



July 21<sup>st</sup>, 2022

## **Retraction and Amendment – ASX Announcement dated 18<sup>th</sup> July 2022**

### **REASON FOR RETRACTION AND AMEDEMMENT**

In accordance with ASX listing rules 5.8.1, 5.8.2 and 5.22, ASX has informed the Company that the disclosure of PekoBull and Normandy previously reported mineral resources requires the consent of a competent person. As the competent person who previously consented to the mineral resources is not an employee of Elmore and the Company has not completed all of the work to verify the Mineral Resource Statement, references to the mineral resources previously reported have been removed from this ASX announcement.

Investors should not rely on the information that has been retracted from the Company's 18<sup>th</sup> July 2022 ASX announcement.

An amended announcement follows.

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## **Market Update**

### **KEY POINTS**

- Elmore has executed an agreement to purchase the Peko Magnetite, Copper, Cobalt, Gold and Bismuth project along with all related project Companies
- Purchase has been funded by a Vendor Finance Agreement
- The purchase allows Elmore to widen its focus from the minerals processing contract that only covered the stockpiled tailings, to also extend to the known and potential open pit and underground mineralisation and the significant exploration potential of the tenements.
- The project has historic and recent JORC compliant defined resources for gold, copper, cobalt and bismuth within the stockpile, along with oxide gold resources and potentially significant remnant mineralisation in the old underground mine below the stockpile.
- Elmore has extended the previously announced Avior funding facility by a further \$1.5m to assist in the ownership transition.



*Elmore Ltd (ELE: ASX or Elmore) is pleased to provide an update on the development of the Peko magnetite, copper, cobalt, gold and bismuth project in the Northern Territory.*

## **Project Purchase**

Elmore has executed agreements to purchase the Peko Project in the Northern Territory, plus all of the Companies related to the project held by the existing owners. The binding purchase agreements has now been finalised, subject to Shareholder and any relevant Government Approvals and standard share transfer administration that is normal in such transactions.

Vendor Finance has been provided, ensuring that the purchase is not subject to finance and that the deal metrics can be set now, rather than change with a variable balance sheet of the operations as they ramp up.

The Vendor Finance Facility allows the Company ample time to both refinance the facility utilising a longer-term debt instrument, plus reduce the facility utilising project cash-flows.

## **Background**

In mid-2021, when ICAs retiring shareholders (Peko Gold Lending) took control of the Peko project, Elmore was asked to manage the construction and day to day operations of the project under a duly executed Management Agreement.

Elmore has since completed the construction and commissioning of the Stage 1 Magnetite Recovery Plant and is now producing magnetite product with regularly deliveries, via train, to the Port of Darwin.

Peko Gold Lending's shareholders focus primarily on funding conventional property construction projects and do not have a history of funding mining, minerals processing or exploration projects. The funding provided to ICA was considered a Special Situations facility, not business as usual.

Now that the project has been constructed and production has commenced, Peko Gold Lending's shareholders have decided to take the opportunity to exit the project and return their focus to their normal business. The sale timing allows for a reasonable rate of return to Peko Gold Lending, plus significant potential returns to Elmore, thus satisfying both parties.

Peko Gold Lending's Mr David McIntosh said *"While the investors in ICA are giving up significant amounts in terms of future opportunities, this isn't our area of expertise and the combined knowledge and skills of the Elmore Board, led by David Mendelawitz, are much better positioned to gain the most benefit from the mine, to make it work commercially and to give the best returns for all investors. I look forward to the success of the Peko Mine, and to*



*what David Mendelawitz and the Board of Elmore can do with it and with Elmore's other activities across the market."*

## **Purchase Price and Arrangements**

The key points of the new contract are:

- \$30 million purchase price
- Elmore to guarantee the performance a pre-existing royalty agreement between the ICA group and ICAs retiring shareholders so that they will receive a total of 20,000 ounces of gold at the higher of 900 ounces per quarter, or 25% of production from commencement of production, which must occur within 3 years.

### Vendor financing package:

- 12-month term
- Initial interest rate of 2.5% pa for 3 months (Initial Rate)
- Rate increased to 17.5%pa for the next 3 months (Standard Rate) and 27.5% for final 6 months (Extended Rate).

