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# **ELMORE LIMITED AND CONTROLLED ENTITIES**

ABN 32 057 140 922

## Interim Financial Report for the half year ended 31 December 2021

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## CORPORATE DIRECTORY

### Directors

D Mendelawitz  
Managing Director / Chairman

N Senapati  
Non-Executive Director

T Webster  
Non-Executive Director

A Haslam  
Non-Executive Director

### Company Secretary

S P Henbury

### Registered Office

c/- Armada Accountants & Advisors  
18 Sangiorgio Court  
Osborne Park WA 6017  
Telephone: (08) 6165 4000  
Facsimile: (08) 6165 4039

### Corporate Office

129-131 Edward Street  
Perth WA 6000

### Web Site Address

[www.Elmoreltd.com](http://www.Elmoreltd.com)

### Share Registry

Automatic Registry Services  
Level 2, 267 St Georges Terrace  
Perth WA 6000  
Telephone: (08) 9324 2009

### Auditors

BDO Audit (WA) P/L  
5 Spring Street  
Level 9, Mia Yellagonga Tower 2,  
Perth WA 6000

### Stock Exchange Listing

Elmore Limited's shares and options listed on the  
Australian Securities Exchange Share Code: ELE

## DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Elmore Limited (**ELE**), and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

### Directors

The following persons were directors of Elmore Limited during the whole of the half year and up to the date of this report:

Peter Richards	Non-Executive Director /Chairman (Resigned 23 <sup>rd</sup> December 2021)
David Mendelawitz	Managing Director/Chairman (Appointed Chair 23 <sup>rd</sup> December 2021)
Nik Senapati	Non-Executive Director
Tim Webster	Non-Executive Director
Andy Haslam	Non-Executive Director (Appointed 9 <sup>th</sup> February 2022)

## REVIEW OF OPERATIONS

### OPERATIONS

#### PEKO TAILINGS REHABILITATION PROJECT

Throughout the half year, 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.

#### 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 prepared the siding and stockpile area at Tennant Creek to accommodate production from Peko.
- 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 shortly, though for now most of the Company's focus is on magnetite production to underpin the Company's cash flow.

#### Expansion of Scope of Elmore Contract

Elmore had previously been working on the Peko project under a design and assist consultancy agreement throughout 2021 but during the half year executed a final binding agreement with ICA which significantly expanded the scope of the previous arrangement.

Under the agreement, Elmore has completed the construction of stage 1 of the Peko Iron 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.

### **Progress**

At the end of 2021, the Company reached the significant milestone of completing the installation of all processing equipment to enable it to extract high grade magnetite concentrate and continued electrification and commissioning into 2022. 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.

In preparation a contract was 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.

Elmore and Darwin Ports have 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.

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.

### **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 related equipment transferred to Peko Iron Project Pty Ltd. Approximately \$700k of the \$1.7m creditor balance has been repaid at the time of writing, leaving approximately \$1 million left to service.

### **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.



### **Territory Minerals Trading Projects**

During the half year, Elmore executed a contract with Territory Minerals Trading Ltd ("Territory") to process gold and antimony ore from Territory's suite of gold and antimony projects in the Hodgkinson Basin, far north Queensland.

The projects are located in two main regions:

- Tregoora Project is centred 130 km north west from Cairns and 100 km west-northwest from Mareeba and covers approximately 305 square kilometres.
- Northcote Project is centred 25 km west of Mareeba, 100 km west from Cairns and approximately 80km south of the Tregoora Project. The tenements cover approximately 203 square kilometres and more than 40 strike kilometres of mineralised structures have been found to exist within the Northcote Project region.

The process flow will include:

2 stage Crushing – Grinding – Gravity Separation – Flotation – Leaching of concentrates

## **CORPORATE**

### **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.

### **RE-FINANCING OF MOBILE EQUIPMENT**

During the half year, 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).

### **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 was appointed as the temporary Chairman while the Company undertakes an assessment of its requirements and conducts a comprehensive search for suitable candidates.

