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# ELMORE LIMITED (FORMALLY INDIORE LIMITED) AND CONTROLLED ENTITIES

ABN 32 057 140 922

## Interim Financial Report for the half year ended 31 December 2020

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## CORPORATE DIRECTORY

|                               |  |
|-------------------------------|--|
| <b>Directors</b>              | D Mendelawitz<br>Managing Director / CEO   |
|                               | P Richards<br>Chairman   |
|                               | N Senapati<br>Non-Executive Director   |
|                               | T Webster<br>Non-Executive Director  |
| <b>Company Secretary</b>      | S P Henbury  |
| <b>Registered Office</b>      | c/- Armada Accountants & Advisors<br>18 Sangiorgio Court<br>Osborne Park WA 6017<br>Telephone: (08) 6165 4000<br>Facsimile: (08) 6165 4039 |
| <b>Corporate Office</b>       | 129-131 Edward Street<br>Perth WA 6000   |
| <b>Web Site Address</b>       | <a href="http://www.Elmoreltd.com">www.Elmoreltd.com</a>   |
| <b>Share Registry</b>         | Automatic Registry Services<br>Level 2, 267 St Georges Terrace<br>Perth WA 6000<br>Telephone: (08) 9324 2009                               |
| <b>Auditors</b>               | BDO Audit (WA) P/L<br>38 Station Street<br>Subiaco WA 6008   |
| <b>Stock Exchange Listing</b> | Elmore Limited's shares and options listed on the<br><br>Australian Securities Exchange Share Code: ELE                                    |

## DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Elmore Limited (**ELE**), and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

### Directors

The following persons were directors of Elmore Limited during the whole of the half year and up to the date of this report:

|                   |                        |
|-------------------|------------------------|
| Peter Richards    | Non-Executive Director |
| David Mendelawitz | Managing Director/CEO  |
| Nik Senapati      | Non-Executive Director |
| Tim Webster       | Non-Executive Director |

## REVIEW OF OPERATIONS

### OPERATIONS

#### Peko Tailings Project

Elmore has a service contract with ICA in which the Company will provide a range of consulting services, including design, procurement and construction management of a magnetite processing plant to be owned by ICA Mining.

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.

Design and procurement of the Peko magnetite process plant in Tenant Creek, Northern Territory for ICA Mining has been completed to a level that construction can commence.

Equipment procured for the plant is progressively arriving or completing refurbishment, and Elmore is awaiting approvals and site access to begin. Construction completion, commissioning and first ore is still on schedule within H1, 2021.

#### Mobile Plant - Industrial Sands and Aggregate Project

During the half year, Elmore has mobilised the Company's 2 MTPA mobile crushing and screening plant to an industrial sands project within the outer suburbs of Darwin, Northern Territory.

The plant has been crushing re-cycled concrete and other material for the purpose of generating both industrial sands and aggregates, and to re-habilitate the site.

The length of the project is not yet established, as both the final products and, more importantly, the performance of screening sands during the current heavy wet season is currently being determined by Elmore.

The plant hired basis is \$50,000 per week plus all operating costs, with the assessment period being a contra against transportation and storage charges accrued by the owner of the project after they assisted Elmore with transportation of the large processing plant owned by Elmore from Frances Creek to Darwin and Perth.



**Elmore mobile crushing and screening plant operating near Darwin**

### **Territory Minerals Trading Projects**

During the half year, Elmore executed a contract with Territory Minerals Trading Ltd ("Territory") to process gold and antimony ore from Territory's suite of gold and antimony projects in the Hodgkinson Basin, far north Queensland.

The projects are located in two main regions:

- Tregoora Project is centred 130 km north west from Cairns and 100 km west-northwest from Mareeba and covers approximately 305 square kilometres.
- Northcote Project is centred 25 km west of Mareeba, 100 km west from Cairns and approximately 80km south of the Tregoora Project. The tenements cover approximately 203 square kilometres and more than 40 strike kilometres of mineralised structures have been found to exist within the Northcote Project region.

The process flow will include:

2 stage Crushing – Grinding – Gravity Separation – Flotation – Leaching of concentrates

The key terms of the announcement were disclosed to the market in the announcement of 18 January 2021.

Target commencement of production is H1 2022.

## CORPORATE

### Voluntary Suspension

As a consequence of the change in the Company's business focus, on 12 December 2018 the Company requested a voluntary suspension on the trading of its securities.

