



## **Market Update**

### **Peko Project Progress Report**

**November 30<sup>th</sup>, 2021**

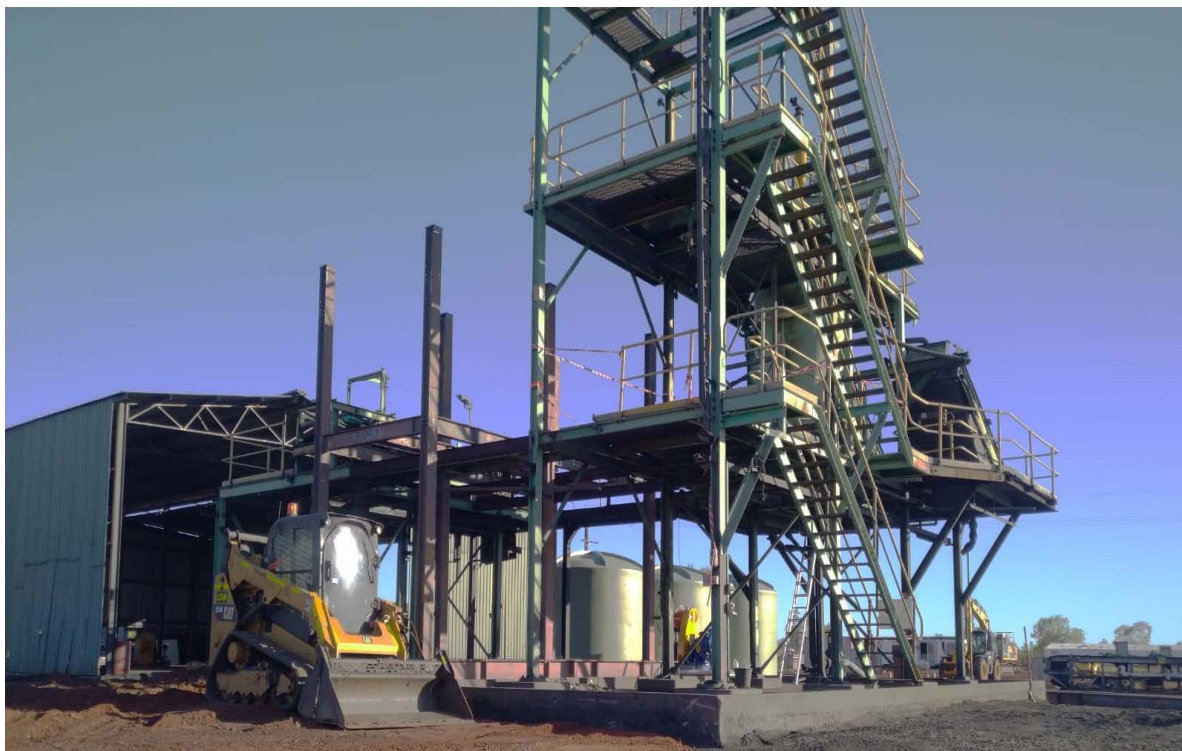
- Rail agreement executed with OneRail matching initial planned production volume from Peko Iron project utilising the existing intermodal service
- Darwin port access and minerals storage lease contracts have been finalised for execution, providing certainty over product storage and handling prior to shipping
- ICA Mining's creditors have all executed agreements to novate their debts, satisfying the agreement between Elmore and ICA Mining (ICA), securing the key plant equipment items and allowing ICA to be released from external Administration
- Prefabricated structures and equipment is steadily arriving on site, with fabrication of all remaining items nearing completion and scheduled to be mobilised to site this week.
- Key management personnel are on-site in preparation for plant construction and commissioning.
- Completion of commissioning remains on schedule to be achieved prior to the end of the calendar year, with first train of magnetite for Darwin Port being planned for January 2022.

Elmore Ltd (ELE: ASX or Elmore) is pleased to provide an update on the development of the Peko Magnetite, Gold, Copper and Cobalt project in the Northern Territory.

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*Process plant with magnetite tailings stockpile in the background*



*Prefabricated skid mounted structure with fixed tower in preparation for process equipment to be installed*



## **Background**

Elmore has been contracted to deliver and operate a magnetite processing plant for the Peko Iron and Polymetallic Project ("Peko") located in the Tennant Creek region in the Northern Territory.

Elmore has now passed a number of major project milestones, having completed design and procurement of all plant and equipment and is in the process of execution of all of the major project contracts.

The Company is now within days of completion of all off-site components of the construction phase of the plant and has commenced moving the prefabricated plant components to site to tie together and complete commissioning. Some key equipment is being commissioned in Perth before being mobilised, whilst others will occur on site.

Commissioning of the plant is on schedule to be completed before Christmas and the Company is currently on schedule to commence hauling material from site to port soon after.

