

QUARTERLY ACTIVITIES REPORT

31 October 2022

Elmore Limited is pleased to provide its quarterly activities report for the period ended 30 September 2022.

OPERATIONS

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

KEY MILESTONES ACHIEVED OVER THE QUARTER

Peko Project

- Offtake agreement executed
- Passed the first milestone for payment against the magnetite offtake contract with Royal Advance (HK) by exceeding 7,500 tonnes of high-grade magnetite product delivered to Darwin Port from the Peko Project
- Received the first payment from the offtake agreement.
- Purchased and commenced deconstruction of plant and equipment that the company has secured to recover copper and cobalt from Peko
- Released a new JORC compliant Inferred Resource that has been modelled for Peko
- Post the end of the quarter, the first ship arrived for loading Peko Magnetite Product in Darwin Port
- No reportable injuries for the quarter

Corporate

- Purchase of 100% of Peko Project negotiated executed during the quarter
- Elmore extended the previously announced Avior funding facility by a further \$1.5m to assist in the ownership transition.
- Received A\$4.35 million in a placement to sophisticated and leading institutional investors at \$0.03 per share
- The Company made significant progress in preparation of due diligence information and other milestones to complete the refinancing of the Vendor Finance Package associated with the purchase of Peko.



ELMORE LTD

ASX: ELE

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

BOARD/MANAGEMENT

Mr David Mendelawitz
MANAGING DIRECTOR

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MANAGING DIRECTOR'S COMMENT

Elmore's Managing Director Mr David Mendelawitz commented *"This has been a very positive quarter for Elmore. We have purchased the Peko Project, continued the ramp up towards our magnetite production target and made significant progress towards re-financing the purchase."*

PEKO PROJECT PROGRESS

During the quarter production of magnetite continued at Peko and significant progress towards reaching steady state production at the target annualised rate was achieved. The average grade of magnetite product produced was circa 65% Fe and moisture levels were on target.

Production was ramped up to regularly dispatching 2 rail services per week from Tennant Creek to Darwin. The plan is to commence a third service in November, a fourth in December and complete the ramp up to the target of 5 services per week (circa 350,000 tonnes per annum) in the first quarter of 2023.

Post the end of the quarter the first ore on ship began to be loaded.



First shipload of Magnetite Product in Darwin Port Shed ready for loading (shed roof is circa 15m high)



First ship arrives in Darwin Port to deliver Peko Magnetite Product to Customer



Magnetite Product loaded into Ship-loader

OPTIMISATION FOCUS

The key areas of focus that required work through the quarter to allow the plant to reach the target production rate were increasing the level of spare parts and plant operations procedure optimisation and the associated operator training. Being a bespoke plant, built with no redundancy or spare parts there has been a process to identify bottlenecks and improve operating procedures to address variations in material feed. Along with this is identification of critical spares, by monitoring wear and failure of plant components, identifying lead times for replacements and planning and budgeting to build the operations into a position that maintenance can be scheduled to optimise production.

There were no reportable injuries in the quarter.

PEKO INFERRED RESOURCE

In an announcement on 13 September 2022, the Company released the revised JORC compliant model for the Peko stockpile based on volumetric surveys undertaken prior to the commencement of processing by Elmore.

The Inferred resource covers total material in the stockpile, and specifies contained gold, copper and cobalt.

The results are aligned to the Company's previous expectations and will allow Elmore to provide further context to its operating plans and financial modelling.

Table 1: Total Inferred Resources of the Peko tailings; status as of 20 of August 2022.

Tonnage (Kt)	Grade			Contained metal		
	Au g/t	Cu %	Co %	GOLD (Koz)	COPPER (Kt)	COBALT (Kt)
3,615	1.1	0.22	0.10	129	8.1	3.5

Contained and recoverable magnetite volumes remain an estimate by the Company based on observations and recoveries in sampling and test-work prior to the commencement of the project. Though these estimates have been further validated by operational results, magnetite does not form part of this resource estimate.

OFFTAKE

Following the purchase of the Peko Project and associated tenements (subject to shareholder approval), Peko Iron Project Pty Ltd (a wholly owned subsidiary of Elmore) (Peko) has executed an Ore Sales (offtake) agreement with Royal Advance (Hong Kong) to supply magnetite product from the Peko project.

The key terms of the agreement are:

- The sales price will be based on the PLATTS 65% Fe index price minus 1%
- The price will be based on a Dry Metric Tonnes Unit base, i.e. pro-rata to the contained iron (meaning that higher grade product will sell for a higher price)

- Impurity variables are based on standard PLATTS impurity variables
- The off-take will cover the first 2 shipments, with Peko having the option to extend to off-take out to 12 months. Royal Advance are interested in taking all of the product produced over the life of mine, though both parties are taking a conservative approach until steady state production and product quality are achieved.

Payment terms:

- 40% of sales price (based on 65% base product) received against lots of 7,500 tonnes being stored in Darwin Port, with these first payments relating to the first shipment now locked in at \$US155.76 per tonne (corrected against market price on arrival in China).
- 55% of sales price received as product is loaded onto a ship in Darwin
- Final 5% received (allowing for positive or negative corrections from base specification) after final product quality confirmed after shipment

The Company received 2 payments totalling \$1,258,236 from the offtake during the quarter.

COPPER AND COBALT

Copper and Cobalt Recovery Plant Purchase

The company is preparing to start extracting copper and cobalt from the tailings resource.

Approximately half of the copper in the stockpile and a third of the cobalt in the stockpile is water soluble, meaning that when the dry stacked material is loaded into the plant and mixed with water, these metals go into the process water.

