

## Elmore agrees terms for approximately A\$45.0m in new funding

22 June 2023

Elmore Limited ("**Elmore**" or "**the Company**") is pleased to advise that it has agreed terms for circa A\$45.0m in new funding, including US\$22.0 million (circa A\$32.5 million)<sup>1</sup> in a non-binding term sheet for a Pre-Payment and life of mine offtake, and A\$12.5 million in binding commitments, subject to regulatory and shareholder approvals.

Key Highlights are:

- A term sheet has been signed for a minimum US\$22.0 million (circa A\$32.5 million)<sup>1</sup> Magnetite Pre-Payment and Offtake Arrangement ("**Pre-Payment**") with its current offtake partner Royal Advance (HK) Pty Ltd ("**Royal Advance**").
- A\$12.5 million in funding has been raised from sophisticated and institutional investors ("**Raising**"). Of this total, A\$6.2 million will be advanced by investors upfront by way of loans which, if shareholder and regulatory (including ASX) approvals are obtained, will convert into shares in the Company at 0.75 cents per share ("**Offer Price**") ("**Investor Loans**"). Subject to the Company obtaining the necessary shareholder and regulatory approvals, a further A\$1.5 million will be raised via a placement of shares at the Offer Price to be issued ("**Placement**"). The remaining A\$4.8 million is to be settled via the conversion of existing debts owed by Elmore into equity at the Offer Price ("**Debt Conversion**").
- To allow early access to the Placement funds, an investor will provide a separate bridging loan of A\$1.5 million ("**Bridge Loan**").
- The Company also intends to undertake a share purchase plan ("**SPP**") to allow its retail shareholders to participate.
- Investors in the Raising (other than under the Bridge Loan) and the SPP will also receive one (1) option to subscribe for an ordinary share in the Company, for every ten (10) shares subscribed, exercisable at 1.5 cents per share within 18 months of the date of issue ("**Option**"). The issue of Options is subject to the Company obtaining the necessary shareholder and regulatory (including ASX) approvals.<sup>2</sup>

ELMORE LTD

ASX: ELE

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

### BOARD/MANAGEMENT

Mr Russell Baskerville  
NON-EXECUTIVE CHAIRMAN

Mr David Mendelawitz  
MANAGING DIRECTOR

Dr Nik Senapati  
NON-EXECUTIVE DIRECTOR

Mr Tim Webster  
NON-EXECUTIVE DIRECTOR

Mr Andy Haslam  
NON-EXECUTIVE DIRECTOR

Sean Henbury  
COMPANY SECRETARY

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<sup>1</sup> Converted at 0.677 AUD USD exchange rate.

<sup>2</sup> The Company intends to seek shareholder approval for all securities issued under the Raising, other than in respect of the securities issued under the SPP. The Company also intends to seek confirmation from ASX that the proposed terms of all Options under the Raising, and those issued under the Bridge Loan, are for the purposes of Chapter 6 of the ASX Listing Rules, appropriate and equitable. As at the date of this announcement, the Company has not sought any waivers or applied for any approvals from ASX.

- Elmore has negotiated with the vendor of the Peko Iron Ore Project (“**Project**”), Oz Professionals 4 Pty Ltd (“**Oz Pro**”), to restructure the vendor finance repayment terms such that A\$1.0 million will be paid from the Investor Loans and A\$15.0 million is payable on the earlier of the closing of the Pre-Payment or 31 August 2023. With regard to the remaining balance due, Oz Pro has agreed with the Company to accept shares in lieu of repayment of A\$2.5 million as part of the Debt Conversion, which will be subject to shareholder approval. This will leave circa A\$12.5 million in principal outstanding due in December 2023, plus interest and extension fees.
- Upon closing of the Pre-Payment and the Raising, the Company will have the flexibility to invest in the Peko mine, via the installation and commissioning of the soluble metals circuit, the purchase of other processing equipment and spares, working capital and other debt reduction.
- With the installation of the soluble metals circuit at the Peko mine, the Company is targeting the commencement of production of copper and cobalt concentrates in the first quarter of CY2024.
- Magnetite production at the Peko mine has been ramping up, and the additional processing equipment the Company proposes to install will assist in increasing production rates.
- The Investor Loans are expected to close on 22 June 2023 and the Pre-Payment by late June or July 2023. Provided that the Company obtains the required shareholder and regulatory (including ASX) approvals, the Placement and Debt Conversion is expected to close in August 2023.

