



Tolu Minerals Limited

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ASX:TOK

ASX Announcement

24 November 2023

Tolukuma Road Contract Awarded

HIGHLIGHTS:

- Transformational contract to build road from Bakoiudu to the Tolukuma Gold Mine awarded to a major PNG civil engineering group.
 - Mobilisation and site establishment underway.
 - Road construction to commence week 1, December 2023.
 - Historical exclusive reliance on helicopter borne freight and personnel movement will be replaced with road transport.
 - Use of the road as opposed to helicopter transport will drive significant operating cost reductions.
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Iain Macpherson, MD & CEO of Tolu Minerals Ltd. said:

"I'm pleased to confirm that critical work has commenced on Tolukuma. Construction of the road to access the Tolukuma mine site and region will radically transform how exploration, future mine development and operations will be undertaken at Tolukuma and the Tolukuma region. The construction of the road will underpin a major cost reduction and enhance the efficiency of logistics. This road will also be transformational for the villages and communities on and close to the route, opening up access to markets that have hitherto been very difficult to access.

The appointment of Tunnel Engineering (PNG) Ltd is a significant step towards technically and commercially de-risking this critical project. We are very excited to commence activity on this road and have set it as a priority project for our operations."

Tolu Minerals Limited (**TML** or the **Company**) is pleased to announce it has awarded the contract to build the access road from Bakoiudu to the Tolukuma Gold Mine (**TGM**). The contract has been awarded to Tunnel Engineering (PNG) Ltd, Reg: 1-86659 (**TE** or the **Contractor**) to complete building the road to enable the Company to advance its exploration of the Tolukuma Project.

The Mineral Resources Authority of Papua New Guinea (**MRA**) commissioned a feasibility study completed in November 2016 that provides the design for the permanent road to service the Tolukuma mine and region. The road follows the route of an existing horse and cart trail built by missionaries branching off the Tapini Highway at Bakoiudu then routing through a number of villages to Tolukuma as shown in Figure 1 below.



Figure 1: Tolukuma Gold Mine Access Road

TGM and the MRA commenced construction of the road, planning to push through a gravel pilot road as an interim measure, pending the Government upgrading the road to the final design specification, but did not complete the work prior to Tolukuma Gold Mines Ltd going into liquidation in 2018.

Of the 70.62km route, TGM completed 37.81km from the mine to near Popole village, while at the same time the MRA commenced work according to the feasibility study technical specifications from Bakoiudu on the Tapini Highway, completing approximately 10km before work ceased. The uncompleted road has not been regularly utilised and has subsequently been neglected and will therefore require some remediation that is incorporated in the TE Contract.

The State have recently promulgated legislation that provides 20bn PNG Kina over the next 20 years for the Connect PNG infrastructure programme. Tolu has national and regional government commitment to support the completion of the Tolukuma road link that represents a key regional infrastructure project. Given, however, its criticality to the cost base, the Company will take the lead and complete the construction of the pilot access service road ahead of the Government upgrading to the feasibility study specification.

In June 2023 the Company entered into a binding term sheet with the Contractor to carry out the completion of the main access service road to TGM, including repairs to the existing section of the road. Refer to Section 9.5 of the Prospectus Announced on the ASX on 9 November 2023 for more details. This term sheet forms the basis for the TE Contract.

The Contactor is an associate of the AG Group of Companies that are a substantial and experienced civil engineering group and one of the important independent power producers in Papua New Guinea. They have undertaken many major civil engineering projects over several decades, including construction of hydro-electric power stations, road construction and airport construction.

The total budget for the road is A\$4,000,000, of which A\$2,200,000 will be paid by the issue of shares in Tolu at the IPO issue price, being A\$0.50, with the balance of A\$1,800,000 in cash. The budget is based on historical road construction cost and is underpinned by the TE Contract.

Background

From the original commissioning of TGM in 1995, the operation has relied entirely on heavy lift and conventional helicopter support to service its operations. At its peak the mine operated two large Russian helicopters, such as MIL 8, MIL 171 or Kamov and typically a Bell Ranger or equivalent. It is

estimated that approximately 10,000 tonnes of freight and 25,000 passenger movements were carried annually. This accounted for the logistics costs of the mine amounting to approximately 50% of the total operating costs. In the latter years of operation this cost, driven by substantial fuel price increases, impacted the profitability of the mine, ultimately resulting in suspension of operations in 2015 and liquidation in 2018.

The inherent costs and risks around ongoing reliance on helicopter service have led the Company to set a priority on the road construction for both the refurbishment and the long-term operation of the Company's projects as well as providing critically needed infrastructure for the communities of the region.

The switch to road transport will have a transformational effect on the exploration and future operation of the mine and surrounding exploration licences. With continued support and commitment from Government, the road will transform the infrastructure of the region and drive the development of the communities of the Goilala region in Central Province. In addition to economic activity delivered by Tolukuma, the region will be opened up to agricultural and other economic development to supply the nearby market of Port Moresby.

This announcement has been authorised for release by the Directors of the Company. For additional information please visit our website at www.toluminerals.com

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TOLU MINERALS LIMITED

Competent Person Statement:

The information in this report is based on information compiled by or compiled under the supervision of Richard Johnson, a Fellow of the Aus IMM. Richard Johnson is a Technical Consultant and member of the Tolu Minerals Ltd. Advisory Board. Richard Johnson has sufficient experience that is relevant to the type of operation under consideration to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code of Reporting Exploration Results, Mineral Resources and Ore Resources. Richard Johnson consents to the inclusion in the report of the matters based on the information in the form and context in which it appears. Additionally, Richard Johnson confirms that the entity is not aware of any new information or data that materially affects the information contained in the ASX releases referred to in this report.

TML Exploration Licence Information

Exploration Licence Number and Name	Ownership	Sub-blocks	Area (sq.km)*	Grant Date	Expiry Date
ML104 – Tolukuma	100% TML	N/A	7.71	01-Sep-21	28-Aug-32
EL2531 – Tolukuma	100% TML	33	118.4	25-Feb-19	24-Feb-23
EL2385	100% TML	58	197	26-May-16	25-May22
EL2535	100% TML	8	27.3	24-Jan-22	25-Jan24
EL2536	100% TML	37	125.7	24-Jan-22	25-Jan-24
EL2538	100% TML	14	47.7	24-Jan22	25-Jan24
EL2539	100% TML	58	197.8	24-Jan22	25-Jan-24
EL2723	100% TML	108	368.28	8-Nov22	07-Nov-24
EL2662 – Mt. Penck	100% TML	60	204.48	26-Oct-21	25-Oct-23
ELA2780	100% TML	116	392.33	N/A	N/A
Total of EL's and ML104		480	1,686.70		

*1 sub-block approximately 3.41 sq.km

Notes: The PNG Mining Act-1992 stipulates that EL's are granted for a renewable 2-year term (subject to satisfying work and expenditure commitments) and the PNG Government maintains the right to purchase up to 30% project equity at "Sunk Cost" if/when a Mining Lease is granted. Licences EL2531, EL2385 and EL2662 are currently subject to an extension renewal process. The tenements remain in force until determinations are made by the Mining Advisory Council.

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