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

Elmore is continuing to progress finalising milestones to enable the Company to request that the ASX reinstate trading of the Company's shares. The ASX has set a deadline of March 11th, 2021 for Elmore to have completed the work required to satisfy the ASX that the Elmore meets the listing requirements.

To satisfy the requirements of the ASX, amongst other items, the major requirements will include raising additional capital and issuing a full form prospectus.

The Company is finalising the amount of funds required and the terms of the raise.

### Sean Freeman Matter

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

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

The matter was heard by the Federal Circuit Court on Friday 16 October 2020. The Company was successful at trial and the case was dismissed in its entirety. Due to the forum in which the trial was held, no order was made for costs of either party.

## EVENTS SUBSEQUENT TO THE HALF YEAR

### Preferred Bidder Agreement with Polaris Engineering Services

The Company entered into an agreement with Polaris Engineering (Polaris) in January 2021, where Polaris will become the preferred bidder, essentially partnering with Elmore, to provide a range of services, including:

1. Maintenance planning
2. Maintenance support
3. Labour Hire Support
4. Fabrication services
5. Surface treatment services,
  - a. Painting
  - b. Rubber lining
6. Engineering due diligence
7. Field spare parts

### Key Term of the Agreement

The Preferred Bidder status will provide Polaris with a First Right of Refusal over the above listed services if Polaris can meet other quotations for these services in all aspects, including quality, budget.

The agreement is for 2 years and has no specific contract value.

Elmore's aim is to use the relationship to increase reliability of its service provision and lower operating costs through being able to efficiently schedule labour, fabrication and spare parts without having to hire

additional staff or lease additional facilities. Elmore aims to establish Polaris as an extension of Elmore, for the services that Polaris prove to be competitive in.

#### **Convertible Note – Polaris**

Along with the agreement, Polaris has invested \$500,000 in Elmore by way of a convertible note.

#### **Key Terms**

- The note automatically converts to equity at \$0.02 per share if Elmore is successful in being re-instated on the Board of the ASX next month.
- If for some reason the Company is unable to meet the requirements of re-instatement, the investment will be a 2-year convertible note accruing 7% interest per annum and convertible at Polaris's discretion at \$0.02 per share.
- The Note will be secured via a General Security Agreement (GSA).

#### **Convertible Note – Twynam**

Twynam has agreed to convert its convertible note fixed according to the balance owing at 28 February 2021 being \$667,671.36, contingent upon the Company achieving re-listing.

#### **Notice of Extra Ordinary Meeting**

The Company issued a Notice of Meeting on Friday 5<sup>th</sup> February to be held on March 8<sup>th</sup> 2021. The purpose of the meeting is to raise \$5 million (plus fees).

The raise will be used to retire all debts and creditors, purchase plant and equipment, and provide a working capital buffer to the Company's balance sheet.

Shares will be issued at \$0.02 per share.

#### **Prospectus Issued**

On 2 March 2021, the Company issued a full form prospectus for a public offer of a minimum of 125,000,000 up to a maximum of 250,000,000 Shares at an issue price of \$0.02 per Share to raise a minimum of \$2,500,000 and a maximum of \$5,000,000 (before associated costs).

The Public Offer opened on 2 March 2021 (Opening Date) and will close at 5.00pm (AWST) on 9 March 2021 (Closing Date).

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

This report is made in accordance with a resolution of directors

On behalf of the Directors



David Mendelawitz  
Director  
Perth, 5 March 2021

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## Consolidated Statement of Profit or Loss and Other Comprehensive Income

