



Market Update

January 14th, 2020

Key Points

- Frances Creek processing agreement executed and equipment being prepared for mobilisation in February
- New proprietary equipment designed by the Company (patent pending) to support Elmore's transformation into a contract minerals processor
- Coal Hub litigation settled for an ownership interest in a new rare earths company
- Deal to jointly develop a Dolomite project at Francis Creek executed
- Agreement to provide consulting and processing services for Peko magnetite and gold project in Northern Territory executed
- Gold Valley Iron minerals processing agreement terminated
- Share Sale Agreement of NSL MRI (India) to Benita Industries continues to progress
- Biggs matter settled
- Bridging finance secured

Elmore Ltd (ASX:ELE, "the Company") is pleased to provide an update on the Company's progress.

Frances Creek Processing Agreement

Elmore has executed an agreement with Trendsheer Holdings to process both iron ore and gold from at or near the Frances Creek project in the Northern Territory.

The Company is now preparing to mobilise its mobile crushing and screening plant, currently located in Perth, to the site in February.

Key terms of the contract

The Company will process:

- 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
- ~800,000 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.

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Product Royalty Schedule of Rates

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

Although the Company owns the large fixed plant installed at Frances Creek, Elmore intends to use its mobile crushing and screening plant to process both the iron and gold ores. The Company intends to use one of its 2 new ball mills, which are currently in China awaiting final payment and shipping, for grinding gold ore, and will use the Company's magnetic separators which are still in India, if it's possible to re-locate them to Australia, or will purchase new concentrators. For treatment of gold ore, the Company will purchase skid mounted gravity separators, flotation tanks and concentrate leach reactors.

The Company will continue to investigate the viability of processing further low grade and direct ship ore from the the project. This will be determined following further test-work and reconciliation of low-grade stockpiles within ground resources.

Potential exists for other gold ores to be available from near the Frances Creek Project.