## **EVENTS SUBSEQUENT TO THE HALF YEAR**

On 9 February 2022, Elmore announced the significant milestone of completing construction of the magnetite process plant at Peko with plant optimisation to be undertaken. On 9 March 2022, Elmore confirmed that the Peko Stage 1 Magnetite Processing Plant had been commissioned and had generated its first product. Magnetite production will increase to steady state shortly, as the projects transfers from using water trucked into site for commissioning onto scheme water.

In addition, the first train of magnetite product had arrived at the Port of Darwin. The material has been sent to "commission" the logistics circuit end-to-end. The material sent to the Port was magnetite product produced and stockpiled from previous operations on site.

### **Fund raising**

In February 2022, the Company issued a facility ("Note") to several large shareholders and new sophisticated investors to raise \$1.2m.

The terms of the Note are:

- 12-month term
- 20% interest paid upfront in shares at \$0.022 share price (20% discount to the 15-day VWAP)
- Note repaid in full on maturity
- Convertible into ordinary shares at \$0.022 share price
- Conversion rights subject to Shareholder approval

### **Ball Mill Re-financed**

Elmore entered into a funding facility provided by Avior Capital Partners.

The terms of the Note are:

- \$AU1,200,000 face value
- 24-month term
- 15% interest
- Note repaid over 24 equal payments
- 10% initiation fee and exit fees
- Up to 20% of exit fee can be taken as shares priced at \$0.025 share price (max 2,000,000 shares)
- Secured by way of General Security Agreement and specific security agreement over ball mill

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22.

This report is made in accordance with a resolution of directors

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'DM', is positioned above the printed name of David Mendelawitz.

David Mendelawitz  
Director  
Perth, 16 March 2022

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

### For the Half-Year Ended 31 December 2021

	Notes	31 Dec 2021 \$	31 Dec 2020 \$
Revenue from continuing operations	3	126,750	1,499,827
Other income	3	26,317	77,256
Depreciation and amortisation		(190,268)	(408,134)
Employment benefits expenses		(989,928)	(831,926)
Finance and administration		(327,940)	(350,081)
Corporate expenses		(158,486)	(282,502)
Share-based payment expense	11	(212,922)	-
Operational expenses		<u>(1,409,441)</u>	<u>(732,076)</u>
<b>Loss from continuing operations before income tax</b>		<b>(3,135,919)</b>	<b>(1,027,636)</b>
Income tax expense		<u>-</u>	<u>-</u>
<b>Loss from continuing operations after income tax</b>		<b>(3,135,919)</b>	<b>(1,027,636)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to Profit or Loss</i>			
Foreign currency translation		<u>-</u>	<u>-</u>
<b>Other comprehensive income/(loss) for the half-year, net of tax</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive loss for the half-year</b>		<b>(3,135,919)</b>	<b>(1,027,636)</b>
<b>Loss for the half year is attributable to the owners of Elmore Limited</b>		<b>(3,135,919)</b>	<b>(1,027,636)</b>
<b>Total comprehensive loss for the half-year is attributable to the owners of Elmore Limited</b>		<b>(3,135,919)</b>	<b>(1,027,636)</b>
<b>Loss per share for the half year attributable to the members of Elmore Limited</b>			
Basic loss per share attributable to ordinary equity holders (cents)		(0.38)	(0.25)

The above consolidated statement of profit or loss or other comprehensive income should be read in conjunction with the accompanying notes



## Consolidated Statement of Financial Position As at 31 December 2021

	Notes	31 Dec 2021 \$	30 Jun 2021 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,272,636	2,109,122
Other receivables and prepayments	5	726,298	309,943
<b>Total current assets</b>		<b>1,998,934</b>	<b>2,419,065</b>
<b>Non-current assets</b>			
Other receivables and prepayments	5	83,762	83,762
Property, plant and equipment	7	7,329,696	3,221,767
Right of use assets	6	85,821	-
Other financial assets		-	160,130
<b>Total non-current assets</b>		<b>7,499,278</b>	<b>3,465,659</b>
<b>Total Assets</b>		<b>9,498,213</b>	<b>5,884,724</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		1,758,247	605,387
Provisions		140,511	85,620
Borrowings	8	1,712,978	43,753
Lease liabilities	9	674,324	-
<b>Total current liabilities</b>		<b>4,286,059</b>	<b>734,759</b>
<b>Non-current liabilities</b>			
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total Liabilities</b>		<b>4,286,059</b>	<b>734,759</b>
<b>Net assets</b>		<b>5,212,154</b>	<b>5,149,965</b>
<b>EQUITY</b>			
Contributed equity		85,878,156	82,892,971
Reserves		4,157,529	3,944,607
Accumulated losses		(84,823,532)	(81,687,613)
<b>Total equity</b>		<b>5,212,154</b>	<b>5,149,965</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