### For the Half-Year Ended 31 December 2020

|   | Notes | 31 Dec 2020<br>\$  | 31 Dec 2019<br>\$  |
|---|-------|--------------------|--------------------|
| Revenue from continuing operations  | 3     | 1,499,827          | -                  |
| Other income  |       | 77,256             | 8,764              |
| Depreciation and amortisation   |       | (408,134)          | (147,759)          |
| Employment benefits expenses  |       | (831,926)          | (436,306)          |
| Finance and administration  |       | (350,081)          | (209,018)          |
| Corporate expenses  |       | (282,502)          | (323,951)          |
| Operational expenses  |       | <u>(732,076)</u>   | <u>(459,683)</u>   |
| <b>Loss from continuing operations before income tax</b>  |       | <b>(1,027,636)</b> | <b>(1,567,953)</b> |
| Income tax expense  |       | <u>-</u>           | <u>-</u>           |
| <b>Loss from continuing operations after income tax</b>   |       | <b>(1,027,636)</b> | <b>(1,567,953)</b> |
| <b>Other comprehensive income</b>   |       |                    |                    |
| <i>Items that may be reclassified to Profit or Loss</i>   |       |                    |                    |
| Foreign currency translation  |       | <u>-</u>           | <u>(8,789)</u>     |
| <b>Other comprehensive income/(loss) for the half-year, net of tax</b>                            |       | <u>-</u>           | <u>(8,789)</u>     |
| <b>Total comprehensive loss for the half-year</b>   |       | <b>(1,027,636)</b> | <b>(1,576,742)</b> |
| <b>Loss for the half year is attributable to the owners of Elmore Limited</b>                     |       | <b>(1,027,636)</b> | <b>(1,567,953)</b> |
| <b>Total comprehensive loss for the half-year is attributable to the owners of Elmore Limited</b> |       | <b>(1,027,636)</b> | <b>(1,576,742)</b> |
| <b>Loss per share for the half year attributable to the members of Elmore Limited</b>             |       |                    |                    |
| Basic loss per share attributable to ordinary equity holders (cents)                              |       | (0.25)             | (0.52)             |

The above consolidated statement of profit or loss or other comprehensive income should be read in conjunction with the accompanying notes

## Consolidated Statement of Financial Position As at 31 December 2020

|                                      | Notes | 31 Dec 2020<br>\$ | 30 Jun 2020<br>\$ |
|--------------------------------------|-------|-------------------|-------------------|
| <b>ASSETS</b>                        |       |                   |                   |
| <b>Current assets</b>                |       |                   |                   |
| Cash and cash equivalents            |       | 135,587           | 9,250             |
| Other receivables and prepayments    | 5     | 105,770           | 937,648           |
| <b>Total current assets</b>          |       | <b>241,356</b>    | <b>946,898</b>    |
| <b>Non-current assets</b>            |       |                   |                   |
| Other receivables and prepayments    | 5     | 80,555            | 50,772            |
| Property, plant and equipment        | 6     | 2,587,853         | 1,587,465         |
| Right of use assets                  |       | 16,742            | 414,890           |
| Other financial assets               |       | 6,282             | 6,282             |
| <b>Total non-current assets</b>      |       | <b>2,691,432</b>  | <b>2,059,409</b>  |
| <b>Total Assets</b>                  |       | <b>2,932,788</b>  | <b>3,006,307</b>  |
| <b>LIABILITIES</b>                   |       |                   |                   |
| <b>Current liabilities</b>           |       |                   |                   |
| Trade and other payables             |       | 1,561,411         | 1,224,604         |
| Provisions                           |       | 66,097            | 67,692            |
| Borrowings                           | 7     | 894,129           | 828,480           |
| Lease liabilities                    |       | 24,161            | 470,906           |
| <b>Total current liabilities</b>     |       | <b>2,545,798</b>  | <b>2,591,682</b>  |
| <b>Non-current liabilities</b>       |       |                   |                   |
| <b>Total non-current liabilities</b> |       | -                 | -                 |
| <b>Total Liabilities</b>             |       | <b>2,545,798</b>  | <b>2,591,682</b>  |
| <b>Net assets</b>                    |       | <b>386,990</b>    | <b>414,625</b>    |
| <b>EQUITY</b>                        |       |                   |                   |
| Contributed equity                   |       | 75,991,282        | 75,991,282        |
| Reserves                             |       | 3,709,165         | 2,709,165         |
| Accumulated losses                   |       | (79,313,458)      | (78,285,822)      |
| <b>Total equity</b>                  |       | <b>386,990</b>    | <b>414,625</b>    |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

