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FOR IMMEDIATE RELEASE

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The Manager, Company Announcements
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

ELSMORE RESOURCES LTD ACN 145 701 033 ("THE COMPANY") UPDATE ON LEGAL PROCEEDINGS AND NOTICE OF REMOVAL FROM OFFICIAL LIST

Update on Legal Proceedings

As announced on 1 August 2016, the Company has been successful in its claim against Mr Harry Fung in the Supreme Court of New South Wales.

As Shareholders will recall, the Company commenced proceedings against Mr Ashley Grant Howard on 24 February 2014 (see Announcement dated 26 February 2014). The proceedings were commenced immediately following the discovery that Mr Howard and his associates had misappropriated share subscriber fees that had been raised by the Company as part of its initial public offering ("IPO").

On 11 March 2014, the Company entered into a Settlement Agreement with each of Mr Howard, Periwinkle Investments Pty Ltd, Mr Harry Fung and HF Global Corporate Financial Solutions Pty Ltd pursuant to which, *inter alia*, the misappropriated share subscriber fees were to be returned to the Company (see Announcement dated 17 March 2014).

On 17 April 2014, following default under the terms of the Settlement Agreement by each of Mr Howard, Periwinkle Investments Pty Ltd, Mr Harry Fung and HF Global Corporate Financial Solutions Pty Ltd, the Company applied to the Supreme Court of New South Wales to have the proceedings relisted.

On 12 May 2014, the Honourable Justice Brereton gave judgment in favour of the Company against each of Mr Howard, Periwinkle Investments Pty Ltd and HF Global Corporate Financial Solutions Pty Ltd in the amount of \$1,859,035.00 plus interest (see Announcement dated 13 May 2014).

That judgment sum was calculated by reference to the share subscriber fees that should have been raised by the Company in its IPO (\$2,209,000.00) less the sums that had been paid by Mr Howard, Periwinkle Investments Pty Ltd and/or HF Global Corporate Financial Solutions Pty Ltd in part-compliance with the terms of the Settlement Agreement (\$349,965.00).

Enforcement action against Mr Howard, Periwinkle Investments Pty Ltd and HF Global Corporate Financial Solutions Pty Ltd is continuing, unfortunately with limited success to date.

The Company notes that Mr Howard was formally declared bankrupt on 11 September 2014 as a result of separate proceedings against him (see Summary of After Balance Date Events in 2014 Annual Report).

Since that time, the Company has proceeded with its claim against Mr Fung which was ultimately heard by the Honourable Justice Black on 12, 13, 17 and 19 May 2016.

On 23 June 2016, the Honourable Justice Black delivered his Judgment in the claim by the Company against Mr Fung (the “Fung Judgment”) in favour of the Company. The Fung Judgment is available in full at the following web address - <http://www.austlii.edu.au/au/cases/nsw/NSWSC/2016/856.html>.

It should be noted that formal orders to give effect to the Fung Judgment have not yet been made. The matter is listed for a Directions Hearing on 12 August 2016 at which it is anticipated Final Orders will be made.

The Fung Judgment

The Company has been successful in its primary claim that Mr Fung is bound by the terms of the handwritten Settlement Agreement that he signed on 11 March 2014.

However, it appears likely that the Honourable Justice Black will vary the terms of the Settlement Agreement to reduce Mr Fung’s liability (but not the liability of Mr Howard, Periwinkle Investments Pty Ltd or HF Global Corporate Financial Solutions Pty Ltd) to \$679,035.00, being an amount equal to the monies that were held on trust by Periwinkle Investments Pty Ltd (\$1,029,000.00) less amounts already received by the Company in part-compliance with the terms of the Settlement Agreement (\$349,965.00), plus any applicable interest.

It is very pleasing that the Supreme Court of New South Wales has found in favour of the Company and has vindicated the Director’s actions in commencing and pursuing proceedings against each of Mr Howard, Periwinkle Investments Pty Ltd, Mr Fung and HF Global Corporate Financial Solutions Pty Ltd.

Once the Final Orders have been made, the Company will take immediate steps to seek to enforce the Fung Judgment against Mr Fung.

Removal from the ASX Limited Official List

Shareholders should note that during the hearing of the proceedings against Mr Fung, evidence was presented to the Court which raised material questions as to whether or not the Company satisfied the IPO minimum subscription requirements.

The Honourable Justice Black commented on these issues in the Fung Judgment and, therefore, the Directors strongly recommend that Shareholders read and carefully consider the Fung Judgment in its entirety.

On 9 August 2016, the Company was advised that as the ASX is not satisfied that the Company complied with the admission requirements contained in Chapter 1 of the ASX Listing Rules, the ASX has resolved to remove the Company from the Official List pursuant to ASX Listing Rule 17.12 at the close of trading on Monday, 15 August 2016.

The Directors remain committed to the Company and are currently considering various strategies for the Company to move forward. Further updates will be provided as soon as possible.

Yours faithfully

ELSMORE RESOURCES LTD

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