

ELMORE LTD

ASX: ELE

"Unlocking Value by Providing Bespoke Equipment and Technical Expertise to the Mining Sector"

BOARD/MANAGEMENT

Mr Russell Baskerville
NON-EXECUTIVE CHAIRMAN

Mr David Mendelawitz
MANAGING DIRECTOR

Dr Nik Senapati
NON-EXECUTIVE DIRECTOR

Mr Tim Webster
NON-EXECUTIVE DIRECTOR

Mr Andy Haslam
NON-EXECUTIVE DIRECTOR

Sean Henbury
COMPANY SECRETARY

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28 April 2023

FY23 March Quarter Update

Highlights

Operations

- The March quarter was heavily affected by weather conditions in the Northern Territory where the region experienced far more severe wet weather than typically endured through the wet season.
- This resulted in a significant reduction in expected production, delays to the shipping schedule and placed significant pressure on cash flow.
- Despite these challenges the company continued to commission and ramp up production volumes and its logistics operations. It also used the conditions to assess and engineer solutions to improve resilience of operations during the wet season in coming years.
- Post quarter end the company has maintained consistent and increasing production providing confidence to increase from 2 to 3 rail services per week which is now complete. The company also successfully loaded and departed its second shipment containing circa 28,000 wmt of high-grade magnetite.
- Cash minus any pre-payment amounts from the sale of circa 28,000 wmt of magnetite with pricing of \$202 per dmt (subject to final penalties adjustments after discharge) is now available to the company.
- The next shipment is targeted for circa 2 months from now.

Corporate

- Russell Baskerville appointed as non-executive Chairman.
- Completion of the Peko Share Sale Agreement (SPA) has occurred refer announcement made on 26/04/2023.
- As a result of management control of the Peko project during the first half year, Elmore has consolidated 100% of Peko Iron Project Pty Ltd for the half year ending 31 December 2023 and will continue to operate on a fully consolidated basis moving forward.



March Quarter Operations

The below production graph illustrates the significant impact wet weather (and other ramp up challenges) had on production during the quarter.

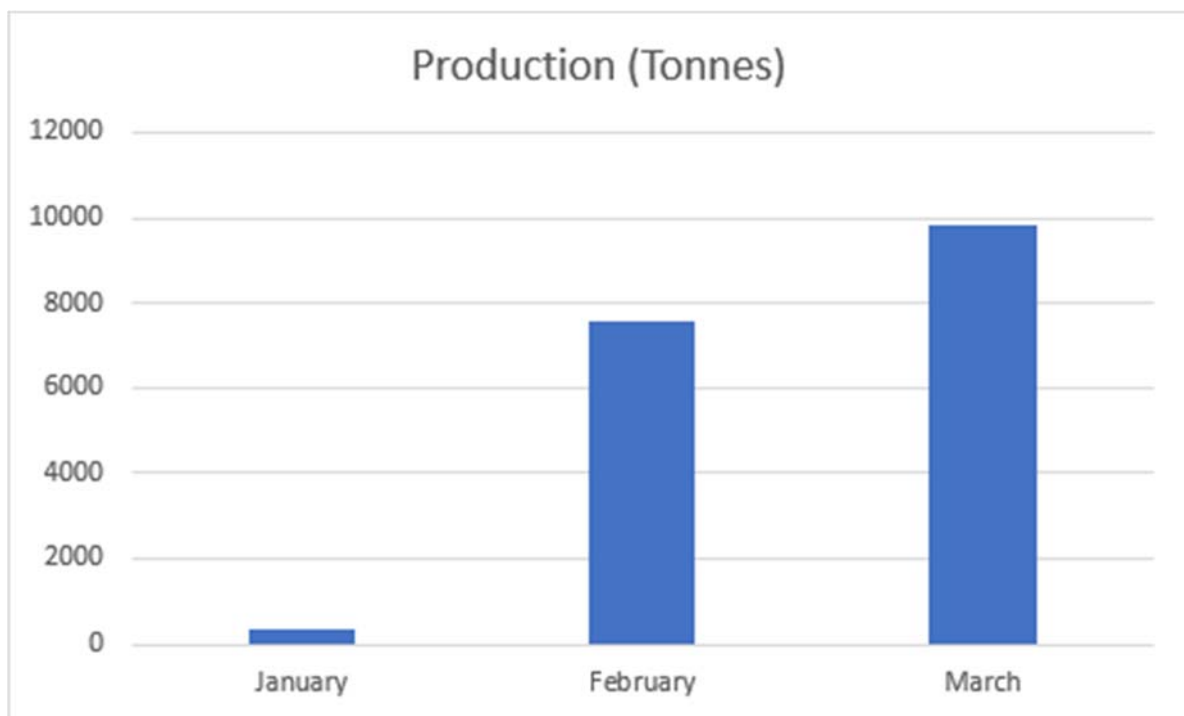
Per the graphs, nearly all production was lost in January as a result of weather conditions with only 3 days of intermittent processing operations achieved. Whilst continuing to be weather affected, commissioning and ramp-up commenced in a planned manner through Feb and into March with significant improvements to production month on month.

