JWD OPERATIONS UPDATE

HIGHLIGHTS

- Increased headline iron ore price and the lump premium are positive for JWD economics
- Strategy to run down mined ore stocks to reduce cash costs of mining and preserve working capital is now complete
- Mining activities have recommenced with first ore ex-pit being delivered to the plant 7 January 2022
- Realised hedge gains for the December Quarter of USD5.8m; new March Quarter hedge positions established
- Stockpile funding arrangements agreed
- January shipment sale finalised

CuFe Ltd (ASX: **CUF**) (the **Company**) is pleased to provide an update on operations at its JWD Iron Ore Project (**JWD, JWD Project**). The Company holds a 60% interest in the JWD Project via its subsidiary Wiluna Fe Pty Ltd as Operator of the joint venture (**JWD JV**).

Iron Ore Market and Sea Freight

Iron Ore prices have continued to firm in recent months, with 62% index prices rising from a low of USD87 to current levels in the high USD120's.

Importantly for JWD, which is focused on the sale of high-grade lump product, lump premiums have also increased from an average of 5.8c per dry metric tonne unit (dmtu) for September to 20.3c per dmtu for December. The February forward lump price has also increased and is currently approaching 30c per dmtu. At a 30c level this adds in the order of USD18-19 / t to the 62% Fe headline fines price.

Sea freight rates have also decreased in recent months, with the vessel class used for JWD product from the Geraldton Port reducing by approximately 30% from their highs. Whilst the current rates remain elevated relative to historical averages, this recent reduction in the cost of sea freight has the effect of further increasing the realised price to the Company, in addition to the improvement in headline price discussed above.

Mining Operations

The Company has recommenced mining activities at JWD following a hiatus to allow processing and haulage to run down mined ore stock on hand. This stock drawdown reduced the Company's working capital requirements while the iron ore price was softer in the December Quarter.

Processing and haulage operations have operated continuously other than a short break over the Christmas period. Historical stock positions are now cleared out with operations having now commenced crushing and screening and haulage of newly mined material.

Product hedges

As noted above, iron ore prices have rebounded somewhat so the Company has commenced setting hedge positions for the March quarter, with the following positions entered to date:

- Feb 22; zero cost collar - 62% index basis USD110 - 139 25kt dmt
- Mar 22; zero cost collar - 62% index basis USD110 - 139 25kt dmt
- Mar 22; swap - 62% index basis USD128 – 25kt dmt

These positions provide a floor price that covers costs and offers upside participation.

The hedge positions for the December Quarter have all either matured or been traded with a total realised gain of USD5.8m recorded by the JWD JV. Some positions were closed out before maturity to either remove overlap with a fixed price sale, assist in working capital management, or take advantage of pricing points available at the time.

Offtake financing facility

As previously advised the Company established a USD7.5m prepayment finance facility for the JWD JV to assist in working capital management through its ramp up phase. USD5m of this facility has been repaid, with the remaining balance to repaid from the next two shipments.

The agreement has been restructured to allow further drawdowns of up to USD3m against stock held at port, to assist the Company in management of working capital as required as Operator of the JWD JV.

Sales

The next shipment will load in late January for delivery to a new customer in South East Asia. The shipment will be a part cargo comprising JWD product and GWR Group Ltd's C4 product. Material for that shipment is already stored in the shed at the Geraldton Port and building of the next shipment has now commenced.

The Company's Executive Chairman, Tony Sage, commented: "It's encouraging to see the rebound in iron ore price, assisted by a reduction in sea freight rates. We've focused on cost and cashflow management over the last quarter while prices have been weaker and start this quarter in a solid position with the mine fully operational and poised to benefit from the stronger prices expected in coming months. We have taken advantage of the improved market conditions and entered some further hedges which help to manage our price risk exposure while maintaining upside participation. We will set further positions as the market allows."

Announcement released with authority of the CUF Board of Directors.

Yours faithfully
CuFe Ltd

Tony Sage
Executive Chairman

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