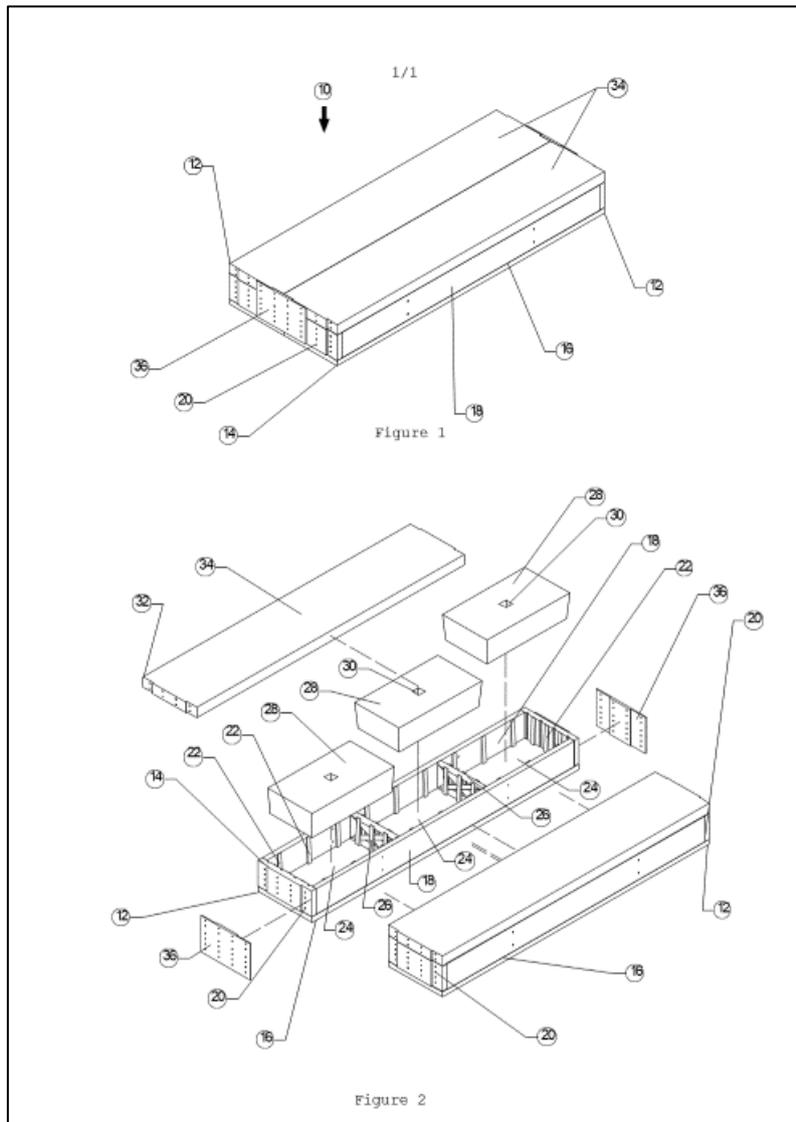
New Proprietary Equipment

The Company has designed a system of modular, reusable foundations to enable it to be able to use large ball mills as part of its moveable processing equipment. The Company owns 2 such mills (in China pending final payment and shipping) which it intends to use, along with other mills that it intends to purchase in the future.

The modular system is comprised of parts that can be transported using conventional road trailers and unloaded with readily available, low cost cranes. The system allows for foundations of any size (in the case of the mills owned by Elmore, approximately 700 tonnes of foundations) of foundation to be assembled without the need for large teams, concrete batch plants and being subjected to weather conditions that may not be ideal for curing cement. Following the completion of the processing works, the mills and foundations can be removed and sent for use on another site.

The Company believes that its new system, upon which it has lodged a provisional patent, will enable Elmore to install mills up to this size (250 tonnes mill weight) in approximately 1 week, compared to the usual time of 4-6 months. This will act as a core element to the Company's ambitions to provide contract processing services to stranded minerals projects and to companies that are not able to or do not want to fund their own process plant.

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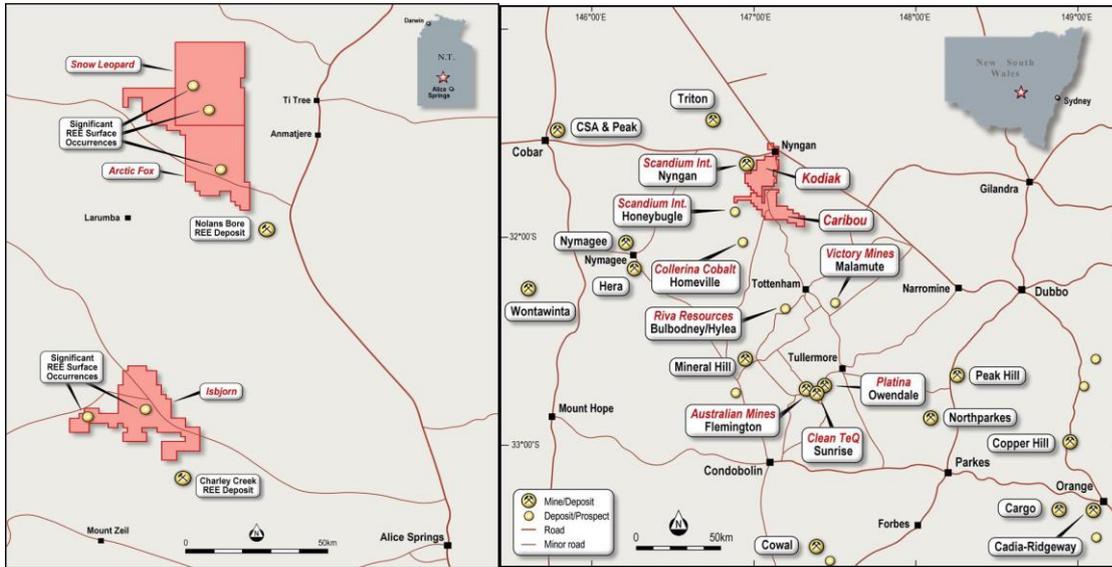
Basic Overview of 2 Foundation Units, with one dissected. Units can connect in any direction.

