

ELMORE

ASX: ELE

QUARTERLY ACTIVITIES REPORT

31 March 2020

Elmore Limited (the "Company" or "Elmore") (ASX: ELE) is pleased to provide its quarterly activities report for the period ended 31 March 2020.

OPERATIONS

KURNOOL IRON ORE BENEFICIATION PLANT

In order to provide certainty regarding the status of any liabilities in India, the Company entered into an agreement to divest its Indian subsidiary, NSL Mining Resources India (Pvt), including the P1 and P2 plant and equipment, to Benita Industries in exchange for Benita taking over all financial liabilities. Directors believed this was the best outcome available to the Company, as sale of plant, along with the cost of managing a sales process was expected to be either financially neutral or negative and would leave the Company exposed during the process.

One of the conditions of the divestment is that Elmore Ltd is to retain ownership of the newly purchased WHIMS and LIMS machines that have been delivered to India for P3. Subsequent to this agreement, Benita agreed to purchase the new P3 WHIMS and LIMS as is, where is for a combination of \$AU500,000 cash, payment of the final payment owed to the OEM manufacturer (~\$AU90,000) plus payment of an estimated \$80,000 to the RBI in India, which will be required to complete the divestment process. The Company subsequently agreed to a revised payment plan with Benita Industries, in which Benita will pay a total of \$440,000 in 4 payments between January 2020 and September 2020. Subsequently the Company has commenced discussions with Benita to divest completely the Singapore entity to them.

Subsequent to the end of the Quarter, Elmore are now concluding the transfer to another party. Details will be provided in a separate update shortly.

Elmore has confirmed the newly constructed ball mills, which are still with the manufacturer in China and will be diverted to Australia for future use by the Company once the final inspections are undertaken and final payment has been made to the manufacturer. This is currently being organised for completion in the very near term.

CHANGE OF BUSINESS FOCUS

The Company provided an update to the market on 20 March 2019 in which the Company announced that it had entered into a Memorandum of Understanding (MOU) with Golden Valley Iron (GVI), who has the rights to mine the Kimberley Metals Ridges Iron Project (Ridges) in Western Australia. The intention was for Elmore to process ore mined by GVI at Ridges and on 31 May 2019, the Company announced that it had signed binding agreements with Gold Valley Iron to

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purchase the Frances Creek crushing and screening plant and to process iron ore at Ridges. The initial \$1,500,000 of the \$2,500,000 was paid following the Tranche 1 capital raising.

The key terms of the plant purchase agreement and processing agreement are included in the announcement of 31 May 2019 and include a number of conditions precedent that must be met before the final payment of \$1,000,000 + GST becomes payable to GVI. These conditions precedent were to have been met to Elmore's satisfaction prior to 28 October 2019. GVI was not able to demonstrate to Elmore that they have been able to satisfy all of the conditions precedent and as such, the Company has not made the final payment.

The Company worked with GVI to resolve the conditions precedent so that the mineral processing agreement could commence. However, given the lack of progress on these issues, Elmore terminated the Ridges Iron Project Minerals Processing Agreement, on the basis of repudiation by GVI. The contract stipulates that Elmore will be paid \$1 million plus compensation for lost earnings due to the contract being terminated by repudiation.

GVI has issued a writ against Elmore seeking payment of the \$1 million. Subsequently, the action was suspended indefinitely after GVI was placed into external administration and subsequently liquidation

Elmore retains the Principal Security by way of a General Security Agreement (GSA) over GVI and its assets.

On 1 July 2019, the Company announced that it has signed an MOU with Trendsheer Holdings Pty Ltd (**Trendsheer**) for materials processing on their Frances Creek Iron Ore Mine in the Northern Territory. An agreement was later executed in relation to this. The Company intends to use the recently purchased process plant that is currently located in Perth in addition to one of its two new ball mills which are located in China awaiting final payment and shipping.

Subsequent to the end of the quarter, this equipment has now been mobilised and set up on site.



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Mobile processing equipment to be used at Frances Creek

The key terms of the agreement entered into with Trendsheer include:

- A minimum 70,000 tonnes of direct ship iron ore in Month 1 (March 2020);
- A minimum 700,000 tonnes of stockpiled low-grade iron ore, to be processed over 7 months at 100,000 tonnes per month (expected to produce ~40,000 tonnes per month of product, commencing April 2020); and
- ~625,000 tonnes of gold bearing ore from adjacent projects to be processed at a rate of 36,000 tonnes of ore per month, targeting commencement in September 2020.

