

# ELMORE

ASX: ELE

## QUARTERLY ACTIVITIES REPORT

30 June 2020

Elmore Limited (the “Company” or “Elmore”) (ASX: ELE) is pleased to provide its quarterly activities report for the period ended 30 June 2020.

### KEY POINTS

- High grade iron ore product now consistently being generated from low grade stockpiles at Frances Creek
- ICA Mining Minerals Processing Agreement renegotiated, executed and Elmore is fully engaged working towards first magnetite product to be produced in Q4 2020

### OPERATIONS

#### FRANCES CREEK

Ore sorting of lump iron ore from low grade stockpiles at Frances Creek and processed using Elmore’s mobile crushing and screening plant under the technical supervision of Elmore has been successfully ongoing for the last month. Elmore is pleased and proud to be able to report that product of up to ~60% Fe has been consistently produced from stockpiles grading ~40% Fe. The initial stockpile being processed is estimated at ~750,000 tonnes of low-grade material. This is forecast to produce around 280,000 tonnes of saleable product through a combination of ore-sorting of lump ore and dense media separation (DMS) of fines. DMS processing of fines has not yet commenced. The results are very positive for all involved in the project, as beyond the initial stockpile currently being processed, other similar stockpiles have been identified, plus significant resources of low-grade material remain available, unmined.

Trendsheer are currently using these results to assist in generating a longer term mine schedule.

Elmore will work with Trendsheer to determine how best to utilise Elmore’s large fixed crushing and screening plant currently located at Frances Creek. Once the mine plan has been finalised, Elmore will also determine whether the fixed crushing and screening plant is suitable to process both the iron ore and the gold ore that Elmore has been contracted to mine on behalf of Trendsheer’s related entities.

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Trendsheer's first train load of iron ore product from Frances Creek to Darwin is scheduled to depart in early August.

## PEKO TAILINGS PROJECT

As mentioned in previous announcements, a condition of the contract with ICA Mining is that as of May 1<sup>st</sup> Elmore is to be paid a monthly standby rate. In the interests of both parties, Elmore offered and ICA Mining agreed for the standby to be converted into a project management consulting fee covering a more extensive scope of deliverables than originally anticipated, although still within Elmore's capabilities. This will include geology, metallurgy, engineering, safety and security, whilst as originally planned, still overseeing the design, procurement and construction of a magnetite processing plant to be owned by ICA Mining, and also preparing Elmore's moveable gold plant.

Elmore and ICA Mining have now completed negotiations, amended and executed the service contract and settled outstanding invoices issued for the May and June period that were accrued during the negotiations.

The changes in the contract relate primarily to the fee structure for the delivery of the magnetite processing component of the contract (with no changes to the gold processing component). The pertinent changes to the contract are:

- Replacement of the standby rate with a schedule of consulting rates, plus a 10% administration margin on monthly invoices. The consulting schedule of rates will apply until October 31<sup>st</sup>, which is the target date for first magnetite product.
- The previous contract had Elmore receiving a tiered percentage of free cash generated from magnetite product sales. It was agreed that this was both difficult to administer and potentially counter to the interests of all parties. From the 1<sup>st</sup> November 2020 onwards, for a term of 5 years, Elmore will now oversee the production of magnetite from ICAs plant on the revised structure of:
  1. All operating costs borne by ICA;
  2. Monthly management fee paid to Elmore of \$100,000 plus GST paid in arrears and calculated pro-rata each calendar month during the Processing Stage(??); and
  3. Production fee of \$2.00 per tonne of saleable magnetite product removed from site to be paid to Elmore.

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Gold, copper and cobalt (polymetallic) rich tailings processing remains unchanged at:

## **Processing of Gold, Copper and Cobalt Bearing Tailings Post Treatment for Magnetite Extraction – Gravity separation, Flotation and Leaching**

AU\$30.00 per tonne of in-feed with power provided by Processor

AU\$22.00 per tonne of in-feed with power provided by Miner

## **Processing of Gold Bearing Primary Ore – Crushing, Grinding, Gravity separation, Flotation and Leaching**

AU\$44.00 per tonne of in-feed with Power provided by Processor

AU\$36.00 per tonne of in-feed with power provided by Miner

Elmore and ICA Mining have agreed to suspend the commencement of the polymetallic tails processing project until later in H2, 2021 to provide time to optimise the final product(s) to be produced. The project is looking to produce a combination of concentrate +/- gold dore.

## **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.

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

The Company is continuing to progress towards re-instatement of trading of its shares on the ASX. A Notice of Meeting (NOM) has been circulated to the ASX, covering a range of items to be put forward to shareholders for approval to aid in satisfying the ASX's requirements for re-instatement.

Once the ASX are satisfied with the NOM it will be dispatched to shareholders.

### **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 \$54,167. This relates to salary and wages of the directors of \$49,021 and superannuation paid of \$5,146.

### **MANAGING DIRECTOR'S COMMENT**

Elmore's Managing Director Mr David Mendelawitz commented:

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*"I am delighted to start seeing the tangible results from the work that we have been doing over the last year. To see saleable iron ore being produced from what was previously a worthless pile of rocks at Frances Creek is exciting for the future of the project and a testament to our team and everyone involved in the project. Although I am proud of all of our team and the work that they have done to achieve this, I would particularly like to thank Jason Young, Giles Beresford-Pierse and George Scotland for making significant sacrifices for Elmore and the project during these difficult times due to the restrictions imposed by COVID-19, spending up to 3 months on site away from their families.*

*Additionally, I am glad that the revised ICA Mining contract is now finalised, and we are feverishly engaged in delivering what we are confident will be a very exciting project at Peko in Tennant Creek. We look forward to playing a major part in finally unlocking the significant value that have been locked up in the tailings there for so many years."*

**-ENDS-**

**For more information:**

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Elmore Ltd  
Company Secretary  
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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 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	440	440
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	(376)	(1,216)
	(c) production	-	-
	(d) staff costs	(138)	(675)
	(e) administration and corporate costs	(15)	(255)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	4
1.5	Interest and other costs of finance paid	(16)	(21)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	10	10
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(95)</b>	<b>(1,713)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
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 (12 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>(377)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	-	262
3.6	Repayment of borrowings	62	159
3.7	Transaction costs related to loans and borrowings	-	-
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>62</b>	<b>2,046</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	39	50
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(95)	(1,713)
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)	62	2,046

## 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>6</b>	<b>6</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	6	39
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>6</b>	<b>39</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**

54

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. 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 <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)	(95)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(95)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	6
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	(91)
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	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: 28 July 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.