

23 November 2020

## **Chairman Address to Shareholders for 2020 Annual General Meeting**

I was appointed to the Ironbark Board as Chairman just over 12 months ago. Our Managing Director, Michael Jardine, was appointed the day after my appointment. It is not the norm to have a new Chairman and a new Managing Director appointed in such quick succession, however, the previous Board had determined that this was necessary in order to bring a fresh approach to the challenge of developing the Citronen Zinc/Lead Project in Greenland. As shareholders are well aware, the original feasibility study was completed in 2011 and a substantial period of time has already elapsed without taking the next major step of committing to its development. Not surprisingly, shareholders were, and remain, frustrated with this lack of progress and under the circumstances might question the merits of persisting with their investment in our company. I wish to specifically address these concerns.

My intent when joining the Board of Ironbark was to use my past project development and related experiences to support the new Managing Director in order to achieve a financial investment decision (FID) for the Citronen Project. I would therefore like to briefly and openly discuss the rationale and progress that the Board has made towards achieving this goal.

One of the first issues to be addressed by the new team was to determine why the logical next step of committing to project development was not achieved, and, to set about resolving any remaining impediments towards that end. In parallel with this process, it was apparent that the cash resources of the company, notwithstanding a capital raise in July of 2019, were inadequate to sustain the business and achieve this goal. The first duty of the Board is to protect the company and therefore a further capital raise was necessitated in October 2019. This investor support was forthcoming because our Managing Director was able to articulate a credible project development pathway that was able to address previously raised concerns to advancing the Citronen Project.

The Board understands the importance of making careful use of our precious cash resources. With this in mind, our Managing Director implemented a review of our administrative and overhead costs and set about reducing these to a much lower level. In conjunction with this process, the Board was also reduced in size. Our monthly fixed cost cash burn was reduced from approximately \$115,000 to \$55,000. This much leaner platform has allowed the Board to direct a much greater proportion of overall expenditure towards specific value creating initiatives which were deemed necessary to pursue the Citronen development goal.

Your Chairman has a strong project development background and it was the huge potential of the Citronen Project that attracted me to the role. My experience has taught me that a successful project development requires three essential commodities:

1. a sound mineral resource underpinning the technical and economic feasibility of the project
2. a competent team to advance the project through development and into production
3. money (both equity and debt) to finance capital development and working capital

The Citronen Project comfortably meets my first criterion and is well disposed towards the second. The principal reason that the Citronen deposit has not been developed is the third criterion and this in essence is at the heart of our challenge.

When I first reviewed the Citronen project, I naturally compared its pros and cons with projects with which I was familiar from a number of other jurisdictions. How did it rate in my estimation? The first hurdle for it to overcome for me was its location. It is undoubtedly challenging to develop an arctic mining operation which has shipping

access restricted to a few months each year. As someone who has spent the majority of their working life in warmer climates, the prospect of arctic mine development was unfamiliar and initially daunting. Upon closer examination however, my initial reservations began to recede and were eventually overcome. There are enough examples of arctic mine development that have successfully overcome similar challenges to that faced by Citronen that suggested to me that this was not necessarily going to be a step into a high-risk unknown. Citronen's arctic development challenges are real but the steps required to overcome them are all well understood. Citronen will follow the well-worn path of many similar developments (e.g. Red Dog in Alaska today, and both the Polaris and Nanisivik Zinc-Lead mines in the recent past). Once I was able to move beyond my initial concerns about location, it was readily apparent that a number of the high risk challenges that I had confronted in other project developments were either missing entirely or substantially diminished.

For example:

- Greenland has a stable political system and rule of law.
- Greenland government strongly supports mining development and our project.
- Tax and royalty regimes strike a fair, investor friendly balance in the sharing of the total pie.
- The mine site is located literally adjacent to the port.
- The mine site terrain is essentially undulating not mountainous.
- The mine site is located in an arctic desert (<1mpa of precipitation as snow) as opposed to a high rainfall/monsoonal location regularly impacted by all the potential disruptions that nature can bring.
- The mine site has an ample, year-round water supply.
- The mine site's existing biodiversity is sparsely represented, extremely limited in extent and not unique.
- There are no local communities to relocate or otherwise to adversely affect.
- The orebody is relatively straightforward to mine and largely protected from any extremes in surface conditions.
- Permafrost imparts favourable geotechnical conditions for mining and surface developments.
- The orebody metallurgy is not refractory or excessively hard and uses only conventional treatment processes.
- The project has a long mine life and the orebody remains open in most directions.
- A skilled workforce can be readily deployed to site.
- Long term concentrate offtake agreements are already in place.

