



ASX: ELE

QUARTERLY ACTIVITIES REPORT

31 JANUARY 2022

Elmore Limited is pleased to provide its quarterly activities report for the period ended 31 December 2021.

OPERATIONS

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



Peko Tailings and plant from the air. Tailings pile circa 500m x 500m x 9m high

KEY MILESTONES ACHIEVED OVER THE QUARTER

Peko Project

- Construction of the Peko Magnetite plant civils, structural and equipment installation has been completed.
- Reticulation of electrical circuits and piping being undertaken in preparation for commissioning of plant and now near completion after suffering delays due to COVID restrictions
- Port handling and stevedoring contract executed with Linx Port Services
- Darwin Port access and minerals storage lease contracts have been executed, providing certainty over product storage and handling prior to shipping.
- Half-height sea containers and materials handling equipment secured and now on site.

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- Project has managed to continue safely through both Tennant Creek and Northern Territory to Western Australian COVID related restrictions and remains on track for first product on train in the coming weeks.
- Significant development in determining best path to recover gold, copper and cobalt (more to be announced soon).

Peko Project Financing

- During 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).
- ICA Mining's creditors all executed agreements to novate their debts, satisfying the agreement between Elmore and ICA Mining (ICA), securing the key plant and equipment items and allowing ICA to be released from external Administration.
- The Company completed a A\$3.0 million placement offer of 150,000,000 new, fully paid ordinary shares ('New Shares') to sophisticated and institutional investors ('Placement') at an issue price of \$0.02 per New Share ('Offer Price').

Ball mill purchase

- Christian Pfeiffer completed the manufacturing of Elmore's new ball mill and is preparing to ship it to Australia. The mill has been manufactured in Europe and China specifically for Elmore's requirements.
- Elmore have placed approximately \$1 million from the equity capital raise into trust to make the final payment owed on the mill, having previously paid an initial deposit.
- The Company is looking to re-finance the mill to release the funds back to Elmore.

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.
- Elmore have been working with TMNQ to update the agreement so that Elmore take a broader role in the project delivery. The process is continuing well.



Aerial view of process plant

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PEKO PROJECT PROGRESS

Throughout the quarter, Elmore Ltd (ELE: ASX or Elmore) focused on the development of the Peko Magnetite, Gold, Copper and Cobalt project in the Northern Territory, which it is managing the delivery and operations of, for a management fee, royalty and 25% of profits, on behalf of the project's owners ICA Mining.

The Company has reached the significant milestone of completing the installation of all processing equipment to enable it to extract high grade magnetite concentrate and is now working to rapidly complete the process of reticulation of the electrical cabling and piping to allow for the completion of commissioning and commencement of production. This process suffered delays due to the travel and work restrictions put in place by both the Western Australian and Northern Territory government in their efforts to slow the spread of COVID 19, though at the time of writing this announcement is now almost complete.

In preparation a contract has been executed with Linx Port Services, where Linx will provide port handling and stevedoring services for the project. The company has also hired or procured and commenced mobilising to site all the required sea containers and material handling equipment in preparation for the first ore on train, which is expected to be achieved in the coming weeks.

Elmore and Darwin Ports have now executed the two agreements required to allow Peko's magnetite product to be stored and moved through the port of Darwin. Along with the previously executed rail access agreement with OneRail, these agreements provide the certainty to move the product from mine to buyer.

The Company is anticipating first production in the coming days, subject to no further delays cause by COVID 19, weather or commissioning. Train movements will start soon after this, though OneRail have notified Elmore that the Tennant Creek to Darwin service has been suspended, potentially for a few weeks, whilst line damage in South Australia caused by recent storms is repaired.

Iron ore prices have increased during the last few months to a level that is expected to make up for the circa month delay that has been experienced so far, with 65% Fe concentrate trading at around \$US200 per tonne at the time of writing of this announcement.



Half height sea containers stored ready to move product

ELMORE

OTHER MINERALS

During the quarter, Elmore completed test work and desktop studies to determine the optimal processes for recovering gold, copper and cobalt from the tailings. Previously the company was focused on only the magnetite and gold. Following the work that has been done, Elmore now expects that it may be in a position to recover copper and cobalt in the near to mid-term, prior to focusing on gold.

A more detailed announcement regarding this will be made in the near future, when the information is ready to be released in a market ready format.