Coal Hub / Subiaco Capital

Elmore has executed an agreement with Coal Hub / Subiaco Capital to settle the outstanding costs order, for a 20% ownership of an unlisted Australian rare earths company (Rare Earth Resources, RAR). RAR has 6 highly prospective rare earths tenements within New South Wales and the Northern Territory, located near significant resources of rare earths. As part of the agreement, Elmore's Managing Director Mr David Mendelawitz, will join the Board of RAR as a Non-executive Director. Elmore will be available to provide consulting services to RAR to help drive the Company's development. RAR is actively engaged in a process to list the company on the ASX through a reverse take-over and is currently assessing a number of listed shells.

Elmore will provide further detailed information on RAR as that company's plans begin to materialise.

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RAR's Tenements: left = Northern Territory, right = New South Wales

Note proximity to Nolans Bore in Northern Territory

Peko Tailings Project

Elmore has 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. The project contains a significant amount of tailings that will be processed to recover magnetite and material containing gold, copper and cobalt (mineralised tails). The mineralised tails will then be processed, focusing on removing gold, most likely through flotation and leaching of the concentrates.

Key Terms

- Iron ore will be separated by oxidation, acid washing and magnetic separation
- Gold, copper and cobalt concentrate will be stockpiled until a circuit to process this has been constructed
- In-feed process rate total 700,000 tonnes per annum
- Estimated project life 5 year



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Iron Ore

Project test-work and Design – all costs borne by Processor (Elmore)

Procurement and construction of process plant – all costs borne by Miner (ICA). No margin applied by Processor

Management of processing activities – all costs borne by Miner, plus production royalty equal to:

- 10% of free cash margin¹ between AU\$0 – 20 and
- 20% of free cash margin above AU\$20

1. Free Cash Margin = iron ore sales price – (site operating costs + all transportation and materials handling costs + interest payments (as mutually agreed))

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\$1 million to be paid to Elmore, 7 months in advance of commencement date, plus

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



Aerial view of Peko Tailing

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Dolomite

Elmore has reason to believe that a substantial deposit of dolomite exists within close proximity to the Company's fixed processing plant at Frances Creek. The resource has been drilled and assayed and appears to be high grade in MgO and CaO and close to the surface. The Company has executed an agreement with Trensheer Holdings to jointly (50/50) develop the Dolomite project, should it be considered economic to do so.

As all processing equipment and transportation logistics are already in place to service 3-4 million tonnes of product per annum, the next step is to ascertain the market size and pricing. Dolomite is used in the production of steel, civil construction and in agriculture. Pricing varies substantially depending on the final use, as does market requirements. The Company will aim to complete the market assessment as soon as possible, to determine if this is an opportunity worth progressing.

Gold Valley Iron (Ridges Iron Ore) Processing Contract

Elmore has terminated the Ridges Iron Project Minerals Processing Agreement, on the basis of repudiation by Gold Valley Iron (GVI). The contract stipulates that Elmore will be paid AU\$1 million plus compensation for lost earnings due to the contract being terminated by repudiation.

Elmore did not pay GVI the remaining AU\$1 million (conditional component) of the Frances Creek plant purchase agreement, due to GVI not satisfying the conditions precedent related to that payment, by the set time. GVI has issued a writ against Elmore seeking the payment. The Company and its legal advisors believe that this payment is either not due, or even if it was to be found that it is due, the amount is substantially lower than that owed by GVI to Elmore, due to the costs incurred in executing the GVI contract and the lost income resulting from the termination.

The Company is working with legal and corporate advisors representing both Elmore and other GVI creditors to determine options and a path forwards to resolution.