The Product Royalty Schedule of Rates are:

- Dry Processing – crushing and screening, ore sorting and magnetic separation
 - AU\$5.00 per tonne of product
- Wet Processing – Grinding, gravity separation, flotation and leaching of concentrate
 - AU\$39.00 per tonne of in-feed, with power provided by processor
 - AU\$31.00 per tonne of in-feed, with power provided by miner

On 14 January 2020 the Company announced that it had executed an agreement with Trendsheer to jointly (50/50) develop the Dolomite project, should it be considered economic to do so. The Dolomite project is a potential substantial deposit of dolomite which exists within close proximity to the Company's fixed processing plant at Frances Creek.

In the same announcement, the Company also announced that it had executed an agreement with ICA Mining to provide consulting and processing services for the Peko magnetite and gold project 10kms from Tennant Creek in the Northern Territory.

CORPORATE

VOLUNTARY SUSPENSION

On 12 December 2018 the Company requested a voluntary suspension on the trading of its securities.

The Company has requested extensions of the voluntary suspension.

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At the time of lodging this report the Company remains in suspension.

FUND RAISING

The Company raised \$3.25 million in 2019 through the issue of 81,250,000 ordinary shares at \$0.04 per share to First Samuel and Twynam Investments.

The Company received a further \$500,000 short term bridging loan from Twynam Investments in the form of a 90-day secured note at 20% interest per annum, which matures on 18 March 2020. The note is convertible at \$0.02 per share equivalent and can continue if not converted on a higher interest rate of 30% per annum.

CHANGE OF SHARE REGISTRY

On 20 January 2020, the Company's provider for registry services has changed from Security Transfer Australia Pty Ltd to Automic Group.

The new share registry contact details are as follows:

Automic Group

Perth Office

Level 2
267 St Georges Terrace
PERTH WA 6000

Sydney Office

Level 5
126 Phillip Street
SYDNEY NSW 2000

All correspondence to:

GPO Box 5193
SYDNEY NSW 2001

Phone:

1300 288 664 (within Australia)
+61 (0) 2 9698 5414 (International)

Web: www.automicgroup.com.au

-ENDS-

For more information:

David Mendelawitz
Elmore Ltd
Managing Director
(08) 6323 2310
info@elmoreltd.com.au

Sean Henbury
Elmore Ltd
Company Secretary
(08) 6168 8000

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 2020

| 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 | | |
| 1.2 Payments for | | |
| (a) exploration & evaluation (if expensed) | - | - |
| (b) development | (365) | (840) |
| (c) production | - | - |
| (d) staff costs | (178) | (537) |
| (e) administration and corporate costs | (30) | (240) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | 4 |
| 1.5 Interest and other costs of finance paid | (2) | (5) |
| 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 | (575) | (1,618) |

| | | |
|--|---|-------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | - | - |
| (b) tenements | - | - |
| (c) property, plant and equipment | - | (262) |
| (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 (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 | - | (115) |
| 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 | - | (377) |

| | | | |
|-------------|---|------------|--------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | 1,125 |
| 3.2 | Proceeds from issue of convertible debt securities | - | 500 |
| 3.3 | Proceeds from exercise of options | - | - |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | - | - |
| 3.5 | Proceeds from borrowings | 195 | 262 |
| 3.6 | Repayment of borrowings | 97 | 97 |
| 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 | 292 | 1,984 |

| | | | |
|-----------|--|-------|---------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 322 | 50 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (575) | (1,618) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | - | (377) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 292 | 1,984 |

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 | 39 | 39 |

| 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 | 39 | 322 |
| 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) | 39 | 322 |

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**

81

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. Add notes as necessary for an understanding of the sources of finance available to the entity.</i> | | |
| 7.1 Loan facilities | - | - |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (please specify) | - | - |
| 7.4 Total financing facilities | - | - |
| 7.5 Unused financing facilities available at quarter end | | - |
| 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. | | |

| 8. Estimated cash available for future operating activities | \$A'000 |
|---|----------------|
| 8.1 Net cash from / (used in) operating activities (Item 1.9) | 162 |
| 8.2 Capitalised exploration & evaluation (Item 2.1(d)) | - |
| 8.3 Total relevant outgoings (Item 8.1 + Item 8.2) | 162 |
| 8.4 Cash and cash equivalents at quarter end (Item 4.6) | 39 |
| 8.5 Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.6 Total available funding (Item 8.4 + Item 8.5) | 39 |
| 8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3) | N/A |
| 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 Company expects to receive positive cash flows from operating activities over the next quarter | |
| 2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? | |
| Answer: The Company will issue a notice of meeting soon which will seek to raise funds over the next quarter. | |
| 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: The Company expects to continue its operations and become cash flow positive over the next quarter. | |

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 April 2020.....

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.