So why has the funding not been readily forthcoming given the relatively favourable comparative risk profile of the Citronen project development opportunity?

The Board has undertaken discussions with a number of interested parties and sought their views in addition to forming its own. Based on these discussions, the Board resolved to address lingering points of concern with certain elements of the prevailing (2011 and 2017) project development concept and its key assumptions. The Board are confident that by responding to these concerns and by taking the necessary steps to address them, the previously encountered impediments to financing project development will have been overcome. The work program to facilitate this turnaround involves the following key elements:

- A risk review and refresh of the key project assumptions including mine production rates, commodity prices, capital and operating costs to a consistent 2020 base;
- A review of the potential to incorporate new (i.e. 2020) technologies and concepts into the 2011 project scope and execution;
- Provision of additional study detail in relation to the mine plan and schedule including the reporting of an ore reserve; and
- Receipt of all outstanding approvals and permits ahead of FID

The expected outcome from this work plan is a significant reduction in the risk profile for project development and therefore a meaningful upward revision to its bankability and investability.

Since the beginning of this year, our Managing Director has vigorously pursued the work plan outlined above, initially on a very limited budget. Some key elements have already been delivered and the remaining ones are all well underway. Our expectation is that we will finalise a complete refresh of the feasibility study document within the first half of 2021, likely early in the second quarter. These new study elements will be combined with the surviving elements of all earlier studies to deliver a standalone 2021 feasibility study superseding all previous studies. This bankable feasibility study will then be used to underpin all of our subsequent discussions to secure funding to advance the Citronen project.

Until this work is completed, the Board considers that it is premature to get involved in any detailed funding discussions. The recent Letter of Intent entered into with US EXIM bank is an example however of the progress being made in building funding relationships and familiarising potential counterparties with our development concept. Rest assured that similar preliminary discussions have, and are, taking place on a number of fronts and that all parties are patiently awaiting the 2021 study finalisation.

With the advent of the Covid-19 pandemic earlier this year, it became apparent to the Board that the original timeline for completing the study refresh would be unavoidably extended. It also became apparent that the funding required to complete the work program in full was going to stretch our available financial resources. Mindful of our obligations to secure the company financially, and, faced with the unpalatable option of approaching shareholders yet again in what was a depressed post Covid-19 share market, our Managing Director sought alternative funding pathways, and, was able to successfully lobby the Greenland government for access to our previously paid environmental bonds that were held to cover the potential need for rehabilitation of the Citronen exploration site. (NB: This rehabilitation will be superseded should project development occur.) It is a measure of our Managing Director's commitment and enthusiasm to advancing Citronen and the genuine support of the Greenland Government to see this project advance that he was able to secure a 50% refund (to be repaid within 2 years unless renegotiated) of approximately A\$1.5 million. This masterstroke has enabled the proposed work program to be fully funded and provides sufficient financial runway to reach FID in 2021.

The Board firmly believes that progressing the Citronen project to FID will be the primary and most likely driver of long-term shareholder value. However, this year has witnessed a significant rise in the gold price and your company has exploration tenements prospective for gold and other metals. An independent review of the exploration potential of these tenements was completed earlier in the year and it was resolved to undertake further investigative work to better define potential targets on all tenements. The conclusions reached from this review indicated that the Fiery Creek tenements were our most prospective and therefore should be prioritised for further assessment. Ironbark has recently announced its intention to commence exploration at Fiery Creek with the first step being to gain the necessary approvals which will then be followed by limited site work.

In conjunction with this approach, the net was cast more widely and a number of third party tenement packages were also reviewed. To date the Board has been unwilling to advance any of these third party opportunities since they were judged to be either inferior to Fiery Creek and/or the asking price for participation was unattractively high in relation to the potential rewards. The Board remains committed to opening up a domestic exploration strategy to complement the longer time frame associated with the realisation of value from the Citronen project.

