

ELMORE

ASX: ELE

QUARTERLY ACTIVITIES REPORT

31 December 2019

Elmore Limited (the "Company" or "Elmore") (ASX: ELE) is pleased to provide its quarterly activities report for the period ended 31 December 2019.

OPERATIONS

On 1 July 2019, the Company announced that it had signed an MOU with Trendsheer Holdings Pty Ltd (**Trendsheer**) for materials processing on their Frances Creek Iron Ore Mine in the Northern Territory. An agreement was later executed in relation to this contract, converting it to a contract to provide equipment for the client to operate and Elmore's technical expertise, at a fixed rate per month.



Mobile processing equipment to be used at Frances Creek

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Elmore worked closely with Trendsheer to determine how best to utilise Elmore's plant. Once the mine plan was finalised, Elmore also determined whether the plant was suitable to process both the iron ore and the gold ore that Elmore had been contracted to mine on behalf of Trendsheer's related entities.

Peko Tailings Project

During the year, ICA Mining Pty Ltd (ICA) finalised its funding for its Peko Tailings Project (Peko) which allowed Elmore to commence preparations towards processing of both iron ore and gold. Pursuant to the contract with ICA, from 1 May 2020 Elmore was entitled to be paid a monthly standby rate of \$200,000 plus GST. In the interests of both parties, Elmore offered ICA for this fee to be restructured such that the Company will provide additional project management services, including but not limited to, geology, safety, security. This is in addition to the originally planned oversight of design, procurement and construction of ICA's magnetite processing facilities.

Elmore and ICA Mining completed negotiations in July 2020, amended and executed the service contract and settled outstanding invoices issued for the May and June period that were accrued during the negotiations.

The changes in the contract relates primarily to the fee structure for the delivery of the magnetite processing component of the contract (with no changes to the gold processing component). The pertinent changes to the contract are:

- Replacement of the standby rate with a schedule of consulting rates, plus a 10% administration margin on monthly invoices. The consulting schedule of rates has applied until October 31st, the target date for first magnetite product.
- The previous contract had Elmore receiving a tiered percentage of free cash generated from magnetite product sales. It was agreed that this was both difficult to administer and potentially counter to the interests of all parties. From the 1st November 2020 onwards, for a term of 5 years, Elmore will now oversee the production of magnetite from ICA's plant on the revised structure of:
 1. All operating costs borne by ICA;
 2. Monthly management fee paid to Elmore of \$100,000 plus GST paid in arrears and calculated pro-rata each calendar month during the Processing Stage; and
 3. Production fee of \$2.00 per tonne of saleable magnetite product removed from site to be paid to Elmore.

Gold, copper and cobalt (polymetallic) rich tailings processing remains unchanged at:

Processing of Gold, Copper and Cobalt Bearing Tailings Post Treatment for Magnetite Extraction – Gravity separation, Flotation and Leaching

- AU\$30.00 per tonne of in-feed with power provided by Processor
- AU\$22.00 per tonne of in-feed with power provided by Miner

Processing of Gold Bearing Primary Ore – Crushing, Grinding, Gravity separation, Flotation and Leaching

- AU\$44.00 per tonne of in-feed with Power provided by Processor
- AU\$36.00 per tonne of in-feed with power provided by Miner

Elmore and ICA Mining have agreed to suspend the commencement of the polymetallic tails processing project until later in H2, 2021 to provide time to optimise the final product(s) to be produced. The project is looking to produce a combination of concentrate +/- gold dore.

At the time of writing, there is no certainty over if or when the polymetallics processing would commence and if so, whether the scope and structure would still be suitable.



CORPORATE

Voluntary Suspension

As a consequence of the change in the Company's business focus, on 11 December 2018 the Company requested a voluntary suspension on the trading of its securities.

At the time of lodging this report the Company remains in suspension.

