ASX: ELE

QUARTERLY ACTIVITIES REPORT

30 June 2021

Elmore Limited (the "Company" or "Elmore") (ASX: ELE) is pleased to provide its quarterly activities report for the period ended 30 June 2021.

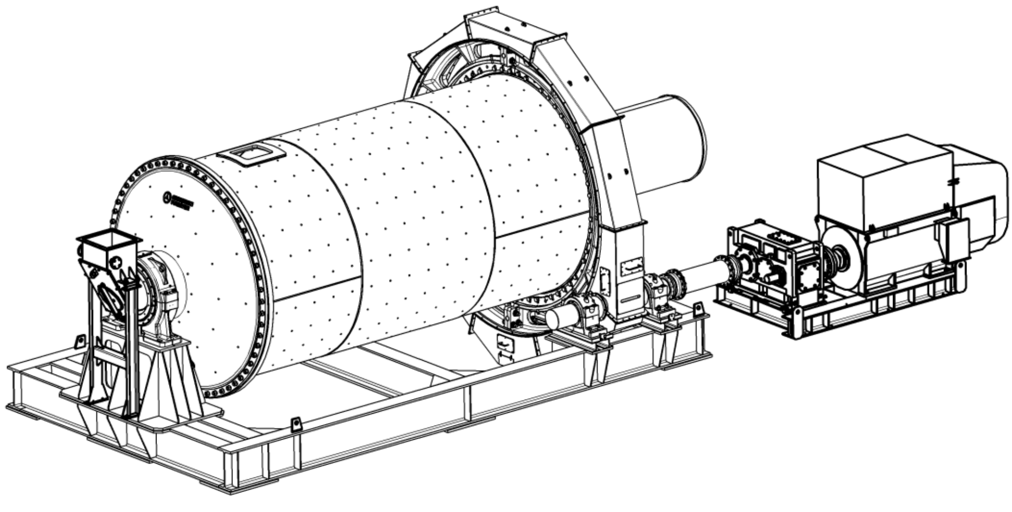
OPERATIONS

BALL MILL

Elmore has now ordered the first ball mill to be used to deliver the Company's mobile precious metals processing solution, based on its proprietary relocatable foundations system. Elmore has been working with the Christian Pfeiffer Group in Germany to design and build the optimum mill.

The mill is rated at 1150kw and is designed to be mounted on a frame measuring slightly under 12 metres long by approximately 6 metres wide, to stay within the capacity of practical road transport throughout Australia. To the best of the Company's knowledge, this will be the largest road transportable, skid mounted ball mill, available for contract processing in the world.

The power rating and design was determined to provide the Company capacity to process medium to hard rocks that are typical of gold bearing ore, at a rate of 60-80tph at a grind size of 80% passing below 80 microns after milling, when used in conjunction with 2 to 3 stages of front-end crushing. Elmore already owns the first 2 stage crushing plants that will be used with this mill.



Schematic of ball mill and drive unit on frames ready to be slid onto foundations.

About Christian Pfeiffer
Christian Pfeiffer Maschinenfabrik was founded in 1925 and is based in Beckum, Germany. The company specializes in manufacturing and refurbishing crushing, grinding and separation equipment for the cement and minerals industries.

Christian Pfeiffer's long experience in provision of grinding equipment into the difficult environment of cement plants provides them with invaluable experience that helps make them the ideal partner for Elmore to work with to build the robust and efficient ball mills required for Elmore's moveable mining solution.

MOVEABLE CIRCA 5MPTA PLANT

Elmore has completed the relocation of all of its plant and equipment from the Frances Creek iron ore mine in the Northern Territory, to the Company's laydown and construction site 40 minutes north of the Perth CBD.

