



ASX: ELE

## QUARTERLY ACTIVITIES REPORT

29 JULY 2022

Elmore Limited is pleased to provide its quarterly activities report for the period ended 30 June 2022.

### 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

- Production of magnetite commenced at Peko
- Optimisation of plant and production continued through the quarter
- 24/ 7 operations and full staffing achieved on site
- Product being railed to Darwin port stockpile
- Average grade of magnetite circa 66% Fe with low contaminants
- Copper and Cobalt concentrate products produced through laboratory work and marketing of product commenced
- Purchase of 100% of Peko Project negotiated with owners during the quarter and executed post the end of the quarter
- Offtake agreement negotiated through the quarter and executed post the end of the quarter
- No reportable safety incidents for the quarter

##### Territory Minerals Project

- Study and licensing work continuing
- Focused on preparing mine plans and environmental permits
- Water monitoring drilling programme completed

##### Corporate

- \$2.5 million dollars raised by issue of a Convertible Note to a number of existing funds and sophisticated investors.
- All notes have subsequently been converted to shares.
- The Company extended its Avior funding facility by a further \$1.5m to assist in the ownership transition, during which period the Company has been covering 100% of operating expenses of the Peko Project. The Company is now entitled to 100% of the cash flows from the project.
- The Company will be shortly receiving its first payment from the offtake agreement.

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## PEKO PROJECT PROGRESS

During the quarter, production of magnetite commenced at Peko and significant progress towards reaching steady state production at the target annualised rate was achieved. The Company met sufficient punch-list milestones to gain confidence that the target will be achieved in the near term.

Most encouraging for Elmore was that through the quarter the average grade of magnetite product produced was circa 66% Fe with low contaminants. The Company believes that it may be possible to increase this grade, given the ramp up learnings and identified inefficiencies of the plant during this period of optimisation. These results demonstrate that Peko will produce a premium product that will sell for above the regularly published index.



*Main Magnetite Product on Site Ready to be loaded into Containers to be Sent to Port*

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*Additional Product Stockpiles on Site Ready to be Loaded into Containers*



*Magnetite Product Stockpiles in Darwin Port*

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## OPTIMISATION FOCUS

The key areas of focus that required work through the quarter to allow the plant to reach the target production rate were:

### **Water Supply**

Following the connection to scheme water, the pipeline suffered a number of significant failures due to the fact that it had not been used or maintained for around a decade and is buried and was unable to be inspected before the water was reconnected. Replacement pipe and fittings were not available locally and took significant time to source from interstate.

Near the end of the quarter, the pipeline demonstrated reliability and spare parts were able to be sourced and stored on site in the event of a future failure event.

### **Mechanical availability/ redundancy of mobile equipment for loading containers.**

The current environment of skills shortages and supply chain delays had a material effect on the ability to quickly repair mobile equipment such as front-end loaders and forklifts required to fill containers with product and load them on trucks. An example of this was the Company's 37 tonne forklift that took 2 months to diagnose a fault and then source the required part from Sydney.

The most difficult task was the addition of a reach-stacker required to provide redundancy to the 37-tonne forklift. This unit was ordered in 2021 for delivery December 2021 / January 2022 and arrived 5 months late due to well publicized COVID related shipping delays. The Company had no spare mobile plant on site, so when mobile plant was out of service, the process plant also had to be shut down, leading to lower production rates. The reach-stacker is now operational on site.

The Company is increasing the level of spare parts and technical servicing ability on site and, since the end of the quarter, commenced introducing redundancy into the fleet.



*Reach-stacker (Prior to Delivery)*

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## **Staffing**

The Peko operations are now running 24/7. This took most of the quarter to achieve, whilst the Company sourced and trained staff. The Company had initially expected to be flying staff in and out of either Western Australia or Queensland to meet its requirements, but instead opted to source as many staff locally as possible, given the site is only around ten minutes drive from town. The local staff content is now at circa 80% and increasing. Whilst the level of experience in many of the staff was lower than first targeted and training has taken time to raise the level of competency of the inexperienced operators, Elmore is proud of the progress that the team has made and delighted to be forming a strong team of local operators.

The project has suffered significant lost staff time due to flu and COVID outbreaks in Tennant Creek and on occasions, has had to halt production because of this. As more local operators meet the Company's competency requirements, this will relieve the pressure on site and provide coverage to the team.

There were no reportable accidents or incidents in the quarter.

## **Sea Containers**

Delivery of product from site to port was slow due, in part, to the fact that not all of sea containers contracted by the Company had been delivered to site due to outstanding bank guarantees required by Elmore and its client ICA. This had a major impact on the rail cycle.

Following the end of the quarter and subsequent to the execution of the agreement to purchase ICA, Elmore has come to an agreement with the container provider and the additional containers required are now being progressively sent from Townsville and have started arriving on site to add to the rail circuit.

## **Ceramic Disk Filters**

The Company had installed two (2) Ceramic Disk Filters (CDFs) within the process for de-watering magnetite product before it is stockpiled and sent to Darwin. One of these units was commissioned prior to the quarter. Whilst the one unit has demonstrated that it can achieve an instantaneous output rate of 40% above the total target production rate of the total plant, the units quickly block up and need cleaning, thus reducing plant availability and output. With the recommended and ideal cleaning method being a nitric acid washing system, the Company ordered components for a nitric acid wash system in August last year but only received the required parts after the end of the quarter. To overcome this issue, during the quarter a range of practices were used to try and clean the filters however none of these practices were found suitable or efficient.

The second CDF and the nitric acid wash system are expected to be commissioned within the next few weeks.