## Consolidated Statement of Changes in Equity For the Half-Year Ended 31 December 2021

	Contributed Equity \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Share Based Payments Reserve \$	Asset Revaluation Reserve \$	Total Equity \$
<b>Balance at 1.7.2020</b>	<b>75,991,282</b>	<b>(78,285,822)</b>	-	<b>2,709,165</b>	-	<b>414,625</b>
<b>Total comprehensive loss for the half-year</b>	-	(1,027,636)	-	-	-	(1,027,636)
<b>Transactions with owners in their capacity as owners</b>						
Revaluation of assets	-	-	-		1,000,000	1,000,000
Contributions of equity, net of transaction costs	-	-	-	-	-	-
<b>Balance at 31.12.2020</b>	<b>75,991,282</b>	<b>(79,313,458)</b>	-	<b>2,709,165</b>	<b>1,000,000</b>	<b>386,989</b>
<b>Balance at 1.7.2021</b>	<b>82,892,971</b>	<b>(81,687,613)</b>	-	<b>2,759,607</b>	<b>1,185,000</b>	<b>5,149,965</b>
<b>Total comprehensive loss for the half-year</b>	-	(3,135,919)	-	-	-	3,135,919
<b>Transactions with owners in their capacity as owners</b>						
Share based payments	-	-	-	212,922	-	212,922
Revaluation of assets	-	-	-	-	-	-
Contributions of equity, net of transaction costs	2,985,185	-	-	-	-	2,985,185
<b>Balance at 31.12.2021</b>	<b>85,878,156</b>	<b>(84,823,532)</b>	-	<b>2,972,529</b>	<b>1,185,000</b>	<b>5,212,154</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

## Consolidated Statement of Cash Flows For the Half-Year Ended 31 December 2021

	Half-Year 2021 \$	Half-Year 2020 \$
<b>Cash flows from to operating activities</b>		
Cash receipts from customers	142,755	2,480,505
Payments to suppliers and employees	(1,930,434)	(1,535,537)
Interest paid	(1,192)	(56,022)
<b>Net cash inflows/outflows from operating activities</b>	<b>(1,788,872)</b>	<b>888,946</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(2,589,113)	(278,660)
Receipts from / (Payments for) security deposits	71,760	(29,783)
<b>Net cash outflows from investing activities</b>	<b>(2,517,353)</b>	<b>(308,443)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of shares	2,985,185	-
(Repayments) / Proceeds from borrowings	484,553	(450,915)
<b>Net cash inflows/outflows from financing activities</b>	<b>3,469,738</b>	<b>(450,915)</b>
<b>Net cash increase in cash and cash equivalents</b>	<b>(836,486)</b>	<b>129,588</b>
<b>Cash and cash equivalents at the beginning of half year</b>	<b>2,109,122</b>	<b>5,999</b>
<b>Cash and cash equivalents at the end of half year</b>	<b>1,272,636</b>	<b>135,587</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Half-Year Ended 31 December 2021

### 1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This consolidated interim financial report for the half-year reporting period ended 31 December 2021 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Elmore Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for those described in Note 1 (a) below.

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

The accounting policies and methods of computation adopted in the preparation of this financial report for the period under review are consistent with those adopted in the annual financial statements for the year ended 30 June 2021.

#### (a) Going Concern

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

For the period ended 31 December 2021, the consolidated entity recorded a loss of \$3,135,919 (31 December 2020: loss of \$1,027,636) and had net cash outflows from operating and investing activities of \$1,788,872 (31 December 2020: (\$888,946)). At 31 December 2021, the consolidated entity had working capital deficit of \$2,789,600 (30 June 2021: surplus of \$1,684,306).

