

QUARTERLY ACTIVITIES REPORT

31 January 2023

Elmore Limited is pleased to provide its quarterly activities report for the period ended 31 December 2022.

Elmore Ltd (ASX: ELE, "Elmore, the Company") is pleased to provide an update on the Company's activities for the quarter ending 31 December 2022.

KEY MILESTONES ACHIEVED OVER THE QUARTER

Peko Project

- Elmore achieved the major milestone of loading its first ship of magnetite ore from 100% owned Peko operations
- The shipment held circa 22,500t of product and provided vital learnings to enable future shipments to carry the target of 30,000t of product
- The product was paid for based on 65% PLATTS pricing and has subsequently been used to successfully make steel.
- Late in the December quarter operations were temporarily impacted by the "1 in 100 year" rainfall associated with Tropical Cyclone Ellie. Post quarter end, this has delayed the second shipment through the sheer amount of water restricting heavy vehicle movements on site and site access.
- During this forced shutdown period, the Company has taken the opportunity to complete all remaining process plant ramp up steps and completed a range of plant optimisation initiatives ensuring the project remains on track to name plate production of 350k tonne per annum by the end of March 23 as previously forecast.
- NT based residents now represent around 90% of the operational staff on site and around 40% of the staff are Indigenous Australians.
- There were no lost time injuries (LTIs) or Medically Treated Injuries (MTIs) during the quarter.
- A new JORC compliant Inferred Resource was modelled and reported for the Peko Tailings Stockpile.
- The Company continued preparation for producing Cobalt in 2023.



ELMORE LTD

ASX: ELE

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

BOARD/MANAGEMENT

Mr Russell Baskerville
CHAIRMAN

Mr David Mendelawitz
MANAGING DIRECTOR

Dr Nik Senapati
NON-EXECUTIVE DIRECTOR

Mr Tim Webster
NON-EXECUTIVE DIRECTOR

Mr Andy Haslam
NON-EXECUTIVE DIRECTOR

Sean Henbury
COMPANY SECRETARY

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Corporate

- Vendor Finance Agreement modified, so no penalty interest rate is payable with a maximum simple interest rate of 17.5% pa.
- All interest payments capitalised to principal.
- The above amendments represent a monthly cash flow saving in excess of \$500,000 per month from 1 November 2022 to June 30, 2023, if the loan is still outstanding.
- The modified Vendor Finance agreement conditionally extends the term until 31 December 2023.
- Azure Capital were mandated to complete the refinancing with initial round management presentations underway and due diligence and negotiations being undertaken with a range of interested reputable parties.
- The company has successfully completed a placement of 244,787,500 shares to raise \$3,916,60.

MANAGING DIRECTOR'S COMMENT

Elmore's Managing Director Mr David Mendelawitz commented *"The December quarter marked a major milestone for the company with first product shipped to China, proving all aspects of Peko magnetite production including successful processing, logistics, product quality and premium pricing.*

Whilst following this, we faced the water challenges associated with Tropical Cyclone Ellie, thus provided an opportunity for the company to complete process plant ramp up and optimisation, ensuring we achieve name plate production by the end of Q1, 2023 and can take advantage of a currently strengthening iron ore price environment."

OPERATIONS

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.

- Magnetite (65% Fe) production ramp-up on track to achieve steady state production of approx. 350k tonnes per annum by end of March 23, once final long lead consumables arrive on site (expected mid-to late January 23).
- First shipment landed in China with product quality confirmed and paid based on 65% PLATTS pricing
- The next ship for magnetite delivery was booked for loading mid to late January 23. This has subsequently been delayed due to the impact of Cyclone Ellie and the Company anticipates re-scheduling the second ship late Feb / early March subject to weather conditions not impacting Peko operations. Following this, regular shipments are expected to commence supporting our production guidance of 350k tonne per annum.
- Copper/Cobalt processing plant acquired, planning and construction design finalised.

