

9 September 2020

ASX Announcement

Term Sheet Executed for a Works Contract for Development of the C4 Iron Deposit

Highlights

- **GWR Group Limited has executed a Term Sheet with Pilbara Resource Group Pty Ltd setting out the key terms for development of the C4 Iron Deposit.**
- **Term Sheet sets out key terms for a works contract, with Pilbara Resource Group Pty Ltd undertaking all aspects of the operations 'from Pit to Port' on commercial rates to be agreed.**
- **Pilbara Resource Group Pty Ltd will also be entitled to a 30% share of project profit.**

GWR Group Limited (ASX: GWR) ("**GWR**" or "**the Company**") is pleased to announce that it has reached agreement on key terms for a works contract with the Pilbara Resource Group Pty Ltd (PRG) to undertake the development of Stage 1 of the C4 Iron Deposit.

GWR Chairman Gary Lyons said,

"The execution of a Term Sheet for development of the C4 Iron Deposit is very significant for GWR shareholders, and together with the recently announced mining approvals represents a major milestone for the Company paving the way for the commencement of commercial iron ore production at the Wiluna West Iron Ore Project.

The Wiluna West Iron Ore Project, an exceptional, DSO iron ore development project, which will produce a high grade, low impurity iron ore. The Company aims to take advantage of the current strong iron ore prices."

Scott Dryland (Managing Director) – Pilbara Resource Group stated, *"This project has added to a record year for PRG. Our business has gone from strength to strength and we are extremely happy to have the opportunity to deliver this project in partnership with GWR".*

C4 Iron Deposit

The C4 Iron Deposit is 1.4 km long and contains a combined DSO hematite, JORC 2004 Mineral Resource estimate of 21.6 million tonnes at 60.7% Fe, comprising 18.5 million tonnes at 61.2% Fe Indicated and 3.1 million tonnes at 58.0% Fe Inferred (refer to ASX announcement 8th July 2011). The C4 deposit has widths of DSO hematite mineralisation of up to 120 m with close spaced RC drilling having previously been undertaken on a 25 m by 10 m spacing over a strike length of 200 m.

The C4 Stage 1 project targets a 500m strike length of outcropping high-grade DSO hematite mineralisation within the larger C4 deposit. GWR has undertaken internal mine designs and scheduling.

GWR has been engaging with the Port of Geraldton and current users for port and shed access and continues to investigate other opportunities.

Discussions are ongoing and well advanced with a nearby established mine in the Wiluna area for access to site services such as village, workshops and water.

As recently announced DMIRS has approved the Mining Proposal, Clearing Permits and Project Management Plan which will allow mining and the construction of a haul road to the Goldfields Highway.

The Company is steadily and deliberately implementing its strategy to transition from explorer to miner. The proposed development of C4 will effectively open up the entire 131 Mt high grade Wiluna West Iron Ore Project for exploitation.

Commercial Terms

Key terms set out in the Term Sheet with PRG are as follows:

- GWR and PRG will negotiate formal contract documentation including a Works Contract as soon as possible.
- GWR will engage PRG to carry out agreed works for development, mining and transport of Stage 1 of the C4 Iron Deposit including construction of the haul road, open pit and other required facilities and infrastructure, surveying, mining, crushing, screening and transport to port based on a schedule of rates to be agreed
- GWR will undertake mine design, planning and optimisation
- PRG will provide its own project capital for the purpose of funding its performance under the Works Contract
- GWR will pay PRG for contract works and disbursements from the net proceeds of shipments
- GWR may suspend contract works if projected profitability falls below \$10/tonne
- GWR will provide a payment guarantee up to \$1.75million for transport infrastructure investment made by PRG which PRG may call on within 60 days of contract works being suspended or terminated or if the guaranteed costs have not been paid from proceeds of shipments within 12 months from the start of the works contract
- GWR will grant to PRG a first registered general security interest over up to 1 million tonnes of the C4 deposit as defined by the mine plan including the C4 stockpile for the purpose of securing payments to PRG under the works contract
- GWR will be responsible for ore sales strategy and timing
- PRG will be entitled to a 30% share of the profit from Stage 1 of the C4 Iron Deposit
- The parties are committed to agreeing a budget of project income and costs in good faith and within 14 days.

Next steps for the development of the C4 Iron Deposit

The Company will be focused on finalising a formal Works Contract incorporating a project budget and in addition will be undertaking the following:

- Grade control drilling program, geological modelling, mine planning and scheduling
- Finalisation of contract rates for major services; mining, crushing and screening
- Completion of approvals and designs for Wiluna/Meekatharra Road intersection
- Completion of agreements with Port of Geraldton for services and third party for shed access
- Completion of service agreement with nearby mine for access to site services such as village, workshops and water.
- Completion of establishment offtake agreements for sale of product
- Commencement of Northern Haul Road construction and site setup (workshops, lay down area's, internal access roads and services such as water, power and communication)

The Company will keep shareholder informed of operational milestones as they progress.