## **Magnetite Pre-Payment and Offtake Arrangement**

The term sheet signed with Royal Advance sets out key commercial terms for a Pre-Payment of at least US\$22.0 million (circa A\$32.5 million) against magnetite and a life of mine (“**LOM**”) offtake agreement for the supply of magnetite iron ore from the tailings stockpile which is estimated to be operational for 6.5 years. Royal Advance is a trading division of a multi-billion-dollar Chinese owned corporation that owns and operates a blast furnace and steel refinery in China.

Royal Advance is Elmore’s current offtake partner and has now purchased two shipments of high-grade magnetite from Elmore and is making down payments for a third shipment. They have used the magnetite product in their own steel refinery, successfully making steel and have also successfully traded the magnetite demonstrating the high quality and demand for Elmore’s magnetite product.

Elmore has selected Royal Advance based on the strong relationship that has been developed between the companies, their flexibility, genuine intent to collaborate and a common vision for long term profitable partnership, along with the terms negotiated being attractive relative to the other proposals received.

The key terms of the non-binding term sheet for the Pre-Payment are summarised below:

- Total Pre-Payment amount is a minimum of US\$22.0 million (circa A\$32.5 million)
- Available to be drawn in a single tranche at closing

- The loan will attract an interest rate of 9% per annum
- Term of 3 years from draw-down
- Repayments equal to 25% of each Magnetite shipment value
- Repayments made in the 6 months to December 2023 will be available to be fully redrawn during January 2024 at Elmore's option
- From January 2024, Elmore will have a minimum payment amount (principal repayments plus interest) of US\$3.5 million (circa A\$5.2 million)<sup>3</sup> every six months
- The Pre-Payment amount will be secured by first ranking senior security over Elmore

The key terms of the proposed Magnetite Offtake Agreement are summarised below:

- Royal Advance will purchase 100% of Magnetite production for the LOM from tailings operations
- Royal Advance have first right of refusal to agree long term offtake arrangements for copper and cobalt products from the tailings operation expected to be in production by year end
- Minimum shipment sizes of 30kt wmt +/- 10% shipping tolerance subject to a minimum of 120kt wmt in H2 CY23 and a minimum of 300kt wmt per year thereafter
- Elmore have the right to defer or cease shipments where the sale price is below US\$80 (circa A\$118)<sup>4</sup> per tonne
- The price reflects the market price for magnetite product that is above and below the 65% Fe index, with a 2% discount

Completion of the Pre-Payment agreement is subject to a site visit by Royal Advance and final form documentation which is planned to be completed in late June and July 2023.

While Elmore expects Royal Advance to complete in accordance with the term sheet and in a timely fashion, particularly given the trading history and ongoing working relationship the parties have today, the term sheet is non-binding and there is no assurance that it will be completed on time, or at all.

## Raising

The Raising received strong institutional support, with key terms summarised below:

- Up to approximately 1,667 million shares are proposed to be issued at 0.75 cents per share, together with 197 million Options, to raise gross proceeds of A\$12.5 million.
- As Elmore has utilised its new issue capacity under Listing Rule 7.1, the Placement (A\$1.5 million), conversion of the Investor Loans into shares (A\$6.2 million), and Debt Conversion (A\$4.8 million) will be subject to shareholder and regulatory approval. Elmore intends to hold an extraordinary general meeting for this purpose as soon as practically possible.

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<sup>3</sup> Converted at 0.677 AUD USD exchange rate.

<sup>4</sup> Converted at 0.677 AUD USD exchange rate.