- Polaris Engineering appointed to manage relocation and re-assembly of Copper/Cobalt plant with payment for services to be funded from production
- Cobalt production currently scheduled to commence by the end of H1, 2023.
- The company has successfully completed a placement of 244,787,500 shares to raise \$3,916,600 to ensure adequate funding during production ramp-up of both Magnetite and Copper/Cobalt through to positive free cash flow

FIRST ORE ON SHIP

Elmore, through the stevedoring provided by Linx at the Port of Darwin, completed loading the first ship of Magnetite product from Peko. The product has been purchased under the previously announced Ore Sales (offtake) Agreement by Royal Advance (HK) was shipped to China and successfully used to make steel.



Peko's first ship arriving in Darwin Port. Elmore loaded approximately 22,500 tonnes of product into this ship.

The Company plans that future shipments will carry around 30,000 tonnes per vessel and is aiming to achieve a vessel approximately once per month once the ramp up is completed - targeted to be achieved by Q1 CY 2023.

The final steps to achieve this target primarily involve the ramping up of rail manning and completion of spare parts/redundancy inventory on site to stabilise production.

NT based residents now represent around 90% of the operational staff on site and around 40% of the staff are Indigenous Australians.

There were no lost time injuries (LTIs) or Medically Treated Injuries (MTIs) during 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.

COPPER AND COBALT

During the quarter, the Company commenced dismantling the plant and equipment that it purchased (established at a mine site in Western Australia) for transport to Peko. All equipment needed for the next stage (soluble cobalt recovery) is now ready to move. Site works have been suspended as the Company waits for access roads to recover from the impact of Tropical Cyclone Ellie. The Company expects the works to recommence in February.

Steps have been taken to reduce the re-construction period at Peko, by utilising existing concrete pads, rather than building a new one. The Company is currently retaining its target of first cobalt production by the end of H1, 2023.

Relocations activities are being undertaken by Polaris Engineering.

APPOINTMENT OF NON-EXECUTIVE CHAIRMAN

Post the end of the quarter, Elmore announced the appointment of Mr Russell Baskerville as non-executive Chairman.

Russell has over twenty years of experience as a corporate leader in consulting, entrepreneurial growth, corporate governance, capital markets and corporate transactions. Mr Baskerville was a founder, Managing Director and CEO of Empired Limited and over 15 years built the company into one of the largest and most respected digital services firms across Australia and New Zealand.

From a small office in Perth, Mr Baskerville guided the company through an IPO on the ASX, led multiple public capital raisings, negotiated and integrated multiple acquisitions and was a key leader in strategies to secure multiple \$100m plus corporate and government contracts.

During this period, the company developed operations across 3 countries, employing over 1,200 full time staff with run-rate revenue of approximately \$250m per annum delivering services to some of the largest corporate and government organisations in the world. In late 2021, Empired Limited undertook a scheme of arrangement to effect a public company takeover for a value of \$233m, representing a 67% premium to its most recently traded share price by Capgemini, one of the largest consulting companies in the world.

Mr Baskerville brings extensive experience in leadership, entrepreneurial growth strategies, financial and performance improvement initiatives, corporate transactions and corporate governance.

CAPITAL RAISING

The Company made a single tranche placement of new fully paid ordinary shares (New Shares) at \$0.016 per share to professional, sophisticated and institutional investors to raise gross proceeds of A\$3.92 million (Placement or Offer).

The allotment of the New Shares is not subject to shareholder approval and will fall within the Company's placement capacity under ASX Listing Rule 7.1/7.1A.

The Offer Price represents a:

- 11.1% discount to the Company's last traded price on the ASX on Thursday, 15 December 2022 (A\$0.018)
- 19.6% discount to the 5-day VWAP (A\$0.020)
- 24.8% discount to the 15-day VWAP (A\$0.021)

Funds will be applied towards:

- relocation of plant and equipment for copper cobalt processing at Peko project;
- down-payments on flotation equipment
- working capital support until the next shipments of iron ore in the March quarter; and
- offer costs.