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## OFFTAKE

During the quarter, the Company continued negotiations with a number of potential off-take partners. Following the end of the quarter the Company executed an offtake agreement with Royal Advance (HK) on the following terms.

- The sales price will be based on the PLATTS 65% Fe index price minus 1%
- The price will be based on a Dry Metric Tonnes Unit base, ie pro-rata to the contained iron (meaning that higher grade product will sell for a higher price)
- Impurity variables are based on standard PLATTS impurity variables
- The off-take will cover the first 2 shipments, with Elmore/ Peko iron having the option to extend to off-take out to 12 months. Royal Advance are interested in taking all of the product produced over the life of mine, though both parties are taking a conservative approach until steady state production and product quality are achieved.

Payment terms:

- 40% of sales price (based on 65% base product) received against lots of 7,500 tonnes being stored in Darwin Port, with these first payments relating to the first shipment now locked in at \$US155.76 per tonne (corrected against market price on arrival in China).
- 55% of sales price received as product is loaded onto a ship in Darwin
- Final 5% received (allowing for positive or negative corrections from base specification) after final product quality confirmed after shipment

**The Company requires one more full trainload of product to reach port to meet the first payment milestone. It anticipates this to be achieved in the first week of August 2022.**

## COPPER AND COBALT

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.



*Copper carbonate (left) and cobalt sulphide (right) products*

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## TERRITORY MINERALS

In the quarter Elmore executed an expanded scope of engagement with Territory Minerals based on the Northcote Gold and Antimony Project, West of Cairns.

The agreement requires Elmore to complete the mine and process design and approvals to enable the commencement of mining and processing at Northcote, subject to approvals and positive studies. Elmore plan to use a mobile crushing and screening plant currently owned by the Company, along with the Elmore's new ball mill that is now in Perth, along with a flotation circuit that the Company will procure after the final process has been signed off.

During the quarter, the Company funded a drilling programme that was undertaken to monitor ground water as part of the Environmental Management Planning.

Six (6) holes were drilled for a total of 336m. One (1) of the holes was abandoned due to ground conditions.

Elmore also funded geological block models prepared by an independent Geologist so that they could be used for mine planning purposes.

The next step is to correlate metallurgical test-work with the block models to determine if there are any gaps in the data set and conclude the process flow, water requirements and site general arrangements.

### About Northcote

- + Project is approximately 100kms west of Cairns, Qld.
- + The project has approximately 3 million tonnes of gold bearing mineralization defined over 11 "pits" of shallow for approximately 230,000 ounces (at circa 2 gram per tonne average).
- + Northcote Project area is centered 25 km west of Mareeba, 100 km west from Cairns
- + Target commencement of production 2023

Territory Minerals is an unlisted Public Company that also has a suite of other tenements in the region. These tenements include the Tregoora Project area, that hosts a similar gold resource to the Northcote Project.

The agreement covers "Northcote Public Resource Authority Reports ML20525 ML 20526 " granted for a term of 15 years from 24<sup>th</sup> February 2022 to 28<sup>th</sup> February 2037

At this stage, Elmore is not involved in the development of Tregoora.

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## CORPORATE

### FUND RAISING

During the quarter, \$2.5 million dollars raised by issue of a Convertible Note to a number of existing funds and sophisticated investors.

All notes have subsequently been converted to shares.

The raise was led by Shaw and Partners.

The terms of the raise were:

- \$2.5 million (minus fees) raised
- 2-year term
- 20% interest rate
- 3 months interest and establishment fee (equivalent to 10%) paid upfront in shares at a \$0.04 share price. The resulting 6,250,000 pre-paid interest shares were issued.
- Shareholder approval was sought and approved to convert the Note shares. The Note converted to 62,500,000 shares issued at \$AU0.04 per share.

### EXTENSION OF AVIOR FINANCE

During the quarter, Elmore extended the funding facility provided by Avior by a further \$1.5 million (minus fees) provided in 2 tranches over 1 month. Terms were announced previously.

The extension was necessary to assist in the ownership transition, during which period the Company has been covering 100% of operating expenses of the Peko Project. Following the purchase of 100% of the Peko Project negotiated with owners during the quarter, the Company is now entitled to 100% of the cash flows from the project. The Company will be shortly receiving its first payment from the offtake agreement discussed above.

### 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:

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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 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	44
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	-	-
(c) production	(1,414)	(3,883)
(d) staff costs	(993)	(2,364)
(e) administration and corporate costs	(561)	(1,126)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(366)	(383)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(3,334)</b>	<b>(7,711)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(524)	(2,915)
(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 (12 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	-	(700)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(524)</b>	<b>(3,543)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	3,000
3.2	Proceeds from issue of convertible debt securities	2,755	3,955
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(4)	(19)
3.5	Proceeds from borrowings	1,107	2,885
3.6	Repayment of borrowings	(118)	(457)
3.7	Transaction costs related to loans and borrowings	(100)	(220)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>3,640</b>	<b>9,144</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	218	2,109
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,334)	(7,711)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(524)	(3,543)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,640	9,144

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>82</b>	<b>82</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	82	218
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>82</b>	<b>218</b>

**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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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	2,885	2,885
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
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.	

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(3,334)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(3,334)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	82
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	82
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	0

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 finalisation of activities at the Peko site. Payments from Peko expected in the September 2022 quarter with production being maximised and the first sales of ore from the offtake agreement.

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 September 2022 quarter with the optimisation of production and the first sales of ore from the offtake agreement,

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 with the optimisation of production, the first sales of ore from the offtake agreement and the receipt of funds from the extension of the Avior finance agreement.

**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: 28 July 2022

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.