- Investors will also receive one (1) Option for every ten (10) shares subscribed in the Raising. The issue of the Options is subject to the Company obtaining the necessary shareholder and regulatory approvals.
- Of the A\$12.5 million raised, A\$6.2 million will be advanced upfront as Investor Loans and a further A\$1.5 million Placement will be settled within 2 business days of the Company receiving shareholder approval, with a A\$1.5 million Bridge Loan provided by another investor.
- In addition, a further A\$4.8 million of Debt Conversion will be settled via the conversion of existing debts owed by Elmore, also within 2 business days of the Company receiving shareholder and regulatory approval.
- The Company's Chairman, Russell Baskerville, intends to personally subscribe for A\$200,000 in the Investor Loans, subject to shareholder and regulatory approval.
- Following completion of the Raising, it is anticipated that:
  - Regal Funds Management will hold approximately 12.9% of the issued share capital of the Company; and
  - Thorney Investment Group will hold approximately 10.5% of the issued share capital of the Company.<sup>5</sup>

## Investor and Bridge Loans

As noted above, A\$6.2 million of the Raising proceeds will be advanced by the subscribers (who are professional and sophisticated investors) via Investor Loans and then, subject to the Company obtaining the necessary shareholder and regulatory (including ASX) approvals, the loan amounts will be converted into shares at the Offer Price.

Key terms of the Investor Loans include:

- Interest free loans which are automatically convertible into shares in the Company, on the same terms as the Placement 2 business days after the Company has obtained the relevant shareholder and regulatory approvals.
- The Investor Loans will be unsecured and repayable in cash if by 31 August 2023, the Company has not obtained the relevant shareholder and regulatory approvals for the Raising. Elmore notes that if the relevant shareholder and regulatory approvals are not obtained, Elmore would likely source the funds required to repay the Investor Loans from the Pre-Payment amount with Royal Advance, or if it has not closed by 31 August 2023, an alternative source of funding would need to be sought prior to 31 August 2023. Further information will be contained in Elmore's notice of meeting.

The key terms of the Investor Loans are summarised in full in Annexure A to this announcement.

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<sup>5</sup> The percentage holdings are based on Regal Funds Management's and Thorney Investment Group's respective existing holdings in the Company and participation in the Investor Loans, Placement and for Thorney Investment Group, the Bridge Loan, but excludes the effect of any further acquisitions by each of them, or other issues of shares by the Company.

The allocation schedule for the Investor Loans is summarised below:

Investor name	Investors (#)	Investment (A\$)	% of Investor Loan
Thorney Investment Group	1	2,000,000	32.2%
Regal Funds Management	1	1,000,000	16.1%
Euroz Hartleys Private Wealth Clients	61	2,450,000	39.5%
Shaws Private Wealth Clients	14	555,000	8.9%
Russell Baskerville (Chairman)	1	200,000	3.2%
<b>Total</b>	<b>78</b>	<b>6,205,000</b>	<b>100.0%</b>

In addition, A\$1.5 million will also be advanced to the Company via a separate Bridge Loan that is being provided by Thorney Investment Group. The key terms of the Bridge Loan include:

- Advance of A\$1.5 million, repayable upon settlement of the Placement or by 31 August 2023.
- Interest free, with a fee payable including the issue of 30 million options with an exercise price of 0.75 cents per option and an expiry date of 18 months from the date of issue.
- The issue of the options is subject to shareholder and regulatory approval, which will need to be obtained prior to 31 August 2023. If such approvals are not obtained, the Company is not obliged to issue the options.

The key terms of the Bridge Loan are summarised in full in Annexure B to this announcement.

## Use of Funds

Elmore intends to use the proceeds of the Raising as follows:

Item	A\$M
Repayment of vendor finance (principal and interest)	3.5
Purchase of capital items and processing equipment	1.0
Other debt reduction	3.5
Working capital and transaction costs	4.5
<b>Total</b>	<b>12.5</b>

Upon closing the Pre-Payment, which will raise a further US\$22.0 million (circa A\$32.5 million) before transaction costs, the Company will repay a further A\$15.0 million to Oz Pro. It will have further financial flexibility to manage its working capital, make further investments into the Project, and will owe Oz Pro a further approximately A\$12.5 million due at 31 December 2023.