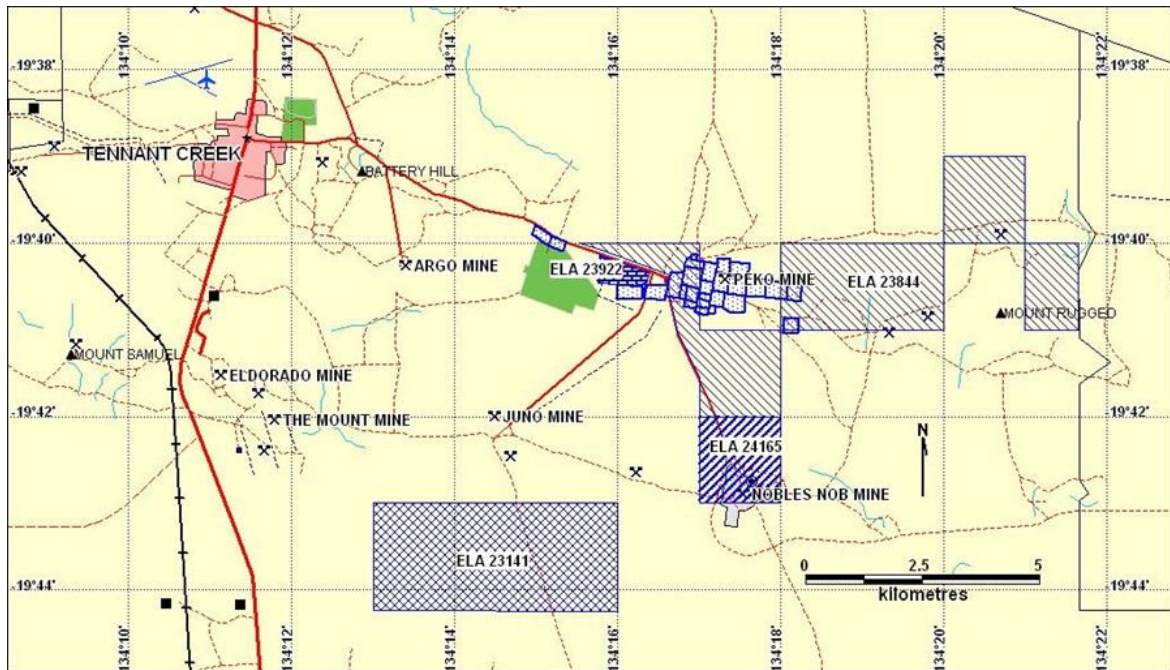
The Vendor Financing Agreement has been negotiated to allow Elmore to obtain financing without the risk of the deal metrics changing during the finance period. It is not intended to be used as a means of paying off the purchase. The acceptance of a high interest rate is reflective of Elmore confidence in the re-financing and to encourage Elmore to re-finance the purchase. Elmore is targeting refinance of the Vendor Finance Facility in Q4, 2022 (prior to the Extended Rate) and expects, based on initial discussions with potential funders and debt advisory groups, that this should be achievable with a 3-year debt facility with interest rates below the Standard Rate provided in the Vendor Finance Facility.

## **About Peko**

The Peko Project is located approximately 10km SE of Tennant Creek in the Northern Territory, 900km south of Darwin. The Project site is situated near the Stuart Highway, and the Adelaide-Darwin railway, both of which are utilised for transport and logistics.

Previous mining of Peko and surrounding tenements has had a significant impact on the development and prosperity of the Tennant Creek township. Peko Iron Project has continued this trend by supporting local businesses and by sourcing a large proportion of the workforce locally. This serves to not only bolster support for the Project and Elmore's standing within the community, but also helps to reduce operational costs associated with a fly-in, fly-out workforce. The current workforce is 80% Northern Territory based and 30% Indigenous.

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*Peko/ ICA Tenements*

## Peko Tailings Dams

The Project resource is a complex of five adjoining tailings dams containing a total of approximately 3.75M tonnes of dry-stacked tailings. The figure below shows a still frame of the tailings dams taken from drone footage. Ore mined from the historical Peko mine and nearby mines including El Dorado, Warrego, Nobles Nob, Juno, Gecko, White Devil, Orlando, and Ivanhoe - operating from as early as 1932 to the late 1990s - was processed and stockpiled at the Project site. Historical production focussed on the recovery of gold, copper, and bismuth. At the height of production, Tennant Creek was one of the largest gold producers in Australia. Production of copper was also lucrative, especially during World War Two, as it was needed for munitions and ordnance.

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*Peko Tailings Dams looking northeast – drone footage*

## **Copper, Cobalt and Gold**

Copper, cobalt and gold resources were modelled by Normandy Gold (1997) and PekoBull (2016) over the stockpile generating Historic Resources. The Company will present these to the market as soon as it can finalise the appropriate information required, such as the “Table 1” associated with the Resource Statements.

The PekoBull drilling results are closely correlated with the 1997 Normandy grade estimates, and in a number of cases, Au and Co exceed them.

