new information, future events or otherwise.

Third-Party Sources

AME's research is undertaken through both primary and secondary research from various sources. Primary sources include contact with market participants and industry experts, such as producers, industry consultants and associations. Secondary research involves desktop research of government departments and statistics, trade data, industry journals, company reports, public domain information, and data from the AME proprietary research database. AME makes attempts to obtain information from multiple sources to cross-reference and ensure consistency. Information and data collected has been analysed, assessed and reasonably validated using the in-house techniques of AME.

Best wishes,

AME Consulting Pty Ltd

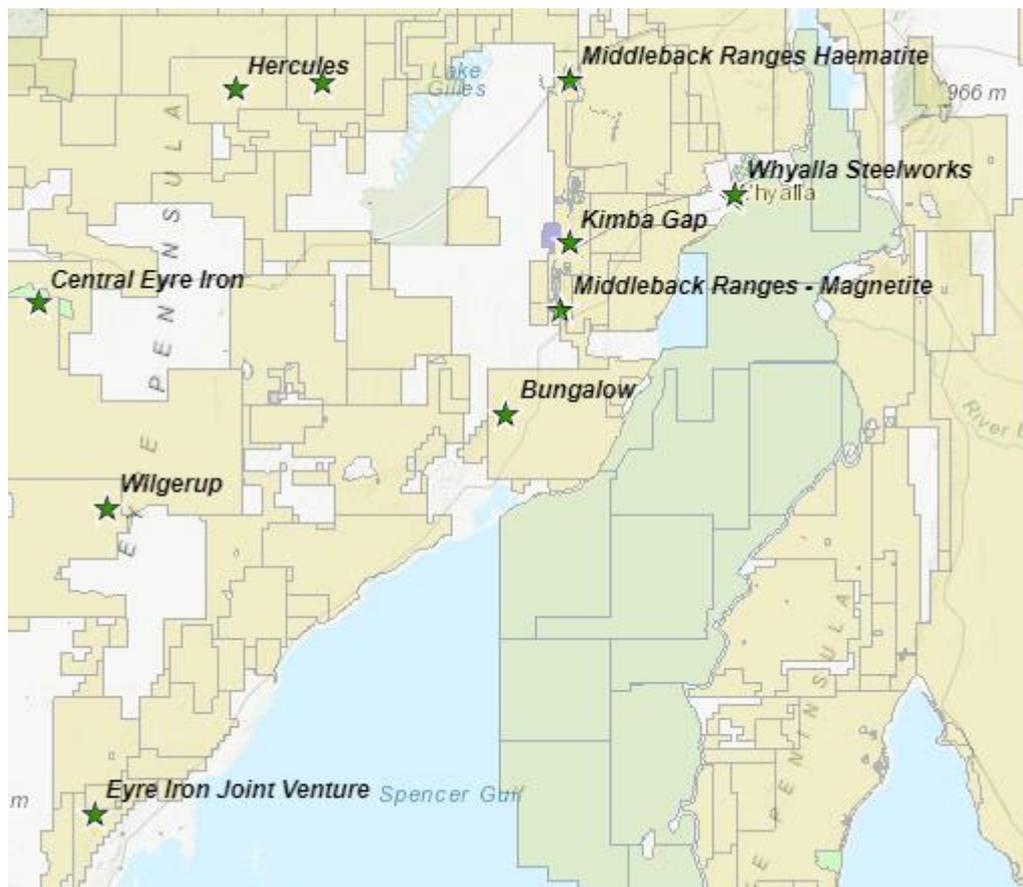
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1.0 Eyre Peninsula Mining Projects

The Eyre peninsula in South Australia is currently home to the Whyalla Steel Works and the associated iron ore operations in the Middleback Ranges. During the late 2000s, a number of magnetite projects were proposed in the area. The only project to enter production was the South Middleback Ranges project owned by Arrium (now SIMEC); the other projects owned by junior developer failed to progress despite a number of joint ventures with Chinese steel mills. With the exception of the Central Eyre Iron Project, these other joint ventures have now collapsed and the rights to develop are now sitting with the Chinese parties, with no plans to develop any further. The Central Eyre Iron Project is now the only remaining project still actively pursuing development.

Figure 1: Iron Ore Projects on the Eyre Peninsula



Source: AME

2.0 The Central Eyre Iron Project

The Central Eyre Iron Project is a proposed magnetite project located approximately 200km inland from Whyalla, on the Eyre Peninsula in South Australia, owned by Iron Road Limited. The project plans to be an integrated mine, rail and port project, allowing third party access to the logistical infrastructure for soft commodity exports. As a magnetite operation, the project has a much higher capital expenditure and operating cost profile than that seen in typical iron ore operations in the Pilbara due to much higher capital intensity for facilities to process the ore, and higher waste movement to ore ratios, as well as the requirement to process the large volumes of ore, approximately 6.4 tonnes of ore to produce 1 tonne of product, to produce the high-grade magnetite product. The project has proceeded through a number of feasibility studies, with the definitive feasibility study completed in 2014, since optimised, for a mine to produce 24Mtpa of magnetite concentrate for export through a new port on the Spencer Gulf. On the back

of this feasibility, environmental approvals and a mining lease were granted for the project in 2017, which clears all regulatory requirements for the project to proceed. The project is continuing to advance the project and is actively working on funding solutions for the project, and have MoUs in place with Chinese steel mills for offtake agreements, infrastructure financing, as well as discussions to finalise a whole-of-project financing agreement with China Railway Group.

The project has a budgeted capital expenditure of US\$3.7bn for the project to reach full commercial capacity. Under current projected costs and revenue, the project is considered to have the potential to be cash flow positive and return a positive NPV. As an approved project with a positive NPV, that is yet to secure funding and requires logistical infrastructure to be built, AME classifies this as a possible project, meaning that it has a greater than 50% chance of coming into production over a 15 year horizon.

Figure 2: Summary Production and Financial Data



Source: AME

3.0 Historical Iron Ore Project Conversion Rates

AME has reviewed the rate of conversion of iron ore projects in Australia that reach feasibility stage progressing to the production phase over the past 13 years. Over this period, it has been assessed that the average project conversion rate was approximately 6.2% pa. When projects proposed by Rio Tinto, BHP and FMG are excluded, the conversion rate for projects proposed by junior mining companies falls to 5.8% pa.

However, when magnetite projects are separated out as a separate group, over this period only 3 out of 13 proposed projects have entered production during this time, all of which have experienced cost overruns and operational issues. Despite these operations producing a significantly higher value product than that typically produced by Pilbara producers, the complex nature of these projects have made it difficult to attract funding to progress through to the construction phase.

As the Central Eyre Iron Project has progressed though to gain all approvals, and is still progressing optimisation projects with an EPDC contractor and actively seeking funding solutions, it is likely that the probability of this project over the forecast period is closer to that seen by other junior mining companies over the past 13 years.