## Share Purchase Plan

To allow retail investors to participate in the proposed issuances of shares, the Company intends to offer an SPP. The Company will release further details regarding the SPP in due course.

## Timetable

Elmore's target timetable is as follows:

Event	Indicative date
<b>Placement</b>	
Closing of Investor Loans	22 June 2023
Distribution of notice of meeting	early July 2023
Shareholder meeting	on or before 31 August 2023
Closing of Placement and Debt Conversion	August
SPP	Late August 2023
<b>Pre-Payment</b>	
Closing	Late June or July 2023

\* These dates are indicative and subject to change.

## Pro Forma Capital Structure

The effect of the Raising on Elmore's capital structure is set out below.

Capital Structure	#	Shareholding %
<b>Current</b>		
Fully paid ordinary shares	1,399,383,826	42.3%
Unlisted options	42,833,333 <sup>1</sup>	1.3%
<b>Raising</b>		
Fully paid ordinary shares	1,666,666,667	50.4%
Unlisted options	196,666,667 <sup>2</sup>	5.9%
<b>Pro Forma</b>		
Fully paid ordinary shares	3,066,050,493	92.8%
Unlisted options	239,500,000	7.2%
<b>Total</b>	<b>3,305,550,492</b>	

<sup>1</sup> Exercise prices of 2 to 3 cents per option and expiring in March 2024 and January 2025

<sup>2</sup> Exercise price of 1.5 cents per option and expiring 18 months from issue, approximately January 2025

For the avoidance of doubt, the following outcomes have been prepared to illustrate the impact on the Company's capital structure:

- If shareholder approval is not given, there would be 1,399,383,826 shares on issue (i.e. the current amount)
- If shareholder approval is given, there would be 3,066,050,493 shares on issue, and 239,500,000 options on issue
- If shareholder approval is given and all options are exercised, there would be 3,305,550,493 shares on issue

The Company also proposes to issue shares in Elmore to its Directors in lieu of fees outstanding, further details of which will be provided in the notice of meeting to be released in due course in relation to the necessary shareholder approvals for the Raising.

## **Operations and Financial Update and Impact**

### Magnetite

- With the Investor Loan proceeds, Elmore has the necessary capital to ensure production and logistics will ramp up in line with its internal expectations.
- As production continues to grow and Elmore will stabilise 4 rail services per week in the near future.
- The aggregate financing will also allow for additional equipment, i.e. flotation cells and a re-grind mill, to be procured to allow unoxidized material to be processed and the material that is currently being stockpiled as oversized material (+106 micron) to be ground in the normal course of processing. Additional magnetic separation is also proposed along with some other minor items. The combined effect of these measures is expected to significantly increase throughput, recoveries and product grade, enabling higher production and improvements in product quality.
- The third shipment is estimated to be ready for loading at the Darwin Port in early July 2023.

### Copper and Cobalt

- The adverse effects of the wet season impacted roads in the Northern Territory that have now been repaired, meaning that funding has been the only constraint to the relocation of the Soluble Metals Circuit from Browns Range to Peko.
- The Company is targeting commencement of the relocation and installation of the circuit to commence in H2 2023, with first production of copper and cobalt targeted for Q1 CY2024.

### Site Weather Proofing

- Elmore's experience over the wet season has enabled the Company to identify the bottlenecks and weaknesses of the supply and logistics chains of the operations.
- Elmore plans to engage in a series of site weather mitigation initiatives to reduce downtime in the future wet seasons, including the lifting of parts of the main access road on site and installing cyclone resistant weather cloth or dome shelters to protect loading zones.