Elmore holds the Principal Security by way of a General Security Agreement (GSA) with the rights to appoint a receiver, over Gold Valley Iron and its assets.

Share Sale Agreement of NSL MRI (India) to Benita Industries Ltd (Amoda Group)

The Company has agreed to a revised payment plan with Benita Industries, whom have agreed to take over the assets and liabilities of the Indian subsidiary (NSL MRI). Benita will now pay a total of \$440,000 in 4 payments between now and September 2020. Whilst payment, or return of the WHIMS and LIMS, which are conditions precedent of the agreement with Benita, has still not occurred, the Company is still working with Benita to complete the transition. This process is complicated due to the long history of NSL MRI and the need to attend to a number of accounting and statutory matters in India to ensure that the process provides all parties with certainty post transaction. Elmore is expecting to receive the first payment resulting from this agreement in the near future.

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Sean Freeman Matter

On 26 April 2019 Sean Freemans' (previous Chief Operating Officer and Managing Director of NSL MRI) employment was terminated.

Subsequent to this, Mr Freeman issued legal proceeding against Elmore and personally against Elmore's Managing Director Mr David Mendelawitz, for wrongful dismissal based around failure to pay a range of entitlements under his Executive Service Agreement.

The matter is ongoing in the Federal Circuit Court and the Company is confident in our position that the termination was lawful.

Biggs Matter

Elmore has settled the Biggs matter for an anticipated cash settlement of \$50,000 to be paid by Biggs by 30 June 2020.

Funding

The Company will be seeking to raise approximately \$3 million in Quarter 1 2020 and now considers that it has sufficiently quarantined the past and prepared the basis for a solid future, to accept funds from existing and new sophisticated investors. The Company is considering a number of options regarding the structure of this funding.

In addition to the AU\$3.25 million raised in 2019 through the issue of 81,250,000 ordinary shares at \$AU0.04 per share to First Samuel and Twynam Investments, the company has now received a AU\$500,000 short term bridging loan from Twynam Investments to fund the Company until it is ready to raise further equity. The funding is in the form of a 90-day secured note at 20% interest per annum. The note is convertible at AU\$0.02 per share equivalent, though the Company expects to repay it in full. Along with these funds, the Company will expect to soon receive income from production at Frances Creek, which is scheduled to commence on March 1st, 2020. The Company has sufficient resources to commence this contract.

Re-instatement of Trading on the ASX

The Company is continuing to work towards re-instatement of trading of its shares on the ASX. The process has mainly been slowed by the need to remove the material uncertainties of the Indian subsidiary and finalisation of the operating contracts to underpin the cash flows. Now that these have been finalised, the Company is working to complete the following milestones:

1. Completion and lodgement of the Dec 18 and Dec 19 Half Year reviews
2. Finalisation of the June 2019 audited financial statements and lodgement of the 2018-19 Annual Report
3. Holding of the postponed 2019 AGM
4. Issue of a cleansing prospectus
5. Completion of remaining capital raise

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6. Request reinstatement of trading on the ASX

This process is expected to be completed in Quarter 2, 2020, with a large proportion of the time being accounted for by availability of auditors, statutory periods of disclosure with the prospectus and AGM notice of meeting.

Any reinstatement will be subject to consultation with ASX regarding the suitability of the company for reinstatement.

Managing Director's Comments

Elmore's Managing Director, Mr David Mendelawitz commented "Although 2019 was a year of both complexity and material uncertainty, I now feel that we have turned the corner by ensuring that we have no unidentified material liabilities that may cause problems in the future, but also having created a solid foundation of contracts, intellectual property and equipment supported by a small, yet very competent team. Whilst there are no guarantees in either life, or the mining industry, I believe that as we enter 2020 we have almost all of the elements needed for Elmore to start kicking goals and developing solid shareholder value, and that the remaining elements are within reach to the Company. Most of all, we are looking forwards to a future of regular cash flows and delivering against our new strategy of being a contract minerals processor."

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