There has been much speculation about the support of some of our major shareholders and the role that they have played (or not played) in advancing Citronen sooner. The Board regularly canvasses the views of its major shareholders as part of its strategic planning. While shareholder intentions are rarely disclosed, it is nonetheless clear that much water has flowed under the bridge since these initial investments were made. It is not unreasonable to speculate that the circumstances and priorities of today for all parties are changed. However, the release of an updated, lower risk 2021 bankable feasibility study might prompt a fresh opportunity for reconsideration. Regardless, our concentrate offtake agreements with Trafigura and Glencore remain and play a crucial role in our discussions with potential project financiers and other parties.

As would be expected, both the current and previous Boards have canvassed extensively the many possible pathways that lead to the development of the Citronen Project. This process and the Board's thinking pass

essentially unreported. This approach will continue to be so until such time as an opportunity of sufficient substance and completeness emerges that can be presented to shareholders for their consideration. The equity funding hurdle for a small company like ourselves necessitates a comprehensive plan based on a sound technical and economic development framework for project development. It is the nature of the beast that such plans and the many related discussions required to execute them will remain unseen by shareholders until they acquire material substance.

The composition of the Board has changed much over the course of the past 15 months including the departure from the Board of our largest shareholder, Mr. Danny Segman. Danny was instrumental in championing the transitioning of the Board composition, and, with the advent of the Covid-19 outbreak and its increased demands on his many other business interests, Danny felt that it was time to step down. The Board understands the need to retain shareholder confidence and is determined to provide both the strategic guidance and the Corporate governance standards expected of it. We serve at shareholders' pleasure.

Commodity prices fluctuate and, over time, cycle. The accurate prediction of future prices, particularly long-term commodity prices, is not something that has been mastered. The Board has therefore adopted the view that it is unlikely that the Citronen Project investment decision can be timed to coincide with a high metal price just as it enters commercial production. As an industry participant now approaching 40 years of firsthand experience of price predictions versus price outcomes, the basic lesson that I have learned is that you can only benefit materially from high metal prices if you are already in production. When the highs in the metal price cycle occur, the returns are often substantial however their persistence is limited inevitably by counteracting market forces. Also, you cannot avoid experiencing the lows in the metal price cycle and so you must be able to operate with a breakeven cost below the potential low point of the price cycle otherwise you do not survive to reach the next high. And so, our aim is very simple. We must achieve commercial production as soon as possible and ensure that our breakeven operating cost allows us to survive the bottom of the price cycle. The timing of any substantial value creation through higher metal prices will remain unforeseeable, but, because we will be operating, we will ensure that we are beneficiaries of the inevitable metal price cycle high points, whenever they might occur.

In reflecting on the accomplishments of the past twelve months, I consider that great progress has been made towards realising value from our Citronen Project. Within the next year, I expect that our company will reach the point where we can actively commence the pursuit of project financing and with it, start the journey from explorer to developer, and, to dare to contemplate the potentially significant market re-rating that this should herald. Much of course will depend on the prevailing economic environment and market sentiment, but, we will have a current, realistic, and detailed roadmap to support our endeavours, and, we have a committed and enthusiastic Managing Director leading the charge.

It has been a long journey for many shareholders and I encourage all to stay the full course. I would also like to encourage shareholders to participate in the AGM later this week. Our Managing Director will provide a technical update at the meeting while both Michael and I look forward to answering any shareholder questions. Under the Covid induced circumstances, we would welcome these on notice to the Company's email address.

In closing, on behalf of the Board I would like to thank and acknowledge the contribution of our Managing Director, Michael Jardine, his part-time team of Elizabeth Laursen and Jane O'Neill, and to our Company Secretary, Jonathan Whyte and his team. We are well served by their dedication and labour.

Dr. Fred Hess  
Chairman

#### **Further Details**

This notice is authorised to be issued by the Board. Please contact Managing Director Mr. Michael Jardine for any further inquiries on either [mjardine@ironbark.gl](mailto:mjardine@ironbark.gl) or +61 424 615 047.