## Balance Sheet and working capital

- During the ramp up process, Elmore's working capital has been under pressure and the transaction will enable it to operate sustainably and make the necessary purchases and investments to continue production growth at Peko as set out above.
- Having renegotiated the vendor finance terms, Elmore now has A\$1.0 million due to Oz Pro payable from the proceeds of the Investor Loans, and it has until 31 August to pay a further A\$15.0 million. Elmore intends to fund this amount from the proceeds of the Pre-Payment, which will also result in the discharge of Oz Pro's security. After the A\$2.5 million of Debt Conversion, there will be circa A\$12.5 million in principal outstanding due at the end of 2023, plus interest and extension fees.
- After closing of the Placement, SPP and the Pre-payment, all other loans will be repaid so that the only financial obligations Elmore has outstanding will be the final payment to Oz Pro, and the Pre-Payment, along with ordinary trade creditors and equipment finance obligations. Pro forma net debt upon closing of the Pre-Payment (and after receipt of the Placement SPP proceeds) is estimated to be approximately A\$33.0 million, with a term and repayment schedule that is sustainable for Elmore.

## Exploration and future advancement at Peko

- As previously announced, Peko is expected to be developed in stages, with the existing magnetite production being the first stage and the copper and cobalt being stage 2.
- Elmore expects to undertake studies and design for work for further production stages which will include gold production and oxidisation of the tailings material to enable further extraction of copper, cobalt and gold.
- The Peko tenements have substantial exploration potential and possibilities for the re-commencement of mining operations and Elmore intends to undertake further assessment of historical data and surveying and mapping activities in the second half of 2023 to better define this potential.

**Commenting on the agreements Mr David Mendelawitz said** *"This financing is transformative for the company, providing long term funding to repay the company's vendor loan agreement and secures the support of a multi-billion-dollar corporate partner for the life of the tailings operation, as well as new investors who we welcome to Elmore. The significant reduction in our net debt and strengthening of our balance sheet will assist Elmore to make the investments that the Peko mine needs, to build upon the base production level we have already achieved, taking more advantage of the great potential we see at the operation."*

*"I, along with the board, sincerely thank all of our staff and contractors for their enormous contribution and investment in establishing this project."*

*In closing Mr Mendelawitz said "Royal Advance have proven to be an honourable partner, always focused on mutually beneficial commercial results and we are looking forward to a bright future together. Elmore now has sufficient funding to advance its near-term objectives and make our operations more sustainable and financially robust"*



## Advisers

Azure Capital is acting as Elmore's financial adviser and Euroz Hartleys Limited and Shaw Stockbroking were joint lead managers to the Raising.

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

David Mendelawitz, Managing Director

### Elmore Ltd

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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.

## Annexure A - Summary of key terms of Investor Loans

Key Term	Description
<b>Borrower</b>	Elmore Limited ACN 057 140 922
<b>Lenders</b>	Various institutional and sophisticated (high net worth) investors.
<b>Advance (Loan Amount)</b>	AUD6,200,000 in aggregate from all Lenders.
<b>Security</b>	The Investor Loans are unsecured.
<b>Fees</b>	No fees associated with the Investor Loans.
<b>Availability Period</b>	From date of the Investor Loan agreements to Termination Date.
<b>Termination Date</b>	31 August 2023
<b>Interest</b>	No interest is associated with the Investor Loans.
<b>Repayment of Principal</b>	<p>Amounts due and payable under the Investor Loans are to be repaid in cash on the Termination Date, unless the Borrower obtains all the requisite conversion and options approvals (including shareholder approval) (<b>Conversion and Options Approvals</b>) on or before the Termination Date, in which case the Advances will be converted into fully paid ordinary shares in the Borrower in accordance with the following formula (<b>Conversion Shares</b>):</p> $x = \frac{P}{CP}$ <p>where,</p> <p><b>x</b> is the number of shares in the Borrower to be issued;</p> <p><b>P</b> is the aggregate proceeds of the Advance to be converted; and</p> <p><b>CP</b> is the conversion price of \$0.0075.</p>
<b>Options</b>	If all of the Conversion and Options Approvals are obtained on or before the Termination Date, the relevant Lender will receive 1 option for every 10 Conversion Shares. Each option entitles that Lender to subscribe for 1 fully paid ordinary share in the Borrower at an exercise price of \$0.015, subject to the terms and conditions set out in the Investor Loan.
<b>Use of Funds</b>	<p>The aggregate proceeds of all investor loans will be applied as follows:</p> <ol style="list-style-type: none"> <li>1. A\$1,000,000 towards the loan between Oz Professionals 4 Pty Ltd ACN 104 976 703 as trustee for the Chambour Family Trust ABN 95 880 174 785 and Peko Iron Project Pty Ltd ACN 652 243 733);</li> <li>2. A\$1,000,000 towards the purchase of certain capital items and processing equipment;</li> <li>3. at least A\$2,000,000 towards repayment of outstanding financial indebtedness; and</li> <li>4. A\$2,630,000 towards general working capital purposes and any transaction costs.</li> </ol>