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This ASX announcement was authorised for release by the Adrian Costello, General Manager of GWR Group Ltd

About GWR's Wiluna West Iron Ore Project

The Wiluna West Iron Ore Project, is an exceptional, DSO iron ore development project, which will produce a high grade, low impurity iron ore as metallurgical tests have demonstrated. The Wiluna West project has a 2004 JORC Code compliant Resource totalling 131.1 Mt at 60.0% Fe, comprising of 10.1 Mt at 62.5% Fe Measured, 72.0 Mt at 59.9% Fe Indicated and 48.8 Mt @ 59.4% Fe Inferred. (refer ASX announcement dated 12th November 2019 and 8th July 2011 and 11th April 2013).

About Pilbara Resource Group

Pilbara Resource Group Pty Ltd (PRG) are specialist contractors in mining and resource development.

From building surface and underground mine infrastructure to providing production mining services and highly skilled personnel, PRG is well regarded in the industry as a high value contractor. PRG is highly rated in not only primary contracting but in training and education which combined with stringent health and safety policies and procedures, creates a high performance workforce that is fully aligned with each contracting partner's vision.

PRG's Executive Team is comprised of experienced industry professionals and offers a wealth of strategic planning and technical execution that is hard to emulate in an in-house team. Understanding the mine lifecycle means they are adept at challenging ideas and creating bespoke solutions.

Competent Person's Statement

The information in this report which relates to Exploration Targets, Exploration Results and Mineral Resources or Ore Reserves is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences ("AIG") and independent consultant to the Company. Mr Maynard is the Director and principal geologist of AI Maynard & Associates Pty Ltd and has over 40 continuous years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves" (JORC Code). Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

The Mineral Resource Estimate was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

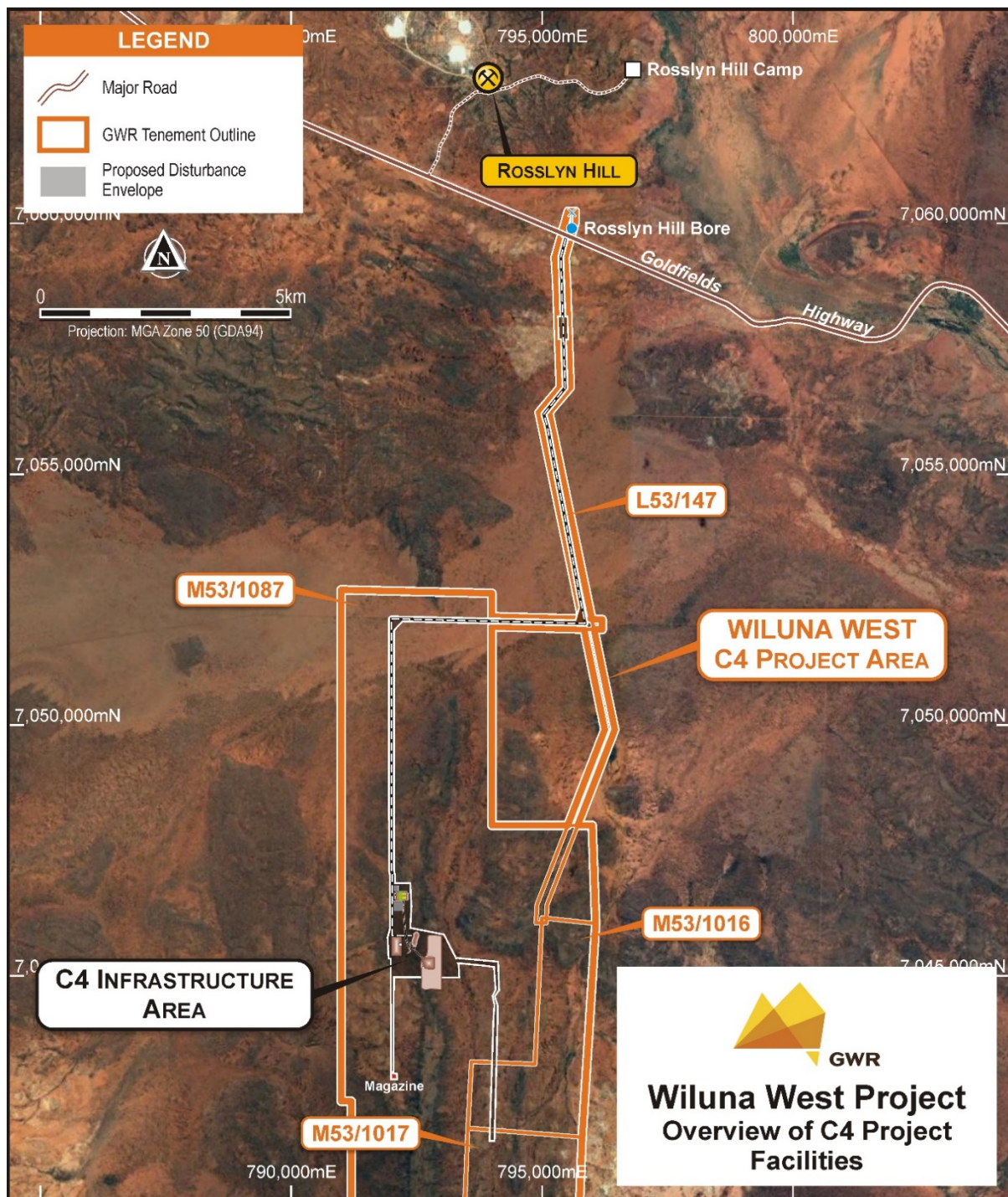


Figure 1 – Overview of Project Facilities