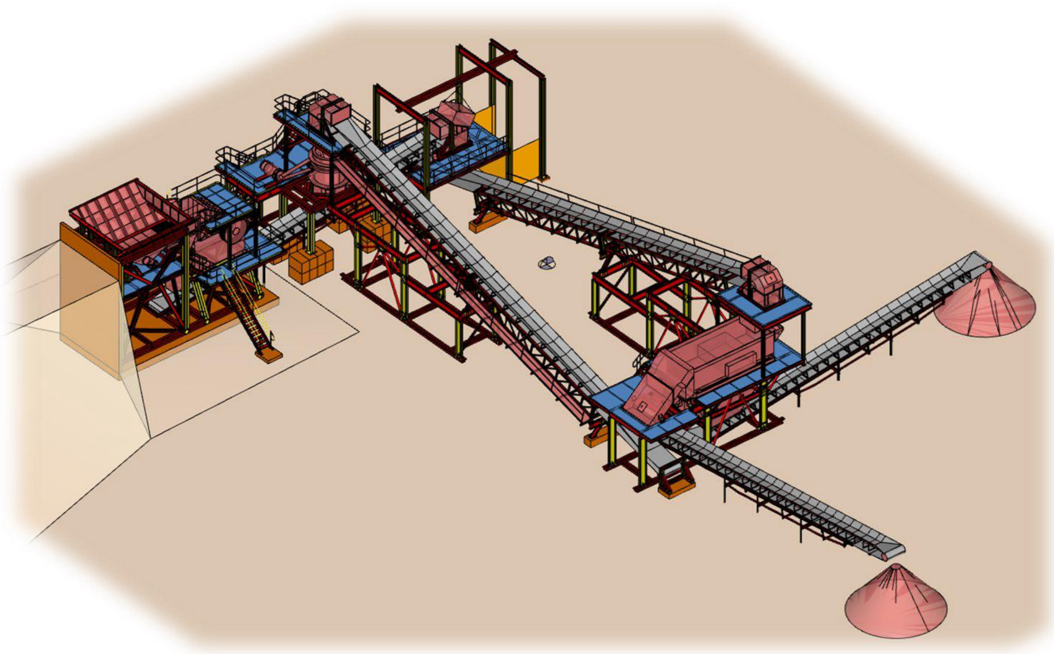
The entire dismantling and relocation job has been achieved with zero lost time injury and no damage to plant or equipment.

Elmore had previously decided to scrap a significant portion of the steel structures that made up the original fixed plant, as the plant was originally built to be able to run either wet or dry screening, on a switchable basis. As the new configuration will be built to run either wet or dry screening with only 1 screening unit fitted at a time, compared to the original 2, much of the structural steel would have been redundant in the moveable plant that Elmore is building.

Elmore evaluated the condition and potential use of the steel structure and determined it to be a significant asset driven by structural steel prices having increased dramatically and the availability of steel and fabricators being under pressure and these factors are widely forecast to worsen. **Elmore plans to use some of this steel to frame and mount all equipment required to complete the recently executed Peko Iron Project contract.**

The additional steel work relocation was a larger logistical exercise than the movement of the equipment that will be used to complete the new moveable plant. In total the movement of all the plant has taken 36 conventional road train trailers and 7 wide load trailers. Given that all dis-assembly and loading of the plant was undertaken by only 6 people, this has been a job that we are justly proud of achieving safely.

ELMORE



3D MODEL OF MOVEABLE CRUSHING AND SCREENING PLANT UNDER CONSTRUCTION

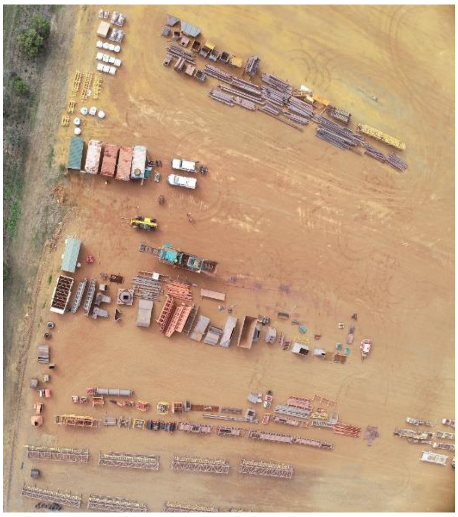


IMAGE LEFT – FRANCES CREEK PLANT SITE BEFORE

IMAGE ABOVE – AERIAL VIEW OF STRUCTURAL STEEL LAYOUT IN WESTERN AUSTRALIA (NOTE 5 X 20FT SEA CONTAINERS FOR SCALE REFERENCE)

TERRITORY MINERALS

Elmore has a contract with Territory Minerals Trading Ltd ("Territory" or "TM") to process gold and antimony ore from Territory's suite of gold and antimony projects in the Hodgkinson Basin, far north Queensland. Elmore outlined the key terms of its agreement with TM in an announcement on 18 January 2021.