<p><b>Representations and Warranties</b></p>	<p>Standard representations and warranties typical of loans of this type:</p> <ul style="list-style-type: none"> <li>a) status;</li> <li>b) binding obligations;</li> <li>c) non-conflict with other obligations;</li> <li>d) power and authority;</li> <li>e) pari passu ranking; and</li> <li>f) compliance with laws.</li> </ul>
<p><b>Undertakings</b></p>	<p>Standard undertakings typical of loans of this type:</p> <ul style="list-style-type: none"> <li>a) status;</li> <li>b) authorisations;</li> <li>c) Disposals (no Borrower disposals other than under any offtake agreement, made in ordinary course of business, of assets in exchange for assets of comparable value, obsolete or redundant vehicles or equipment);</li> <li>d) No merger;</li> <li>e) No substantial change in business;</li> <li>f) Financial Indebtedness (Borrower shall not incur Financial Indebtedness other than): <ul style="list-style-type: none"> <li>(i) a prepayment facility up to an amount of US\$25,000,000;</li> <li>(ii) a facility of up to A\$10,000,000 with the NT Jobs Fund to be used to specific capital investments and plant expansions;</li> <li>(iii) any trade or similar facilities provided on a non-recourse basis;</li> <li>(iv) under equipment lease and hire purchase contracts where recourse is limited solely to the assets themselves;</li> <li>(v) Financial Indebtedness arising under a foreign exchange transaction for spot or forward delivery entered into in connection with protection against fluctuation in currency rates where that foreign exchange exposure arises in the ordinary course of trade but not a foreign exchange transaction for investment or speculative purposes;</li> <li>(vi) any facility incurred solely for the purpose of refinancing the Advance; and</li> <li>(vii) incurred with consent of the Lender.</li> </ul> </li> </ul>
<p><b>Events of Default</b></p>	<p>Usual Events of Default typical of this type of loan agreement:</p> <ul style="list-style-type: none"> <li>a) Non-payment</li> <li>b) Misrepresentation</li> <li>c) Insolvency (Borrower or any member of the Borrower's group)</li> <li>d) Cross Default</li> <li>e) Unlawfulness</li> <li>f) Cessation of Business</li> </ul>