PEKO PROJECT PURCHASE

Restructure of the Vendor Finance Agreement

As announced on 18 July 2022, Elmore purchased the Peko Project and all associated companies from Oz Professionals. The purchase price was funded through a 12-month Vendor Finance Agreement with both Elmore and the Vendor agreeing that the Vendor Finance Agreement would be refinanced and repaid as soon as practical. This continues to be the intent of both parties.

During the quarter the parties negotiated material changes to key terms of the Vendor Finance Agreement to reduce the cost and cash flow impact on Elmore whilst it ramps up project operations and completes the refinancing process. The material changes are as follows:

- All previously agreed interest rates have been replaced with one simple rate of 17.5% commencing on completion of the Peko Sale and Purchase Agreement (which remains subject to minor administrative items and the execution of a Priority Deed with Avior in relation to security interest).
- All interest payments will be capitalised to principal (no monthly interest payments made).
- Elmore will make a principal repayment of \$250,000 at completion of the Sale and Purchase Agreement and then monthly principal repayments of \$150,000 until refinancing is complete.
- Term of the Vendor Finance Agreement will be extended to 31 December 2023 if required by Elmore, conditional on payment of \$10m against the principal being received by the Vendor prior to 30 June 2023.

The above amendments represent a monthly cash flow saving in excess of \$500,000 per month from 1 November 2022 until 30 June 2023. It also provides Elmore until 30 June 2023 to repay at least \$10m (cumulatively) and until 31 December 2023 to repay the loan in full, enabling Elmore ample to time to undertake the refinancing, and if necessary, the option to do it in multiple stages.

Update in relation to the refinancing process

Notwithstanding the extension of the term of the Vendor Finance Agreement, Elmore is working hard to refinance the Vendor Finance Agreement as soon as possible. Key developments to date include:

- On 13 September 2022 Elmore executed a mandate with leading financial adviser Azure Capital to undertake an analysis of the company's refinancing options and to lead the refinancing process.
- The initial phase of this work included extensive project modelling to ensure positive project economics and consideration of different financing structures, aimed at optimising the outcome to the company.

- During the quarter Elmore has undertaken management presentations where it has received genuine interest from commodity traders, royalty and credit funds in participating in the re-financing.
- Multiple parties are currently undertaking due diligence and the Company has a high level of confidence that it will be able to re-finance the Vendor Finance Agreement within the required timeframes as set out above.

The Company will provide further updates in relation to the refinancing of the Vendor Finance Agreement in the near future.

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-

The announcement has been authorised by the Company Directors

For more information:

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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")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,348	3,636
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	-	-
(c) production	(3,828)	(5,332)
(d) staff costs	(1,667)	(3,257)
(e) administration and corporate costs	(94)	(328)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	(370)	(490)
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	(3,610)	(5,769)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(43)	(1,275)
(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 (6 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	-	-
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	(43)	(1,275)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,917	8,267
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)
3.5	Proceeds from borrowings	1,002	1,450
3.6	Repayment of borrowings	(552)	(665)
3.7	Transaction costs related to loans and borrowings	(4)	(58)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	4,362	8,732

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,061	82
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,610)	(5,769)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(43)	(1,275)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,362	8,732

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 (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,770	1,770

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	1,770	1,061
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)	1,770	1,061

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**

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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.</i>		
<i>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	3,811	3,811
7.4 Total financing facilities	3,811	3,811
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)	(3,610)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(3,610)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	1,770
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	1,770
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 December quarter operating cash flow was extraordinary due to the finalisation of activities at the Peko site. Payments from Peko expected in the March 2023 quarter with production being maximised and the regular 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: Regular payments expected to be received from Peko in the March 2023 quarter with the optimisation of production and regular 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 regular 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 January 2023

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.