Elmore has assisted Territory to design and undertake a small drilling program to evaluate the oxide mineralisation at TM's Northcote project approximately 35 km west of the town of Mareeba in far north Queensland. Whilst a reasonable level of confidence is held over the recovery of gold from the fresh ore, further understanding was sought over the oxide material which represents approximately 20% of the expected material to be processed.

TM (unlisted entity) completed three metallurgical reverse circulation (RC) drill holes for a total of 193 meters; one hole at each of the Tunnel, Emily and Ethel prospects at the Northcote Project. These project areas were selected to test metallurgical recoveries and processing options matched to Elmore's proposed processing circuit utilizing gravity and floatation. Drilling was completed down dip on the mineralised structures to provide information on the continuity of mineralisation and provide adequate sample for ongoing test work.

Although oxide is relatively thin and will not form a major portion of the ore, little information was available on the oxide recoveries and the current program will evaluate the gravity recoveries of the oxide mineralisation. There is very little transition mineralisation and almost no surface depletion with mineralisation outcropping or being present from 1 to 3 metres depth. This is important in relation to the pre-stripping required.

The project is covered by a granted Exploration Licence, and mining lease applications, which are progressing well. Initial water and sediment samples are being collected to assist with environmental permitting and an environmental gap analysis is underway to determine the level of environmental work required and costing of the work.

PEKO TAILINGS REHABILITATION PROJECT

Project Background

Elmore has a service contract with ICA Mining Pty Ltd ("**ICA**") in which the Company provides a range of consulting services, including design, procurement and the construction management, of a magnetite processing plant to be owned by ICA and known as the Peko Tailings Project.

For this service Elmore receives a $100,000 + GST monthly retainer. In addition, Elmore is entitled to a $AU2 per tonne royalty. At the time of this announcement ICA owes Elmore $660,000 Inc GST of unpaid retainer fees.

On 13 June 2021, the Directors of ICA appointed Mr Sule Arnautovic of Hall Chadwick as an Administrator in accordance with Section 436A of the Corporations Act 2001.

A proposed Pooled Deed of Company Arrangement ("**DOCA**") was put forward by ICA's secured creditor.

The second creditors meeting was held on 16 July 2021, where creditors voted to accept the proposal to execute the DOCA which was duly executed by all parties on the same day.

The DOCA provides the ability for the planned tailings project to enter into a production phase under the direction of a new Board of Directors. It will allow for the continuation of business between ICA and its trade suppliers in respect of the set up and operation of the magnetite process plant.

Expansion of Scope of Elmore Contract

Elmore has executed a Binding Heads of Agreement with Peko Gold Lending Pty Ltd ("**PGL**"), ICA's secured creditor and the successful DOCA proponent. This agreement tasks Elmore with completing the construction of the magnetite process plant and operating the plant, mine and also controlling the logistics and product sales of the magnetite, in exchange for an increased management fee, direct equity in the project and management rights.

Key Terms of the Binding Heads of Agreement

The agreement contemplates that Elmore will earn a 25% in the subsidiaries of ICA that house the projects by enacting the following:

1. Paying certain ICA creditors for the purchase of equipment up to a maximum of $1,635,000;
2. Paying for additional works estimated to be $20,000;
3. Noting that if the sum of (1) and (2) exceeds $1,700,000 ICA will compensate Elmore for all incremental costs;
4. Performing at its cost the tasks assigned to Elmore in the Proposed Mining Transaction (outlined below); and
5. Performing at its cost the design and construction tasks.

