



ASX: ELE

QUARTERLY ACTIVITIES REPORT

30 September 2021

Elmore Limited is pleased to provide its quarterly activities report for the period ended 30 September 2021.

OPERATIONS

Elmore Ltd (ASX: ELE, "Elmore, the Company") is pleased to provide an update on the Company's activities over the last quarter.

KEY MILESTONES ACHIEVED OVER THE QUARTER

Peko Project

- Elmore executed shareholder and mining agreements with ICA Mining ("ICA") to take over management of the Peko Magnetite, Gold, Copper and Cobalt project ("Peko") in the Northern Territory for a combination of fees and equity.
- Elmore has designed and procured all major plant and equipment and is on schedule to commission the plant before the end of the calendar year.
- The plant is being mounted onto moveable structures which are being completed in Elmore's facilities in Western Australia, significantly reducing construction time and cost.
- Elmore is steadily completing fabrication of these structures and the Company has now begun mobilising personnel and equipment to site to start receiving and installing these structures and the equipment which will be mounted on them.
- Peko will produce a high value magnetite iron ore product that will trade on the 65% Fe concentrate pricing Index, receiving a significant premium to the regularly followed indices (62% Fe and 58% Fe fines) that relate to iron ore being sold by most Australian producers. Elmore has had significant interest from buyers seeking the product. The Company plans to choose an off-take partner in November.
- All major contractors have been selected and contracts are currently being finalised for a November/ December production commencement.

Peko Project Financing

- Subsequent to the end of the quarter, Elmore re-financed the Company's mobile crushing and screening plant to assist in financing Peko (circa \$580k additional funds recorded at the end of the period).
- Elmore has executed an agreement with the major creditor of ICA and is working to conclude agreements with the remaining creditors to satisfy the condition of the agreement with ICA.

Territory Minerals Project

- Territory Minerals Far North Queensland project ("TMNQ") metallurgy has been confirmed by Elmore and project design and licencing being undertaken by the Company is continuing.



QUARTERLY ACTIVITIES

The Company's main focus has been on progressing the Peko project near Tennant Creek in the Northern Territory, after executing an expanded agreement at the end of last quarter. Elmore has slowed down all other activities to meet the target of commencement of production at Peko this year and at this stage is on track to meet that target.

The decision was made to install the process plant required for the first stage of production at Peko as skid mounted and moveable. This decision was made to reduce the impact of potential border closures and travel restrictions related to the current COVID pandemic. This strategy will also have the added result of reducing the environmental impact on the site, as all equipment can be easily removed at the end of the project. Elmore has, along with many other items, been busy progressing the fabrication of these skid mounted structures using steel from the Company's large inventory and will shortly begin sending them to the Northern Territory to have the process equipment fitted to the skids and then commissioned. Elmore has begun mobilising personnel and equipment to install these structures when they arrive.

The first stage of production from Peko is focused solely on liberating and selling magnetite ore. Although iron ore has seen significant negative price movements this quarter, the Peko project will be producing a product that trades at a significantly higher price to the more traditional hematite ores produced. At the time of writing this report 58% Fe fines is trading at approximately \$US76.00 per tonne, whilst 65% Fe magnetite concentrate is trading at \$US159.00 per tonne. Peko will produce a product between 65-67% Fe. Elmore has had many approaches by buyers seeking to buy the product from Peko. The Company is planning to select an off-take partner in November, once a first-ore-on-train date has been finalised.

The Company has selected all contractors to operate the project and is currently working through contract execution. Once all contracts are executed, Elmore will be able to release to the market a projection of the project economics.

The second stage of Peko will involve producing gold. Peko tails is approximately 3.75 million tonnes and has an average gold grade of just over 1 gram per tonne. Elmore is currently working to complete the test-work and associated processing plan to recover this gold, and currently estimates that it will be able to recover approximately 60% of the total gold contained in the Peko tailings. Whilst the gold grade may not seem high, the fact that the ore has already been ground to an average size of 106 micron and that many of the operating costs for gold extraction will be covered by magnetite processing, enables the project economics to be highly favourable. The Company will release a plan for gold extraction and the associated economics once they have been finalised.

The tailings also host significant copper and cobalt. Elmore is evaluating their recovery.

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Steel Skid for the screw-press (to be inserted in centre of top level)

PEKO TAILINGS REHABILITATION PROJECT BACKGROUND

- Peko is located in the Tennant Creek region in the Northern Territory
- Peko consists of circa 3.75 million tonnes of tailings containing magnetite, gold, copper and cobalt.
- The tailings are approximately 70-80% magnetite, with the remaining 20-30% being a combination of clay and silicates.
- The tailings have an average grind size of 106 micron.
- Peko's operations are located 12km from the Adelaide-Darwin railway and 10km from the town of Tennant Creek and the Company plans to use spare capacity on the existing intermodal schedule to transport the product in containers to Darwin.
- Sealed roads connect the mine to a rail siding and stockpile area and One Rail has been preparing the siding and stockpile area at Tennant Creek to be ready for first product in late 2021.
- Mine life is expected to be 5 – 7 years, depending on rail capacity, starting at ~30,000 tonnes per month and targeting a processing rate of ~500,000 tonnes per annum.
- The process plant to be installed by Elmore will wash and magnetically separate the existing tailings to produce a magnetite product and a secondary stream enriched in copper, gold and cobalt ("Metals").
- The Company has demonstrated that some of the Metals can be recovered from the secondary stream, though has not completed the program of works to finalise the extraction process and associated economics. It plans to complete this work by the end of 2021, though for now most of the Company's focus is on magnetite production to underpin the Company's cashflow.

