



August 18th, 2022

Market Update

KEY POINTS

- Elmore has passed the first milestone for payment against the magnetite offtake contract with Royal Advance (HK) by exceeding 7,500 tonnes of high-grade magnetite product delivered to Darwin Port from the Peko Project
- The invoice has been issued and remittance received
- The Company is targeting a rate of production equal to this milestone every 8-10 days by the end of this quarter

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

First Sale of Product

As previously announced, Elmore has executed an Ore Sales (offtake) agreement with Royal Advance (HK) 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, ie 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 offtake will cover the first 2 shipments, with Elmore/ Peko iron 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.

Payment terms:

- 40% of sales price (based on 65% base product) received against 7,500 tonne lots 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

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Elmore has received payment of \$US461,822.17 (circa \$AU660,000) as the first stage payment from the first 7,500 tonne parcel of product sent to port.

The payment was for 8,236 wet metric tonnes and was reduced by 10% to allow for an anticipated moisture level. The actual moisture level is lower than 10% and thus payment will be corrected upwards when the final moisture level is measured on loading of the ship.

The balance of payments will be paid as listed above under the key terms of the agreement.

The current market price for the product is around \$US130 per tonne, meaning that the full payment (initial on volume milestone, second on ship loading and final on arrival in China) would be total circa \$US975,000 (\$AU 1.4 million) per 7,500 tonnes lots.

At the target production rate and current market price, the project will be generating revenue equivalent to the full payment of 7,500 tonnes approximately every 8-10 days.

The forecast C1 operating cost of production landed in China, before corporate costs, financing and royalties will be approximately \$US90 per tonne at the targeted full rate of production, based on approximately:

- **\$AU** 15-20 per tonne reclaiming, processing and site administration;
- **\$AU** 65 per tonne transport from site to over the ships rail; and
- **\$US** 30 per tonne shipping.

The Company is targeting being able to achieve the full rate of production by the end of the current quarter.

Managing Director's Comments

Elmore's Managing Director Mr David Mendelawitz commented: *"In approximately a year from executing the contract to manage Peko, we have re-designed and built the plant, secured logistics and support plant and equipment, commissioned the plant and brought it to being fully staffed and running 24/7, secured an off-take agreement and now receiving first revenue.*

There remains little that we need to do to hit the full targeted rate of production of 350,000 tonnes per annum, and we anticipate soon bringing on copper and cobalt, followed by gold production.

Given the headwinds of COVID lockdowns, supply chain issues and labour shortages, I think we have done extremely well for a small developing Company without the balance sheet that would have given us comfort through this journey. I am looking forward to strengthening the balance sheet as production of magnetite and other minerals lifts over the near term."

END