The amounts paid by Elmore in (1) and (2) above will be treated as a debt to Peko Iron and will be secured by an equal first ranking general security over each of the subsidiaries and converted to equity on commissioning.

The elements of the Proposed Mining Transaction are as follows:

1. A new company, Peko Iron (Peko Iron Project) will be formed to cover all assets and rights required to exploit the magnetite resources contained in the Project and will extend its mandate to cover, the gold, copper, cobalt and gold bearing resource projects, or if called upon by Elmore, grant that mandate to a new company owned by ICA and Elmore in the same proportions (Peko Metals Project). The details include:
    a. The Board composition of each entity shall comprise one director nominated by ICA and two directors from Elmore.

b. ICA, or an entity nominated by ICA, shall hold 75% of the ordinary shares of the two new entities.
c. Elmore, or an entity nominated by Elmore, shall hold 25% of the ordinary shares of the two new entities.
d. Elmore's shares in the two new entities shall be held in escrow and both escrows will be released when the Peko Iron process plant is commissioned.
e. Both Peko Iron and Peko Metals will be regulated by a Shareholders' Agreement in a form agreeable to both shareholders.
f. ICA will assign the existing Northern Territory Government performance bond of $400,000 to Peko Iron.
g. Elmore will be solely responsible for all day-to-day management and accounting of Peko Iron.

2. Peko Iron Project
    a. Elmore shall enter into an agreement with Peko Iron and ICA in which Elmore contributes equipment and project management services.
    b. Up until commissioning and the subsequent release from escrow of Elmore's 25% shareholding in Peko Iron, Elmore retains ownership of the assets contemplated in the agreement and will hold security over all other Peko Iron's equipment assets ordered and or paid for by ICA.
    c. ICA will novate Elmore's Minerals Processing Agreement to Peko Iron (via PRP) on essentially the same terms, save for:
        i. The production royalty being increased to **$US**2/tonne,
        ii. In return for Elmore taking on full management responsibility for Peko Iron's operations, an additional management fee of $50,000 / month which sum will be in addition to the sum payable under the Minerals Processing Agreement (making a total fee of $150,000 plus GST per month). For the avoidance of doubt, all day to day running and administrative costs are to be borne by Peko Iron, and
        iii. As contemplated in the Minerals Processing Agreement, Elmore will retain a GSA over all Peko Iron's equipment.

3. Peko Metals Project
    a. Elmore will at its cost develop a processing solution for the Peko Metals project.
    b. In return, ICA and Elmore will enter into a design and construct agreement with Peko Metals.
    c. Project construction costs will be funded by either:
        i. distributions from Peko Iron,
        ii. 3rd party funding,
        iii. direct distributions from ICA and Elmore, and / or,
        iv. a build own operate contract provided by Elmore.
    d. Peko Metals will engage Elmore through a Metals Processing Agreement on terms to be agreed, but inclusive of:
        i. Costs plus a fixed management fee,
        ii. $ / tonne processing fee, and

iii. $ /ounce royalty.

Funding of Elmore's Commitment to the Project

To complete the Project and earn the equity contemplated by the agreement, Elmore will be required to pay certain ICA creditors, the remaining plant purchases and the day-to-day activities of the Project construction and commissioning. Elmore intends to fund this by:

- Equitizing unpaid invoices owed by ICA to Elmore,
  - to be converted on commissioning of the project.
- Provision of project management services
  - Elmore will mainly utilise existing Elmore staff.
- Provision of steel required to complete the mounting of procured process equipment,
  - Elmore will be using some of its significant high quality steel inventory salvaged from the Company's Frances Creek process plant.
- Remaining goods and services required,
  - Elmore is reviewing its options in conjunction with financiers and will update the market when this has been decided upon.

At this stage, Elmore does not intend to issue further direct equity to raise funds. Elmore has engaged in discussions with other service providers that the Company may utilise to deliver elements of the Project, along with Investment Brokers close to the Company to gage interest in non-equity participation in the Project. Although conversations have had to remain informal until the execution of the agreement and DOCA, interest in participating has been sufficiently high to provide Elmore with confidence to execute the agreement.

