ELMORE

MARKET UPDATE

August 23rd, 2021

KEY POINTS

- Elmore has executed shareholder and mining agreements with ICA Mining over the Peko Magnetite, Gold, Copper and Cobalt project in the Northern territory
- The Company has also executed a mandate with MP Capital to assist in raising a debt financing facility to deliver the magnetite project
- Elmore is currently executing upon the project delivery work at full pace.
- The project is forecast to produce a high value magnetite iron ore product that will trade on the 65% Fe pricing Index, receiving a significant premium to the regularly followed indices (62% Fe and 58% Fe) that relate to iron ore being sold by the majority of Australian producers
- All major long lead equipment have been received and materials handling and transportation contractors are ready to be engaged.
- Elmore is on track for production to commence in late 2021, with strong project economics forecast.

Elmore Ltd (ASX: ELE, "Elmore, the Company") is pleased to provide an update on the Company's progress regarding the Peko Iron, Gold, Copper and Cobalt project ("Peko") near Tennant Creek, Northern Territory Australia.

PEKO TAILINGS REHABILITATION PROJECT BACKGROUND

- Peko is located in the Tennant Creek region in the Northern Territory
- Peko consists of circa 3.75 million tonnes of tailings containing magnetite, gold, copper and cobalt.
- The tailings are approximately 70-80% magnetite, with the remaining 20-30% being a combination of clay and silicates.
- The tailings have an average grind size of 106 micron.
- Peko's operations are located 12km from the Adelaide-Darwin railway and 10km from the town of Tennant Creek and the Company plans to use spare capacity on the existing intermodal schedule to transport the product in containers to Darwin.
- Sealed roads connect the mine to a rail siding and stockpile area and One Rail has been preparing the siding and stockpile area at Tennant Creek to be ready for first product in late 2021.
- Mine life is expected to be 5 – 7 years, depending on rail capacity, starting at ~30,000 tonnes per month and targeting a processing rate of ~500,000 tonnes per annum.

- The process plant to be installed by Elmore will wash and magnetically separate the existing tailings to produce a magnetite product and a secondary stream enriched in copper, gold and cobalt ("Metals").
- The Company has demonstrated that some of the Metals can be recovered from the secondary stream, though has not completed the program of works to finalise the extraction process and associated economics. It plans to complete this work by the end of 2021, though for now most of the Company's focus is on magnetite production to underpin the Company's cashflows.

EXPANSION OF SCOPE OF ELMORE CONTRACT

Elmore had previously been working on the Peko project under a design and assist consultancy agreement throughout 2020 but has now executed final binding documents with ICA Mining in line with the previously announced Binding Memorandum of Understanding. This significantly expands the scope of the previous agreement.

KEY TERMS

Under the agreement, Elmore will complete the construction of stage 1 of the project, which involves installation of the processing equipment required to extract saleable magnetite from the tailings stockpile.

In exchange, Elmore will be entitled to 25% direct equity in two entities formed to house the Peko tailings magnetite ("Peko Iron") and Metals ("Peko Metals") projects and will be granted an exclusive right to mine and process.

Elmore will manage all elements of these operating entities and will have two (2) Directors on the entity's Boards, whilst ICA will have one (1). A monthly management fee of $150,000 will be paid by the Peko Iron to Elmore, in addition to a royalty of $US2 per tonne of saleable magnetite.

FUNDING OF ELMORES COMMITMENT TO THE PROJECT

To complete the Peko Iron project and earn the equity in both projects contemplated by the agreement, Elmore will be providing the following:

- Payment of unpaid invoices owed by ICA Mining to equipment providers.
- Provision of project management services utilising existing Elmore staff.
- Provision of steel required to complete the mounting of process equipment. Elmore will be using some of its significant high quality steel inventory salvaged from the Company's Frances Creek process plant.
- Remaining goods and services required.

PROJECT COMPLETION BUDGET

The remaining project budget to complete the Peko Stage 1 Project is broadly broken down into:

Electrical	$1.0 million
ICA creditor payments	$1.7 million
Ancillaries, transportation, fabrication and commissioning	$1.3 million
Contingency	$2.0 million
Total -	**$6.0 million**

In addition, Elmore will be providing construction management services and structural steel from the Company's stocks over the next 3 months. Elmore does not require funding to cover these items.

FINANCING MANDATE

Elmore has entered into a fund-raising mandate with MP Capital to raise up to $6 million to complete the Peko Iron project.

Elmore is contemplating issuing a debt instrument, secured over the interest that will be earned in the Peko projects on commissioning.

Elmore has an indicative commitment from the electrical contractor to provide $500,000 worth of services under the terms of the debt instrument.

PROJECT ECONOMICS

Peko has been drilled to an historic JORC status (not JORC 2012) demonstrating ~3.75 million tonnes of material on surface ready for processing.

Test-work done to date by Elmore and extensive historical pilot plant operations previously undertaken onsite by other parties, demonstrates a high-grade iron ore product (+65% Fe) can be produced. Indicative off-take agreements received by Elmore use the 65% Fe index, rather than the commonly reported 62% Fe index. The 65% Fe index has recently been trading around $US30 per tonne higher than the 62% Fe index, thus the premium received for the higher iron is material and significantly improves the forecast product sales price.

FOB operating costs have been calculated based on:

- Transport from product stockpile to loading on ships provided under the control of a single significant Australian logistics company,
- Materials handling quoted by 3rd parties,

At this time, internal modelling demonstrates that at current pricing the magnetite component of the project will comfortably generate sufficient free-cash flows to enable Elmore to repay the proposed debt in less than a year although a longer-term facility will be sought.

PROJECT TIMELINE

Elmore has been fully engaged in executing the project under the Binding Heads of Agreement since mid-July, hence the Company is targeting first production in November, subject to no material issues caused by COVID or other issues outside of Elmore's control.

All substantial equipment has been received and the Company is now working to skid mount most of the equipment and utilise existing structures on site to integrate the remaining equipment, thus significantly reducing the build and commission timeframe. Elmore is in the fortunate position to have the personnel required to install and commission the plant. Only minor items and electrical distribution and control systems are yet to be received.

MANAGING DIRECTORS COMMENT

Elmore's Managing Director, Mr David Mendelawitz commented:

"The expanded mandate over the Peko project is expected to represent a sound pillar in the short to medium term for Elmore. Whilst the project will take significant internal resources over the coming months to deliver production this calendar year, it is forecast to be a strong cash generator over the medium term, based not only on today's iron ore prices, but also against conservative forward estimates for the life on mine. To add to this, we are anticipating production of gold and potentially other metals to commence in the medium term, further adding to the project economics.

We are fortunate to be working between two of the states that have been least effected by the current COVID crisis, though we are mitigating potential border closure risks as much as possible by fabricating and commissioning what we can in Western Australia where our team and supporting companies are based. Over the coming months, we will be employing a Northern Territory based team and engaging local contractors to hand over operations to, hopefully reducing the reliance on fly-in fly-out."

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