Recent modelling to convert these Historic Resources into JORC 2012 Resource statements have been undertaken, though lacked some of the survey data, so were incomplete in their estimation of the resources. Elmore has undertaken a drone survey of the stockpile, which supports the Normandy estimate, though now needs to provide this data to an Independent Geologist to combine with the resource model.

## **Magnetite**

As well as containing gold, copper, and bismuth, the mined ore was also rich in magnetics – particularly magnetite; however, previous ventures have not capitalised on this resource. Historically, magnetite production has not been economically justifiable due to low prices and government restrictions on exportation to foreign markets. Owing to this, all magnetic products at the Peko site were processed as a tail. On average, the tailings stockpiled at the Peko site contains approximately 75% magnetite. Elmore’s processing circuit produces a high-grade magnetite concentrate, for which a premium can be charge. The final product contains between 65% and 68% iron, exceeding the industry benchmark of 62%.

At a planned feed rate of 100 tonne per hour feed rate (yielding circa 50 tonnes per hour of product produced now, along with circa 25 tonnes per hour of oversized material produced



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which will be reground into product in coming years) the magnetite resource is not expected to be exhausted until 2030.



*Stockpile material being fed into the plant in background*



*Containers of product ready to be dispatched to the rail in background*

## **Plans to expand into copper (Cu) and cobalt (Co) processing**

In parallel with the Peko Iron Project are plans to expand the operation to include recovery of copper, cobalt, and gold. A Project Management Plan has been developed to purchase and relocate an existing processing pilot plant for the purpose of extracting soluble Co/Cu from the 'loaded' process water generated by the magnetite processing circuit. Only minimal modifications will be required to the plant that the Company plans to purchase.

Commissioning of this plant is targeted to be achieved within 6 months of investment decision. Test-work and modelling by Elmore and external parties estimate that approximately 5,000 tonnes of copper and 1,500 tonnes of cobalt metals can be recovered from retreating the process water. This represents approximately half of the copper and a third of the cobalt

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estimated to be contained in the stockpile. Further copper and cobalt may be recovered through additional processing with an alternative process, though at this stage the Company has not investigated the merit of doing so. The rapidly growing market for electric vehicles has seen demand for and price of cobalt increase. Cobalt is currently selling for approximately USD 60,000 per tonne.



*Copper carbonate (left) and cobalt sulphide (right) products made by Elmore in the laboratory using Peko soluble metals*

## **Additional Gold Mineralisation**

Beyond the gold in the stockpile, there are additional historic resources of gold near surface and left as unmined remnants of the Peko underground operations located below the project. Subject to re-confirming the resources and permits, Elmore is looking to extract the near surface gold mineralisation as soon as possible, with the aim of processing it with the plant that has been acquired by the Company for processing the Territory Minerals project in Far North Queensland.

When time and financial resources allow, the Company will investigate the robustness and economics of the underground remnants.

## **Extension of Avior Facility**

Elmore have extended the previously announced funding facility provided by Avior by a further \$1.5 million (minus fees) provided in 2 tranches over 1 month.

- The facility has a term of 2 years at an interest rate of 15% per annum.
- In addition, 10% establishment and exit fees are paid on the facility.
- The principal and interest are paid in roughly equal monthly instalments over the term of the loan.
- The loan is secured.



Elmore is now entitled to 100% of the proceeds of product sales, including inventories currently in Darwin and on site.

### **Financial Modelling**

Financial models to forecast the cash surplus that can be generated from the Peko project through the sale of the various commodities were previously built to guide the project and, more recently, purchase valuation. Avior have now been commissioned to generate detailed, independent cashflow models to use to re-finance the Vendor Finance Facility. Whilst these models will soon be ready to use for re-financing the Vendor Finance package over Peko, they are not yet ready for public dispersal due to the status of JORC compliant resources over the project.

### **Managing Director's Comments**

Elmore's Managing Director Mr David Mendelawitz commented, *"The Peko project is really starting to show potential to be both long-term and lucrative. With magnetite production underway, near-term copper and cobalt production forecast and multiple potential sources of gold, Peko offers a wide range of income streams to act as both additions to revenue and hedges to each other during market fluctuations. All this, whilst rehabilitating an old eye-sore and employing locals to the project make us happy to be involved."*

*Whilst the purchase of the project was not something that we had expected or planned for, after being involved with Peko for the last few years we believed that it was an opportunity that we could not pass up. Now that our focus is broadening beyond the stockpile, we can see that Peko has the potential to be significantly more to Elmore than we had previously planned and we look forwards to being part of this project and the local community for many years to come."*

**END**