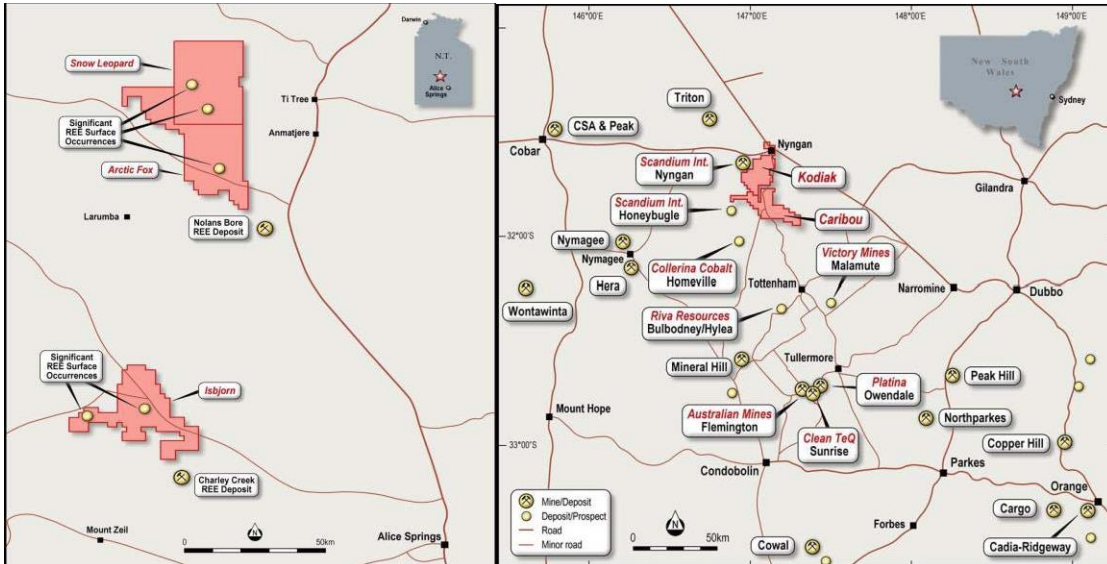
Coal Hub /Subiaco Capital Matter

As announced on 16 February 2015, the Company received a writ of summons in relation to a Coal Acquisition Agreement dated 15 June 2011 with Birmanie Nominees Pty Ltd (the vendor under the agreement, Birmanie) relating to 4 coal EPCs in Queensland. The writ alleges that NSL has failed to meet various obligations under the Coal Acquisition Agreement. Birmanie has claimed \$2.5m in damages. During the period, the Trial concluded in the Supreme Court of Western Australia, Her Honour Justice Banks-Smith has reserved her decision, ruling in favour of the Company.

The Company pursued litigation costs incurred through the prescribed legal process in the Supreme Court of Western Australia.

Following negotiations, Elmore executed an agreement in January 2020, with Coal Hub /Subiaco Capital to settle the outstanding costs order for a 20% ownership of a private Australian rare earth company (New Age Resources, NAR). NAR has 6 highly prospective rare earths tenements within New South Wales and the Northern Territory, located near significant resources of rare earths.

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NAR's Tenements: left = Northern Territory, right = New South Wales Note proximity to Nolan's Bore in Northern Territory

Information required by Listing Rule 5.3.5

During the quarter, the Company made the following payments to the related parties and their associates in item 6 of the Appendix 5B totalling \$49,777. This relates to salary and wages of the directors of \$108,332 and superannuation paid of \$10,292.

-ENDS-

For more information:

David Mendelawitz
Elmore Ltd
Managing Director
(08) 6323 2310
info@elmoreltd.com.au

Sean Henbury
Elmore Ltd
Company Secretary
(08) 6168 8000

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

Elmore Ltd

ABN

32 057 140 922

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	(241)	(448)
	(c) production	-	-
	(d) staff costs *	(215)	(394)
	(e) administration and corporate costs	(135)	(315)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	4
1.5	Interest and other costs of finance paid	-	(1)
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(591)	(1,154)

* includes accrued annual leave entitlements paid post the termination of COO Sean Freeman as per service agreement.

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	(258)
	(b) tenements (see item 10)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	(258)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	1,125
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	500	567
3.6	Repayment of borrowings	(8)	(8)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	492	1,684

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	421	50
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(591)	(1,154)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(258)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	492	1,684
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	322	322

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	322	421
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	322	421

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	60
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Wages and superannuation.		

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000	
7.1	Aggregate amount of payments to these parties included in item 1.2		
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3		
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2		
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8.	Financing facilities available	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	Add notes as necessary for an understanding of the position		
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
-			

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	-
9.2	Development (inc PPE)	350
9.3	Production	-
9.4	Staff costs	170
9.5	Administration and corporate costs	30
9.6	Other – Legals	-
9.7	Total estimated cash outflows	550

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: Sean Henbury
(Company secretary)

Date: 11 December 2020

Print name: Sean Henbury

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
- 2 If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.