CREDITOR NOVATION

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

During the quarter, these ICA creditors all 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 30th, 2022, no royalty is payable.

Post novation of the debts, the equipment valued at circa \$3 million transferred to Peko Iron Project Pty Ltd, and will allow Elmore to refinance these debts, rather than relying on those Creditors to act as funders. Approximately \$700k of the \$1.7m creditor balance has been repaid at the time of writing, leaving approximately \$1 million left to service.



2 Ceramic Disk Filters for de-watering final product



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.

BALL MILL PURCHASE

Elmore's new ball mill has been manufactured and is being arranged to be shipped to Australia. The mill has been manufactured by the Christian Pfeiffer Group in Europe and China specifically for Elmore's requirements.

The mill will be assembled in Western Australia and be equipped as a skid mounted mill to be used on Elmore's proprietary modular foundations.

The mill is planned to be used in conjunction with Elmore's currently owned mobile crushing and screening plant in the Territory Minerals gold and antimony projects in Far North Queensland next year. Elmore is also looking at potentially deploying the plant at Peko to process some surface and near surface resources over a circa 4-month period prior to going to Queensland. Further evaluation and permitting is required before this can be set into the schedule.

With a power rating of 1.15 mW, to the best of Elmore's knowledge this will be the biggest moveable ball mill in the world. Part of the proceeds of this raise will be used to make the final payment on the mill and bring it to Australia.

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The Ball Mill Shell During Construction

CORPORATE

ANNUAL GENERAL MEETING

On 19 November 2021, the Company held its 2021 Annual General Meeting. At the meeting the following resolutions were considered by shareholders:

1. Adoption of remuneration report
2. Re-election of Director – Peter Richards
3. Ratification of prior issue – Convertible Note
4. Ratification of prior issue - Placement
5. Approval of 10% Placement Capacity

All resolutions at the AGM were passed by a poll.

CAPITAL RAISING

On 6 December 2021, the Company announced that it had successfully completed a A\$3.0 million placement offer of new, fully paid ordinary shares ('New Shares') to sophisticated and institutional investors ('Placement') at an issue price of \$0.02 per New Share ('Offer Price'). The Placement was strongly supported by existing and new investors.

The New Shares were issued on 9 December 2021 and were within the Company's placement capacity under Listing Rules 7.1 and 7.1A.

The funds raised are being used for the completion of Stage 1 of the Peko Magnetite Project and the final payment on the new ball mill for the Territory Minerals project.



RESIGNATION OF CHAIRMAN

On 23 December 2021 Elmore announced that the Company had accepted the resignation of Mr Peter Richards as Chairman and Non-Executive Director.

Mr David Mendelawitz will be appointed as the temporary Chairman while the Company undertakes an assessment of its requirements and conducts a comprehensive search for suitable candidates.

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:

"I am so proud of what we have accomplished in less than half a year since the contract was executed, particularly given the headwinds we have faced. Whilst we didn't try to hold back production after the iron ore price slumped last year, the short delay caused by COVID restrictions may have played into our hands, as the iron ore price has re-bounded well and will hopefully stay this way as we commence production.

Our Perth based team have now been away from home for 3 months and our Metallurgy Manager has only been able to be with his family once in the last 6 months because of COVID related restrictions, so we are not only keenly awaiting the commencement of cashflows, but now also to progressively hand over to a local and fly-in-fly-out operations team that we have commenced building. 2022 is looking to be the year that Elmore lifts it up a gear."

-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")

31 December 2021

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	-	44
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	(873)	(1,441)
	(d) staff costs	(415)	(890)
	(e) administration and corporate costs	(143)	(523)
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	(1,431)	(2,810)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(687)	(811)
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	72
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(649)	(700)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,336)	(1,439)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,000	3,000
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	(15)	(15)
3.5	Proceeds from borrowings	578	578
3.6	Repayment of borrowings	(145)	(151)
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	3,418	3,412

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)	(1,431)	(2,810)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,336)	(1,439)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,418	3,412

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,273	1,273

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	1,273	1,273
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)	1,273	1,273

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

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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) – Asset finance	578	578
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)	(1,864)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(1,864)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	1,273
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	1,273
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 December quarter operating cash flow was extraordinary due to the finalisation of activities at the Peko site. Payments from Peko expected in the March quarter with production also commencing.	
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: Payments expected to be received from Peko in the March quarter with the commencement of production.	
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: 31 January 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.