The ability of this Group to continue as a going concern is dependent on the Group generating additional cash inflows by way of revenue from the Peko Iron Project and securing additional debt and/or equity funding to meet its working capital requirements in the next 12 months. These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Group will be able to continue its planned operations and the Group will be able to meet its obligations as and when they fall due, for the following reasons:

- Successfully secure equipment finance funding to deliver and install additional processing equipment as necessary to support our mobile crushing & screening operations in Australia. Also, to continue to expand its processing activities to generate positive cashflow from the iron ore processing contracts;
- Successfully complete commissioning of the Peko Project plant and successfully ramp up production to economic levels expected.
- Raise additional finance from debt or equity if and when required, to contribute to the consolidated entity's working capital position in the near term; and
- Successfully market and sell iron ore product produced from the Peko Iron Project plant.

Should the consolidated entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Half-Year Ended 31 December 2021 (Continued)**

any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the consolidated entity not continue as a going concern.

**(b) Changes in Accounting Policies**

**Adoption of new and amended Accounting Standards**

Standards and Interpretations applicable to 31 December 2021

In the period ended 31 December 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting periods beginning on or after 1 July 2021.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2021.

As a result of this review the Directors have determined that there are no new and revised Standards and Interpretations that may have a material effect on the application in future periods and therefore, no material change is necessary to Group accounting policies.

**Critical accounting estimates and judgements**

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the financial statements.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next reporting period are:

*Property, plant and equipment*

During the period the Company has continued its accounting policy to measure its plant and equipment at fair value which was determined to be more relevant to the economic decision-making needs of the financial statement users. Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e.unforced) transaction between independent, knowledgeable and willing market participants.

As fair value is a market based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specified asset or liability. The fair values of assets or liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principle market for the asset or liability(i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For property, plant and equipment, the fair value measurement also takes into account a market participants ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Half-Year Ended 31 December 2021 (Continued)**

**2. SEGMENT INFORMATION**

Management has determined the operating segments based on the reports reviewed by the strategic steering committee that are used to make strategic decisions.

For management purposes, the Group is organised into one main operating segment, which involves mineral processing in Australia. Discrete financial information is reported to the Board (Chief Operating Decision Makers) as one segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment.

**3. REVENUE**

	31 Dec 2021	31 Dec 2020
Revenue from contracts with customers	126,750	1,499,827
Other income	26,317	77,256
	<b>153,067</b>	<b>1,577,083</b>

**4. EXPENSES**

	31 Dec 2021	31 Dec 2020
Operational expenses	1,409,441	460,537
	<b>1,409,441</b>	<b>460,537</b>

**5. OTHER RECEIVABLES AND PREPAYMENTS**

	31 Dec 2021	30 Jun 2021
<b>Current</b>		
Trade receivables	-	553,489
Less: Allowance for expected credit losses	-	(550,000)
Other receivables and prepayments (1)	726,298	306,454
	<b>726,298</b>	<b>309,943</b>
<b>Non-Current</b>		
Security deposits	83,762	83,762
	<b>83,762</b>	<b>83,762</b>

(1) Other receivables generally arise from transactions outside the usual operating activities of the entity. The current balance primarily represents the receivables relating to good and services tax of \$480,822 and a loan to Territory Minerals of \$200,000.

**6. RIGHT TO USE ASSETS**

The Group's lease portfolio includes buildings, plant and equipment. These leases have an average of 12 months as their lease term.

	31 Dec 2021	30 Jun 2021
<b>Non Current</b>		
Lease plant and equipment	253,312	-
Accumulated depreciation	(167,491)	-
	<b>85,821</b>	<b>-</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Half-Year Ended 31 December 2021 (Continued)**