## **Key Logistics Contracts**

An agreement has been executed with OneRail to provide haulage from Tennant Creek to Darwin Port utilising the intermodal rail service 5 days per week. The contract covers the initial targeted production level of 350,000 tonnes per annum of magnetite concentrate that is planned for Peko.

Port access and minerals storage shed contracts have been negotiated and ready for execution with Darwin Ports, providing the project the ability to stockpile product as it comes off the rail and then loaded onto ships once a suitable sized stockpile is achieved. Contract execution is on track to be completed this week.

Elmore has also secured a new Reach Stacker for handling the half-height sea containers on/off the trucks at Tennant Creek rail siding in preparation for being railed to Darwin, where the contents will then be tipped into the minerals shed.

The above agreements lock in the logistics capacity to meet Peko's planned production.

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*Linfox's Reach Stacker moving half-height sea containers in Tennant Creek similar to what will be used by Peko to unload trucks*

## Creditor Novation

As previously announced, as part of the earn-in-agreement, Elmore has agreed to pay three nominated ICA's creditors \$1,700,000 and waive \$660,000 in management fees owing to Elmore.

These ICA creditors have all now entered into novation deeds which transfer their debts from ICA into a short-term fund agreement with Elmore, satisfying the agreement between Elmore and ICA. The key terms of the funding agreement are:

- 6-month term
- 10% interest rate
- \$1 per tonne royalty, pro-rata over a \$6 million financing facility.
- If the outstanding amounts are repaid by January 30<sup>th</sup> 2022, no royalty is payable.

Post novation of the debts, the equipment valued at circa \$3 million will transfer to Peko, and will allow Elmore to refinance these debts, rather than relying on those Creditors to act as funders.

The agreement with ICA states that the \$2.36 million (\$1.7 million to others and \$660k to Elmore) will be repaid to Elmore before any distributions are made to project shareholders. This means that not including distribution of profit, based on 350,000 tonnes per annum



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production rate and a 0.73 USD: AUD exchange rate, in the first 12 months Elmore will be entitled to:

Management Fees:	\$1,800,000
Royalties:	\$ 958,904
Creditor Payments:	\$2,360,000

Thus, the total first 12-month minimum entitlements payments from the project, not including profit distributions, amounts to **\$5,118,904**

The Company has forecast free cash flows to be greater than the above minimum entitlements.

**Whilst the Company plans to re-finance these notes, the above minimum income, and the early rebating of the creditor payments, provides Elmore the comfort that the Company can repay the creditors in full within 6 months if alternative re-financing is not achieved.**

## Site Management

Key management personnel have mobilised to site in preparation for completion of construction and commissioning.

Mr Jason Young, Elmore's Head of Metallurgy will commence as the Acting Registered Manager. Mr Young has extensive experience with magnetite and other minerals having previously held senior positions at Fortescue Metals Group, Rio Tinto and the CSIRO Iron Ore Division. Mr Youngs focus will be to bring the plant to steady state and maximise the quality of the product produced.



*Three 500kVA Diesel Generator Sets Preparing to leave Elmore's Malaga Workshop*



## Managing Director's Comments

Elmore's Managing Director Mr David Mendelawitz commented "I am very pleased with the progress that we have made building the Peko project. The end of construction and beginning of operations is now clearly in sight. For a Company on a very tight budget, tight timeframes and a backdrop of both a skilled labour shortage and further impacted by COVID travel and supply chain issues, I think that the fact that we are within our original budget forecast and still on track to deliver within 4 months from signing the agreement is a significant achievement for the Company.

Importantly, once steady state processing is achieved, we will turn our focus to bringing the Peko metals project into production by extracting as much gold, copper and cobalt from the project as we can do so economically."

### About the Peko Project

- Peko's operations are located 12km from the Adelaide-Darwin railway and 10km from the town of Tennant Creek
- Peko consists of 3.75 million tonnes of tailings containing magnetite, 138,000 ounces of gold, 9,567 tonnes of copper and 3,953 tonnes of cobalt ready to process
- Peko is fully permitted for stage 1 – magnetite removal
- Sealed roads connect the mine to a rail siding and stockpile area
- Port and rail ready for export using existing facilities and intermodal rail services
- Mine life is expected to be initially ~5 - 7 years with the potential to extend
- Production initially based on recovering magnetite at a rate of 350,000 tonnes, ramping up to 500,000 tonnes per annum if rail capacity can accommodate
- Stage 2 – gold removal via flotation is targeted for mid-2022
- Stage 3 – gold removal via leaching is targeted for late-2022
- Production is targeted to commence Q4, 2021 and will produce 65 - 67% Fe magnetite product, which will trade against the 65% Fe index. This index is currently trading circa US\$40 per tonne above the typically reported 62% Fe index
- Elmore will manage the project and all operations
- The project has robust economics

**END**