The plant is now operating at a higher and more reliable level and the Company remains confident in the ramp up plan.

During the December commissioning period, the company learned valuable lessons on how the plant was operating and key issues specific to the material it is processing.

One of the main issues is the corrosive nature of the process and its accelerated corrosion impact on the plant. This is caused by the combination of highly acidic conditions, along with both copper and iron in solution.

The downtime in the quarter provided the company an opportunity to address the issue through the replacement of all metal tanks, spools and pipes with corrosion resistant material. This process is now near completion. Once the program of replacing corrodible parts is completed during the current quarter the plant production will increase significantly due to the reduction in downtime.



Post Quarter Update

Post the end of the quarter, the Company shipped its second shipment of magnetite, with circa 28,000 tonnes of product leaving for China.



MV Eco Splendor holding circa 28,000 tonnes of magnetite.

The Company plans to send the third shipment in approximately 2 months.

Corporate

During the quarter, Russell Baskerville was appointed as non-executive Chairman of Elmore.

Post the end of the quarter, Elmore (via its wholly owned subsidiary Peko Iron Project Pty Ltd) and Oz Professionals 4 Pty Ltd completed the Share Sale Agreement to acquire ICA Mining Pty Ltd (the Peko project).

As a result of management control of the Peko project during the first half year, Elmore has consolidated 100% of Peko Iron Project Pty Ltd for the half year ending 31 December 2023 and will continue to operate on a fully consolidated basis moving forward.

The Company is continuing to work closely with Azure Capital to complete the re-financing of the Vendor Finance package.

The structures under review and consideration are debt and / or royalty based, rather than equity based.

The Company has a high level of confidence that financing can be completed on favourable terms.

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-

This release has been authorised by Elmore's Board of Directors

For further information please contact:

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ABOUT ELMORE

Elmore is an ASX listed contract mineral processing and development company which employs mobile plant and equipment, allowing the company to generate meaningful financial returns via the development of niche orebodies and mining projects.

The company has access to deep technical expertise, allowing Elmore to provide geological, metallurgical & process engineering, OH&S, mechanical and mining engineering consulting services and advice to the mining industry.

Elmore owns 100% of the NT-based Peko magnetite mining operation. Elmore acquired Peko after 12 months of work to design, build and commission the project's mining and processing operations as a contractor. Whilst Peko will initially focus on producing an iron magnetite product, the Elmore team plan to utilise wholly owned plant and equipment to produce copper, cobalt and gold from a tailings deposit at the Peko operations.

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 March 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	1,320	4,956
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	(940)	(6,272)
	(d) staff costs	(1,476)	(4,733)
	(e) administration and corporate costs	(134)	(462)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	3
1.5	Interest and other costs of finance paid	(340)	(830)
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	(1,568)	(5,769)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(451)	(1,726)
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(451)	(1,726)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	8,267
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	-	(261)
3.5	Proceeds from borrowings	1,600	3,050
3.6	Repayment of borrowings	(675)	(1,341)
3.7	Transaction costs related to loans and borrowings	(2)	(60)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	923	9,655

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,770	82
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,568)	(7,337)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(451)	(1,726)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	923	9,655

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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	673	673

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	673	1,771
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)	673	1,771

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	3,811	3,811
7.4 Total financing facilities	3,811	3,811
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)	(1,568)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,568)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	673
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	673
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	-

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

- 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: No. During the March quarter the company's production was heavily impacted by unfavourable weather conditions. As a result, cash inflows from prepayments for magnetite product at the Darwin port were significantly impacted. During the fourth quarter the company expects to consistently receive prepayments for magnetite product stockpiled at the Port of Darwin every 2 to 3 weeks. Further the company has received funds, net of prepayment and transport / shipping costs for the shipment of 28,000 wmt of magnetite to China early in the current quarter. A second shipment is expected to sail with funds available prior to the end of the current quarter.

- 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: Yes. Whilst the company expects to manage its short-term working capital requirements within the operating cash flows generated as a result of improved production outlined in response 1 and improving production profile evidenced in the graph in this document. The company may also improve its short-term working capital through the potential sale or refinancing of owned and unencumbered capital/heavy equipment or the potential to include additional working capital allowance in its refinancing arrangements being led by Azure Capital.

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. Please refer to the response in question 1.

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 April 2023

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.