**7. PROPERTY, PLANT AND EQUIPMENT**

	Plant and equipment	Furniture and fixtures	Computer equipment	Total
<b>Year ended 30 June 2021</b>				
Opening net book amount	1,574,096	7,470	5,899	1,587,465
Additions	469,131	2,866	6,051	478,048
Revaluation	1,185,000	-	-	1,185,000
Disposal/Written-off	-	-	-	-
Depreciation charge	(20,102)	(6,056)	(2,588)	(28,746)
Closing net book amount	<b>3,208,125</b>	<b>4,280</b>	<b>9,362</b>	<b>3,221,767</b>
<b>At 30 June 2021</b>				
Cost or fair value	3,249,319	15,816	15,083	3,280,218
Accumulated depreciation	(41,194)	(11,536)	(5,721)	(58,451)
Net book amount	<b>3,208,125</b>	<b>4,280</b>	<b>9,362</b>	<b>3,221,767</b>
<b>Period ended 31 December 2021</b>				
Opening net book amount	3,208,125	4,280	9,362	3,221,767
Additions	4,555,056	-	2,380	4,557,436
Revaluation	-	-	-	-
Disposal/Written-off	(426,730)	-	-	(426,730)
Depreciation charge	(18,464)	(2,082)	(2,231)	(22,777)
Closing net book amount	<b>7,317,987</b>	<b>2,198</b>	<b>9,511</b>	<b>7,329,696</b>
<b>At 31 December 2021</b>				
Cost or fair value	7,377,645	15,816	17,463	7,410,924
Accumulated depreciation	(59,658)	(13,618)	(7,952)	(81,228)
Net book amount	<b>7,317,987</b>	<b>2,198</b>	<b>9,511</b>	<b>7,329,696</b>

During the period the Company entered into an agreement with ICA to construct the Peko Iron Project.

**8. BORROWINGS**

	31 Dec 2021	30 Jun 2021
<b>Current</b>		
Borrowings – equipment finance	37,005	43,752
Borrowings - ICA creditors (1)	1,675,973	-
	<b>1,712,978</b>	<b>43,752</b>

- (1) As part of the Peko Iron Project earn-in-agreement, Elmore has agreed to pay three nominated ICA's creditors \$1,700,000 and waive \$660,000 in management fees owing to Elmore.

These ICA creditors have 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:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Half-Year Ended 31 December 2021 (Continued)**

- 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 related equipment were transferred to Peko, and will allow Elmore to refinance these debts, rather than relying on those Creditors to act as funders.

**9. LEASE LIABILITIES**

	31 Dec 2021	30 Jun 2021
<b>Current</b>		
Lease liabilities	674,324	-
	<b>674,324</b>	<b>-</b>

**10. EQUITY SECURITIES ISSUED**

	31 Dec 2021 Shares	31 Dec 2020 Shares	31 Dec 2021 \$	31 Dec 2020 \$
<b>Opening balance – 1 July</b>	668,113,642	307,129,182	82,704,964	75,485,272
Issue of Shares – issued at \$0.02 (1)	150,000,000	-	3,000,000	-
Less: equity raising costs	-	-	(14,815)	-
<b>Closing balance</b>	<b>818,113,642</b>	<b>307,129,182</b>	<b>85,690,149</b>	<b>75,485,272</b>

(1) The company raised \$3 million for 150,000,000 shares under existing approval to existing significant shareholders.

**11. SHARE-BASED PAYMENTS**

The fair value of options and performance rights granted to directors and employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employee becomes unconditionally entitled to the rights or options, from the grant date. The amount recognised as an expense is adjusted to reflect the actual number of share options or performance rights that vest, except for those that fail to vest due to conditions not being met.

**Options**

No options have been granted as part of remuneration arrangements during the half year ended 31 December 2021 (30 June 2021: 6,000,000).

**Performance Rights**

The Company previously granted performance rights to Mr David Mendelawitz which have been issued under the Employee Share Plan and where agreed to at the Shareholder Meeting of 29 January 2021.

The shareholders of the Company voted to award Mr Mendelawitz up to 15,000,000 production incentive shares, 15,750,000 short term incentive shares and 16,250,000 long term incentive shares. Mr Mendelawitz's entitlement to the production incentive shares was subject to the Company commissioning a process plant being completed on time and on budget within 5 years of shareholder approval. These options were put to shareholders at the 2020 AGM held on 29 January 2021, where they were passed by shareholders. Due to the vesting conditions placed upon these performance rights, the short term incentive shares and the long term incentive shares have not at this time been issued to Mr Mendelawitz, and at this time no amount has been expensed in the half year financials in relation to these incentives as the probability of achieving the vesting conditions is deemed to be 0%.

