



July 22nd, 2022

Market Update

KEY POINTS

- Peko Iron Project Pty Ltd (a wholly owned subsidiary of Elmore) (**Peko**) has executed an ore sales agreement over the magnetite concentrate from Peko based on the 65% Fe index, which trades significantly higher than the average iron ore price
- Following the recently announced agreement to purchase the Peko Project, Elmore are now entitled to 100% of cashflows from the project
- Average grade of product produced to date is circa 66% Fe
- Operations onsite are running 24/7.
- Peko has produced enough product to meet the first payment milestone
- Elmore has moved its Corporate Headquarters

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.

Ore Sales Agreement

Following the purchase of the Peko Project and associated tenements (subject to shareholder approval), Peko Iron Project Pty Ltd (a wholly owned subsidiary of Elmore) (**Peko**) has executed an Ore Sales (offtake) agreement with Royal Advance (Hong Kong) to supply magnetite product from the Peko project.

The key terms of the agreement are:

- The sales price will be based on the PLATTS 65% Fe index price minus 1%
- The price will be based on a Dry Metric Tonnes Unit base, i.e. pro-rata to the contained iron (meaning that higher grade product will sell for a higher price)
- Impurity variables are based on standard PLATTS impurity variables
- The off-take will cover the first 2 shipments, with Peko having the option to extend to off-take out to 12 months. Royal Advance are interested in taking all of the product produced over the life of mine, though both parties are taking a conservative approach until steady state production and product quality are achieved.

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Payment terms:

- 40% of sales price (based on 65% base product) received against lots of 7,500 tonnes being stored in Darwin Port, with these first payments relating to the first shipment now locked in at \$US155.76 per tonne (corrected against market price on arrival in China).
- 55% of sales price received as product is loaded onto a ship in Darwin
- Final 5% received (allowing for positive or negative corrections from base specification) after final product quality confirmed after shipment

The plant has produced more product than is required to meet the first payment milestone, though has been limited by availability of sea containers on site to get all of the product to Darwin without delays. The additional sea containers have now been arranged and are on route from Queensland, which will soon allow for this milestone payment and following milestone payments to be made.

Product Quality

Independent assays of composite samples from production so far from Peko has averaged circa 66% Fe. Whilst the Company's main focus regarding the product quality has always related to the sulphur content (because the product comes from an historic copper mine that was dominated by copper sulphides), to date the average has been recorded as 0.1% sulphur, which is lower than the forecast of circa 0.35% included in the base contract with Royal Advance. The Company expects to install a flotation circuit within the next 12 months to assist in managing sulphur levels should they increase.

The average of circa 66% Fe was achieved during the plant optimisation phase of the project, thus while the plant was not performing optimally. Recent progress with the plant has indicated that the grade may be further lifted by another circa 1% Fe to circa 67% Fe through relatively straight forward modifications.

Onsite Peko Operations

The Process Plant is operating 24 hours per day. The Company has been able to staff the project mainly with Northern Territory based operators, many of whom reside in Tennant Creek. Only a few experienced operators are flying in and out from other states to increase the experience level to site, as though experienced operators have been sourced from Tennant Creek, the overall experience level is low for many local staff. This said, the Company has been happy to find local staff who are available and keen to learn in an environment where skills shortages are the current norm around Australia and are making great strides in bringing the operators up to speed.



Change in Address of Corporate Headquarters

The Company has moved its Perth Corporate Headquarters to **Suite 4 (Level 1), 66 Belgravia Street, Belmont, Western Australia**

The registered office remains: 18 Sangiorgio Ct, Osborne Park WA 6017

The phone number remains: +61 8 6323 2310

Managing Director's Comments

Elmore's Managing Director Mr David Mendelawitz commented, *"I am delighted to have executed the agreement with Royal Advance on such favourable terms of trade. We are looking forwards to a long-term relationship which may extend beyond magnetite to the other minerals that we are looking to produce. With our first production coming in at 66% Fe, it's a strong start to producing a highly sought after product that sells for a significant premium to average hematite ores."*

END