The Company will update the market on the project timetable and economics in August when it has finalised budgets and funding structure. The project has robust economics and will represent a significant revenue base to Elmore. The currently forecast cashflows comfortably support project level debt and thus most likely avoid the need to avoid any issue of further Elmore equity.

GOLD VALLEY IRON

On 29 April 2019, Gold Valley Iron Pty Ltd (GVI) and Elmore entered into an Asset Sale Agreement and a Minerals Processing Agreement. Elmore held a first-ranking, registered security interest in respect of all GVI's present and after-acquired property. By a notice of termination dated 22 November 2019, Elmore terminated the Minerals Processing Agreement.

GVI asserted a claim against Elmore under the Asset Sale Agreement. The asserted claim in the GVI v Elmore Proceedings and the Elmore Claim against GVI under the Minerals Processing Agreement were, on a without prejudice basis, it was agreed by GVI, the Liquidators, the Former Administrators & Receivers and Elmore, to resolve and end all Claims between them, however arising, subject to and in accordance with the terms of a Deed of settlement.

Pursuant to this Deed, Elmore will receive a payment of $98,860 from the Liquidators in settlement of their claim, whilst maintaining an interest in any successful litigation for insolvent trading, that may be actioned against the Officers of GVI. This reserved debt amount, has a cap on it of $500,000 + GST payable to Elmore in accordance with the Deed.

On 25th of May 2021 Elmore entered into an agreement with Gold Valley Iron and Manganese Pty Ltd (GVIM) whereby GVIM are to repay $42,174 to Elmore in 6 equal monthly payment as compensation for costs incurred by Elmore when GVIM unsuccessfully disputed the legitimacy of the appointment of the -Administrator. The agreement and cost order was made within the Magistrates Court of Western Australia. At the time of writing, GVIM were up to date on payments, having made the first payment on time.

CORPORATE

Reinstatement to Official Quotation

Elmore recommenced trading on the Australia Securities Exchange (ASX) on 14 April 2021 following the successful completion of its offer under the prospectus dated 23 February 2021 by the issue of 244,255,000 shares at an issue price of $0.02 per share and completion of re-compliance with ASX Listing Rules.

The Company successfully raised $4,885,000 under the public offer and converted $1,000,000 in convertible notes as part of its relisting.

The Company raised a further $1,000,000 via a placement of 50,000,000 ordinary shares from the Company at $0.02 per share in April 2021, the same price as the relisting capital raise. The Company made the placement under its existing placement capacity.

At the same time the Company converted into shares the outstanding interest ($167,671) previously accrued under the convertible note that was repaid as part of the relisting process.

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 $88,968. This relates to salary and wages of the directors of $81,249 and superannuation paid of $7,719.

-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 or oil and gas exploration entity quarterly cash flow report

Name of entity
Elmore Limited

ABN	Quarter ended ("current quarter")
32 057 140 922	30 June 2021

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	88	2,781
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	(638)	(1,847)
	(d) staff costs	(595)	(1,649)
	(e) administration and corporate costs	(917)	(1,494)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	4
1.5	Interest and other costs of finance paid	(8)	(45)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	37
1.8	Other (provide details if material)	-	44
1.9	**Net cash from / (used in) operating activities**	**(2,069)**	**(2,169)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(938)	(1,210)
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	(24)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(210)	(210)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(1,148)**	**(1,444)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,000	6,385
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(258)	(258)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(351)	(411)
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**	**391**	**5,716**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	4,935	6
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,069)	(2,169)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,148)	(1,444)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	391	5,716

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**2,109**	**2,109**

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	2,109	50
5.2	Call deposits	-	4,885
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)**	**2,109**	**4,935**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	89
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(2,069)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(2,069)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	2,109
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	2,109
8.7	**Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**	1

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

   Answer: The June quarter operating cash flow was extraordinary due to the repayment of debt and creditors following capital raising. It is not expected to be this high again.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

   Answer: Operating costs will be reduced, so further capital raises are not contemplated at this time.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

   Answer: Yes, due to a return to normal operating cash outflows.

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.

Date: 30 July 2021...

Authorised by: By the board...
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.