Due to modification of the production incentive shares, the movement in the performance rights for the current period is shown below:



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Half-Year Ended 31 December 2021 (Continued)**

Grant Date	Expiry Date	Details	Granted during the period	Balance at period end
29 January 2021	31 December 2026	Production Incentive Shares	5,000,000	5,000,000
29 January 2021	31 December 2026	Production Incentive Shares	5,000,000	5,000,000
29 January 2021	31 December 2026	Production Incentive Shares	5,000,000	5,000,000

The performance rights were valued on the date of grant with the following factors and assumptions used to determine their fair value:

No. Granted	Exercise Price	Expected Vesting Period	Share price on Grant Date	Fair Value per Performance Right	Total Fair Value
5,000,000	-	Immediate	\$0.02	\$0.02	\$100,000
5,000,000	-	30 June 2022	\$0.02	\$0.02	\$100,000
5,000,000	-	31 December 2022	\$0.02	\$0.02	\$100,000

The share-based payment expense arising from the above performance rights is \$212,922 for the period ended 31 December 2021.

## 12. DIVIDENDS

No dividends have been declared or paid since the start of the financial period, and none are recommended.

## 13. CONTINGENCIES

There has been no change in contingencies since the 30 June 2021 reporting period until the end of this period.

## 14. COMMITMENTS

There are no changes to the commitments since the 30 June 2021 reporting period.

## 15. RELATED PARTY TRANSACTIONS

Other than as noted in Note 11, there has been no change in related party or key management personnel transactions during the period.

## 16. EVENTS OCCURRING AFTER REPORTING DATE

On 9 February 2022, Elmore announced the significant milestone of completing construction of the magnetite process plant at Peko with plant optimisation to be undertaken. On 9 March 2022, Elmore confirmed that the Peko Stage 1 Magnetite Processing Plant had been commissioned and had generated its first product. Magnetite production will increase to steady state shortly, as the projects transfers from using water trucked into site for commissioning onto scheme water.

In addition, the first train of magnetite product had arrived at the Port of Darwin. The material has been sent to "commission" the logistics circuit end-to-end. The material sent to the Port was magnetite product produced and stockpiled from previous operations on site.

### Fund raising

In February 2022, the Company issued a facility ("Note") to several large shareholders and new sophisticated investors to raise \$1.2m.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Half-Year Ended 31 December 2021 (Continued)**

The terms of the Note are:

- 12-month term
- 20% interest paid upfront in shares at \$0.022 share price (20% discount to the 15-day VWAP)
- Note repaid in full on maturity
- Convertible into ordinary shares at \$0.022 share price
- Conversion rights subject to Shareholder approval

**Ball Mill Re-financed**

Elmore entered into a funding facility provided by Avior Capital Partners.

The terms of the Note are:

- \$AU1,200,000 face value
- 24-month term
- 15% interest
- Note repaid over 24 equal payments
- 10% initiation fee and exit fees
- Up to 20% of exit fee can be taken as shares priced at \$0.025 share price (max 2,000,000 shares)
- Secured by way of General Security Agreement and specific security agreement over ball mill

**DIRECTORS' DECLARATION**  
**31 December 2021**

1. In the opinion of the Directors of Elmore Limited and its controlled entities ('the Group'):
- (a) the financial statements and notes set out on pages 7 to 17 are in accordance with the Corporations Act 2001, including:
    - (i) Complying with Accounting Standards, AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
    - (ii) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and.
  - (b) Subject to the matters highlighted in Note 1 (b), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



David Mendelawitz  
Director

Perth, 16 March 2022

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Elmore Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Elmore Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

#### Material uncertainty relating to going concern

We draw attention to Note 1(b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.



#### Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

A handwritten signature in dark ink, appearing to read 'J Prue', is written over a faint, larger 'BDO' watermark.

Jarrad Prue

Director

Perth, 16 March 2022



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## DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF ELMORE LIMITED

As lead auditor for the review of Elmore Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Elmore Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'J Prue', is written in a cursive style.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 16 March 2022