

ELMORE LTD

ASX: ELE

"Unlocking Value by Providing
Bespoke Equipment and
Technical Expertise to the
Mining Sector"

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5 December 2022

Restructure of Peko Vendor Finance Agreement

KEY POINTS

- Vendor Finance Agreement modified, so no penalty interest rate is payable with a maximum simple interest rate of 17.5% pa
- All interest payments capitalised to principal
- The above amendments represent a monthly cash flow saving in excess of \$500,000 per month from 1 November 2022 to June 30, 2023, if the loan is still outstanding.
- The modified Vendor Finance agreement conditionally extends the term until 31 December 2023
- Azure Capital have been mandated to complete the refinancing with initial round management presentations underway and due diligence and negotiations being undertaken with a range of interested reputable parties.

Elmore's Managing Director Mr David Mendelawitz commented: *"The re-structuring of the Vendor Finance Agreement should provide comfort to our Shareholders that the near term cashflow impacts and funding costs associated with the purchase of Peko have been significantly reduced. Whilst we have a high level of confidence in the process that we are undertaking to re-finance the purchase, the re-structuring of the terms provides breathing space whilst we complete the project ramp-up, which remains on target."*



Restructure of the Vendor Finance Agreement

As announced on 18 July 2022, Elmore purchased the Peko Project and all associated companies from Oz Professionals. The purchase price was funded through a 12-month Vendor Finance Agreement with both Elmore and the Vendor agreeing that the Vendor Finance Agreement would be refinanced and repaid as soon as practical. This continues to be the intent of both parties.

During recent weeks the parties have negotiated material changes to key terms of the Vendor Finance Agreement to reduce the cost and cash flow impact on Elmore whilst it ramps up project operations and completes the refinancing process. The material changes are as follows:

- All previously agreed interest rates have been replaced with one simple rate of 17.5% commencing on completion of the Peko Sale and Purchase Agreement (which remains subject to minor administrative items and the execution of a Priority Deed with Avior in relation to security interest).
- All interest payments will be capitalised to principal (no monthly interest payments made).
- Elmore will make a principal repayment of \$250,000 at completion of the Sale and Purchase Agreement and then monthly principal repayments of \$150,000 until refinancing is complete.
- Term of the Vendor Finance Agreement will be extended to 31 December 2023 if required by Elmore, conditional on payment of \$10m against the principal being receipted by the Vendor prior to 30 June 2023.

The above amendments represent a monthly cash flow saving in excess of \$500,000 per month from 1 November 2022 until 30 June 2023. It also provides Elmore until 30 June 2023 to repay at least \$10m (cumulatively) and until 31 December 2023 to repay the loan in full, enabling Elmore ample time to undertake the refinancing, and if necessary, the option to do it in multiple stages.

Update in relation to the refinancing process

Notwithstanding the extension of the term of the Vendor Finance Agreement, Elmore is working hard to refinance the Vendor Finance Agreement as soon as possible. Key developments to date include:

- On 13 September 2022 Elmore executed a mandate with leading financial adviser Azure Capital to undertake an analysis of the company's refinancing options and to lead the refinancing process.
- The initial phase of this work included extensive project modelling to ensure positive project economics and consideration of different financing structures, aimed at optimising the outcome to the company.
- In recent weeks Elmore has undertaken management presentations where it has received genuine interest from commodity traders, royalty and credit funds in participating in the re-financing.
- Multiple parties are currently undertaking due diligence and the Company has a high level of confidence that it will be able to re-finance the Vendor Finance Agreement within the required timeframes as set out above.

The company notes that the first shipment of Peko magnetite product departed the port of Darwin on the 31st of October (see ASX announcement dated 27 October 2022) and the production of magnetite is continuing at increasing rates, as the Company progressively ramps production up to steady state levels. The capital works needed to commence production of copper and cobalt concentrates remains on schedule and the project economics, once all three metals are in production, are compelling.

The Company will provide further updates in relation to the refinancing of the Vendor Finance Agreement in the near future.

This release has been authorised by Elmore's Board of Directors

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ABOUT ELMORE

Elmore is an ASX listed contract mineral processing and development company which employs mobile plant and equipment, allowing the company to generate meaningful financial returns via the development of niche orebodies and mining projects.

The company has access to deep technical expertise, allowing Elmore to provide geological, metallurgical & process engineering, OH&S, mechanical and mining engineering consulting services and advice to the mining industry.

Elmore owns 100% of the NT-based Peko magnetite mining operation. Elmore acquired Peko after 12 months of work to design, build and commission the project's mining and processing operations as a contractor. Whilst Peko will initially focus on producing an iron magnetite product, the Elmore team plan to utilise wholly owned plant and equipment to produce copper, cobalt and gold from a tailings deposit at the Peko operations.