Elmore has designed a process to remove the water-soluble metals through a chemical process. This process will produce two saleable products – Copper Carbonate and Cobalt Sulphide.

The remaining copper and cobalt will be stored as mineralised tailings. The Company believes that it can recover substantially more of the copper and cobalt after the water-soluble material has been recovered by oxidising the material whilst it is stored in tailings, before being re-feed into the plant. Elmore is currently completing the laboratory work to define the efficiency and economics of this process.

The Company has identified and secured a process plant, based in Western Australia, that matches the process and scale required for Peko. The plant was recently put into care and maintenance after working for a relatively short period of time as a pilot plant recovering other similar commodities. This plant was built and run by several of Elmore's current key Management and Contractors, who have joined Elmore and are responsible for the design and management of copper and cobalt recovery and are thus both very familiar of the plants condition and operations.

CORPORATE

CAPITAL RAISING

The Company raised \$4.35 million (before costs) at an issue price of \$0.03 per share ("Share") via a strongly supported placement to sophisticated and professional investors ("Placement").

EXTENSION OF AVIOR FINANCE

During the quarter, Elmore extended the funding facility provided by Avior by a further \$1.5 million (minus fees) provided in 2 tranches over 1 month. Terms were announced previously.

The extension was necessary to assist in the ownership transition, during which period the Company has been covering 100% of operating expenses of the Peko Project. Following the purchase of 100% of the Peko Project negotiated with owners during the quarter, the Company is now entitled to 100% of the cash flows from the project. The Company will be shortly receiving its first payment from the offtake agreement discussed above.

PEKO PROJECT PURCHASE

During the quarter, Elmore executed agreements to purchase the Peko Project in the Northern Territory, plus all of the Companies related to the project held by the previous owners. The purchase agreements were finalised, and were subject to Shareholder Approvals, any relevant Government Approvals and standard share transfer administration that is normal in such transactions. The Company held a General Meeting on 9 September 2022, where shareholder approval for the transaction was received.

Vendor Finance has been provided, ensuring that the purchase is not subject to finance and that the deal metrics can be set now, rather than change with a variable balance sheet of the operations as they ramp up.

The Vendor Finance Facility allows the Company ample time to both refinance the facility utilising a longer-term debt instrument, plus reduce the facility utilising project cash-flows.

Purchase Price and Arrangements

The key points of the contract that was entered into is:

- \$30 million purchase price
- Elmore to guarantee the performance a pre-existing royalty agreement between the ICA group and ICAs retiring shareholders so that they will receive a total of 20,000 ounces of gold at the higher of 900 ounces per quarter, or 25% of production from commencement of production, which must occur within 3 years.

Vendor financing package:

- 12-month term
- Initial interest rate of 2.5% pa for 3 months (Initial Rate)
- Rate increased to 17.5%pa for the next 3 months (Standard Rate) and 27.5% for final 6 months (Extended Rate).

The Vendor Financing Agreement was negotiated to allow Elmore to obtain financing without the risk of the deal metrics changing during the finance period. It is not intended to be used as a means of paying off the purchase. The acceptance of a high interest rate is reflective of Elmore confidence in the re-financing and to encourage Elmore to re-finance the purchase.

Following the completion of the quarter, the Vendor Finance package was re-negotiated to substantially reduce the interest payment burden during the refinance process. The negotiated outcome is currently being drafted into documents that reflect these changes and will be announced if and when they are finalised and executed by both parties.

To prepare to refinance the Vendor Finance Package, during the quarter and up until the date of this release, Elmore has undertaken the following activities to aid in completion of the process:

- Completed the construction of cashflow models incorporating magnetite, copper, cobalt and gold
- Produced a detailed Information Memorandum
- Built a data room to support the Information Memorandum and cashflow model
- Updated and re-issued the JORC compliant resource updated to support the mine plan for the copper, cobalt and gold
- Finalised the copper/ cobalt recovery process to support the revenue base beyond magnetite
- Raised equity funds to purchase the copper/ cobalt recovery plant, to demonstrate the ability to bring copper/cobalt recovery on-line to service re-financing
- Engaged Independent Engineers to validate the model and Information Memorandum to appease potential financiers
- Gone through a selection process to appoint a financial consultant
- Selected Azure Capital as the consultant and entered into a mandate with them
- Obtained shareholder approval for the purchase

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-

For more information:

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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 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,288	1,288
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	-	-
(c) production	(1,502)	(1,502)
(d) staff costs	(1,590)	(1,590)
(e) administration and corporate costs	(234)	(234)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(120)	(120)
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	(2,159)	(2,159)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(1,232)	(1,232)
(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 (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	72
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	(700)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,232)	(1,232)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,350	4,350
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)	(261)
3.5	Proceeds from borrowings	448	448
3.6	Repayment of borrowings	(113)	(113)
3.7	Transaction costs related to loans and borrowings	(54)	(54)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	4,370	4,370
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	82	82
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,159)	(2,159)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,232)	(1,232)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,370	4,370

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 (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,061	1,061

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	1,061	82
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)	1,061	218

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. 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	3,361	3,361
7.4 Total financing facilities	3,361	3,361
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)	(2,159)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(2,159)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	1,061
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	1,061
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:

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 September quarter operating cash flow was extraordinary due to the finalisation of activities at the Peko site. Payments from Peko expected in the December 2022 quarter with production being maximised and the first sales of ore from the offtake agreement.

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: Payments expected to be received from Peko in the December 2022 quarter with the optimisation of production and the first sales of ore from the offtake agreement,

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, due to a return to normal operating cash outflows with the optimisation of production, and the first sales of ore from the offtake agreement.

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: 31 October 2022

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.