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Peko Tailings (circa 500m x 400m x 9m high)

EXPANSION OF SCOPE OF ELMORE CONTRACT

Elmore had previously been working on the Peko project under a design and assist consultancy agreement throughout 2020 but has now executed final binding documents with ICA in line with the previously announced Binding Memorandum of Understanding. This significantly expands the scope of the previous agreement.

KEY TERMS

Under the agreement, Elmore will complete the construction of stage 1 of the project, which involves installation of the processing equipment required to extract saleable magnetite from the tailings stockpile.

In exchange, Elmore will be entitled to 25% direct equity in two entities formed to house the Peko tailings magnetite ("Peko Iron") and Metals ("Peko Metals") projects and will be granted an exclusive right to mine and process.

Elmore will manage all elements of these operating entities and will have two (2) Directors on the entity's Boards, whilst ICA will have one (1). A monthly management fee of \$150,000 will be paid by the Peko Iron to Elmore, in addition to a royalty of \$US2 per tonne of saleable magnetite.

FUNDING OF ELMORES COMMITMENT TO THE PROJECT

To complete the Peko Iron project and earn the equity in both projects contemplated by the agreement, Elmore will be providing the following:

- Payment of unpaid invoices owed by ICA Mining to three equipment providers.

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- Provision of project management services utilising existing Elmore staff.
- Provision of steel required to complete the mounting of 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.

To date, Elmore has been financing the project through a combination of existing cash reserves and re-financing of the Company's mobile crushing and screening plant (which releases approximately \$580,000 post the date of this report).

The Company has concluded an agreement with ICA's largest creditor to consign them into a debt instrument, with the intension of repaying them through either refinance or project cash-flows. The Company is now working with the 2 remaining smaller creditors to complete the same agreement.

The details of these agreements will be reported to the market upon completion, though for clarity it must be stressed that these are debt agreements and have no equity rights.

The Company initially commenced seeking a debt instrument to fund the project, though held back when the iron ore prices declined during the quarter so as to be able to refine the project and allow the iron ore prices to settle whilst all project associated agreements were executed. The pausing of the financing has not delayed the progress of the delivery of the project.

As the iron ore prices have now showed stability at very favourable levels, all project agreements are expected to be finalised shortly and the project is nearly ready for commissioning, the Company believes that it has a strong proposition for financiers.

As final funds required will be for commissioning works, the Company is evaluating invoice terms which may avail pre-payments or mine gate sales, hence the financing is now most likely only a safeguard against commissioning delays and to eliminate the need to use suppliers/ICA's creditors as financiers. This said, the Company will continue to seek alternate funding to reduce project execution risk.

CORPORATE

LODGEMENT OF ANNUAL REPORT

On 30 September 2021 Elmore lodged its 2021 Annual Report to shareholders.

SUBSTANTIAL SHAREHOLDER

Subsequent to the end of the quarter, the Company released an announcement of a new substantial shareholder, being Peter and Diana Diamond, with a shareholding of 5.99%. On 12 October 2021, their shareholding increased to 6.74%.

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.



MANAGING DIRECTORS COMMENT

Elmore's Managing Director, Mr David Mendelawitz commented:

"Whilst I am sure that many shareholders would have been unsettled by the decline in the iron ore price just after Elmore expanded the Company's scope and then focused its attention on an iron ore project, the Peko project represents an excellent opportunity for Elmore to rapidly increase the Company's cash flows. We have pulled together all of the ingredients to start the project this year and are now boots on the ground to start receiving the equipment required to start extracting a highly sought after, valuable magnetite product. This combined with the future production of gold from Peko and Far North Queensland, plus other opportunities that we are looking at, including utilising our 5 million tonne per annum crushing and screening plant, is starting to become quite exciting."

-ENDS-

For more information:

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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Elmore Limited

ABN

32 057 140 922

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	44	44
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	(568)	(568)
	(d) staff costs	(475)	(475)
	(e) administration and corporate costs	(380)	(380)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	(1)	(1)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(1,379)	(1,379)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(124)	(124)
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	72	72
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(51)	(51)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(103)	(103)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(6)	(6)
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	(6)	(6)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,109	2,109
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,379)	(1,379)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(103)	(103)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(6)	(6)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	621	621

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	621	621
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)	621	621

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
89
-

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

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>			
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>			
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)	(1,379)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(1,379)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	621
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	621
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 September quarter operating cash flow was extraordinary due to the commencement of activities at the Peko site. Payments from Peko expected in the December quarter.	
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: The Company is refinancing its plant and equipment in the December quarter to generate cash to fund operations until expected payments from Peko.	
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, payment of Peko debtors and the refinancing of plant and equipment.	

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 October 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.