## Annexure B - Summary of key terms of Bridge Loan

Key Term	Description
<b>Borrower</b>	Elmore Limited ACN 057 140 922
<b>Lender</b>	Tiga Trading Pty Ltd ACN 118 961 210 (a company part of the Thorney Investment Group)
<b>Advances/Loan Amounts</b>	A\$1,500,000.00
<b>Security</b>	The Bridge Loan is unsecured
<b>Conditions Precedent</b>	<p>The Lender, confirms in its sole discretion and in form and substance satisfactory to it that:</p> <ol style="list-style-type: none"> <li>1. The Borrower has received subscriptions in relation to an equity placement and advances under the Investor Loans in an aggregate amount of at least A\$9,500,000 (<b>Relevant Amount</b>); and</li> <li>2. at least A\$8,000,000 of the Relevant Amount shall be drawn, funded or utilised by the Borrower on or before 30 June 2023.</li> </ol>
<b>Fees</b>	<ol style="list-style-type: none"> <li>1. Cash fee of \$125,000 (<b>Cash Fee</b>); and</li> <li>2. One of the following: <ol style="list-style-type: none"> <li>a) (<b>Option Fee</b>) If all requisite approvals which are necessary for the transactions contemplated under the Bridge Loan are obtained (including shareholder approval) (<b>Requisite Approvals</b>) before the Termination Date, the Lender will receive 30 million options. Each option entitles the Lender to subscribe for 1 fully paid ordinary share in the Borrower at an exercise price of \$0.0075, subject to the terms and conditions set out in the Bridge Loan; or</li> <li>b) (<b>Fallback Fee</b>) If any of the Requisite Approvals are not obtained before the Termination Date, the Borrower will receive a further \$50,000 in cash.</li> </ol> </li> </ol>
<b>Availability Period</b>	From date of the Investor Loan agreements to Termination Date
<b>Termination Date</b>	31 August 2023
<b>Interest</b>	No interest amounts shall apply to the Bridge Loan
<b>Repayment of Principal</b>	<p>On the earlier of:</p> <ol style="list-style-type: none"> <li>1. the day that is 2 business days after the date of the completion of the Equity Placement; and</li> <li>2. the Termination Date</li> </ol> <p><b>Equity Placement</b> means the issue of Shares and options to subscribe for Shares to certain investors in the amount of at least \$1,500,000 as completed by the transaction announced by the Borrower on or around the date of the Bridge Loan.</p> <p><b>Share</b> means a fully paid ordinary share in the capital of the Borrower.</p>
<b>Use of Funds</b>	Towards repayment of outstanding financial indebtedness

<p><b>Representations and Warranties</b></p>	<p>Standard representations and warranties typical of loans of this type:</p> <ul style="list-style-type: none"> <li>a) status;</li> <li>b) binding obligations;</li> <li>c) non-conflict with other obligations;</li> <li>d) power and authority;</li> <li>e) pari passu ranking;</li> <li>f) no insolvency; and</li> <li>g) compliance with laws.</li> </ul>
<p><b>Undertakings</b></p>	<p>Standard undertakings typical of loans of this type:</p> <ul style="list-style-type: none"> <li>a) status;</li> <li>b) authorisations;</li> <li>c) Disposals (no Borrower disposals other than under any offtake agreement, made in ordinary course of business, of assets in exchange for assets of comparable value, obsolete or redundant vehicles or equipment);</li> <li>d) No merger;</li> <li>e) No substantial change in business;</li> <li>f) Financial Indebtedness (Borrower shall not incur Financial Indebtedness other than): <ul style="list-style-type: none"> <li>(i) a prepayment facility up to an amount of US\$25,000,000;</li> <li>(ii) a facility of up to A\$10,000,000 with the NT Jobs Fund to be used to specific capital investments and plant expansions;</li> <li>(iii) any trade or similar facilities provided on a non-recourse basis;</li> <li>(iv) under equipment lease and hire purchase contracts where recourse is limited solely to the assets themselves;</li> <li>(v) Financial Indebtedness arising under a foreign exchange transaction for spot or forward delivery entered into in connection with protection against fluctuation in currency rates where that foreign exchange exposure arises in the ordinary course of trade but not a foreign exchange transaction for investment or speculative purposes;</li> <li>(vi) any facility incurred solely for the purpose of refinancing the Advance; and</li> <li>(vii) incurred with consent of the Lender.</li> </ul> </li> </ul>
<p><b>Events of Default</b></p>	<p>Usual Events of Default typical of this type of loan agreement:</p> <ul style="list-style-type: none"> <li>a) Non-payment</li> <li>b) Misrepresentation</li> <li>c) Insolvency (Borrower or any member of the Borrower's group)</li> <li>d) Cross Default</li> <li>e) Unlawfulness</li> <li>f) Cessation of Business</li> </ul>