## Consolidated Statement of Changes in Equity For the Half-Year Ended 31 December 2020

|   | Contributed<br>Equity<br>\$ | Accumulated<br>Losses<br>\$ | Foreign<br>Currency<br>Translation<br>Reserve<br>\$ | Share Based<br>Payments<br>Reserve<br>\$ | Asset<br>Revaluation<br>Reserve<br>\$ | Total<br>Equity<br>\$ |
|---|-----------------------------|-----------------------------|---|--|---------------------------------------|-----------------------|
| <b>Balance at 1.7.2019</b>  | <b>74,866,282</b>           | <b>(76,355,620)</b>         | <b>(34,602)</b>                                     | <b>2,703,708</b>                         | -                                     | <b>1,179,768</b>      |
| <b>Total comprehensive loss<br/>for the half-year</b>               | -                           | (1,567,953)                 | (8,789)   | -  | -                                     | (1,576,742)           |
| <b>Transactions with owners<br/>in their capacity as<br/>owners</b> |                             |                             |   |  |                                       |                       |
| Share based payments  | -                           | -                           | -   | -  | -                                     | -                     |
| Contributions of equity,<br>net of transaction costs                | 1,125,000                   | -                           | -   | -  | -                                     | 1,125,000             |
| <b>Balance at 31.12.2019</b>  | <b>75,991,282</b>           | <b>(77,923,573)</b>         | <b>(43,391)</b>                                     | <b>2,703,708</b>                         | -                                     | <b>728,026</b>        |
| <b>Balance at 1.7.2020</b>  | <b>75,991,282</b>           | <b>(78,285,822)</b>         | -   | <b>2,709,165</b>                         | -                                     | <b>414,625</b>        |
| <b>Total comprehensive loss<br/>for the half-year</b>               | -                           | (1,027,636)                 | -   | -  | -                                     | (1,027,636)           |
| <b>Transactions with owners<br/>in their capacity as<br/>owners</b> |                             |                             |   |  |                                       |                       |
| Share based payments  | -                           | -                           | -   | -  | -                                     | -                     |
| Revaluation of assets   | -                           | -                           | -   | -  | 1,000,000                             | 1,000,000             |
| Contributions of equity,<br>net of transaction costs                | -                           | -                           | -   | -  | -                                     | -                     |
| <b>Balance at 31.12.2020</b>  | <b>75,991,282</b>           | <b>(79,313,458)</b>         | -   | <b>2,709,165</b>                         | <b>1,000,000</b>                      | <b>386,989</b>        |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

## Consolidated Statement of Cash Flows For the Half-Year Ended 31 December 2020

|  | Half-Year<br>2020<br>\$ | Half-Year<br>2019<br>\$ |
|--|-------------------------|-------------------------|
| <b>Cash flows from to operating activities</b>                 |                         |                         |
| Cash receipts from customers                                   | 2,480,505               | -                       |
| Payments to suppliers and employees                            | (1,535,537)             | (1,317,593)             |
| Interest paid  | (56,022)                | (223)                   |
|  | <b>888,946</b>          | <b>(1,317,816)</b>      |
| <b>Cash flows from investing activities</b>                    |                         |                         |
| Payments for property, plant and equipment                     | (278,660)               | (83,466)                |
| Payments for security deposits                                 | (29,783)                | (15,854)                |
|  | <b>(308,443)</b>        | <b>(99,320)</b>         |
| <b>Cash flows from financing activities</b>                    |                         |                         |
| Proceeds from the issue of shares                              | -                       | 1,125,000               |
| (Repayments) /Proceeds from borrowings                         | (450,915)               | 565,282                 |
|  | <b>(450,915)</b>        | <b>1,690,282</b>        |
| <b>Net cash increase in cash and cash equivalents</b>          | <b>129,588</b>          | <b>273,147</b>          |
| <b>Cash and cash equivalents at the beginning of half year</b> | <b>5,999</b>            | <b>55,463</b>           |
| <b>Cash and cash equivalents at the end of half year</b>       | <b>135,587</b>          | <b>328,610</b>          |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Half-Year Ended 31 December 2020

### 1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This consolidated interim financial report for the half-year reporting period ended 31 December 2020 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Elmore Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for those described in Note 1 (a) below.

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

The accounting policies and methods of computation adopted in the preparation of this financial report for the period under review are consistent with those adopted in the annual financial statements for the year ended 30 June 2020.

#### (a) Changes in Accounting Policies

##### **Adoption of new and amended Accounting Standards**

###### Standards and Interpretations applicable to 31 December 2020

In the period ended 31 December 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting periods beginning on or after 1 July 2020.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and therefore, no material change is necessary to Group accounting policies.

###### Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2020.

As a result of this review the Directors have determined that there are no new and revised Standards and Interpretations that may have a material effect on the application in future periods and therefore, no material change is necessary to Group accounting policies.

##### **Property, Plant and Equipment**

At 30 June 2020, all other property, plant and equipment is stated at historical cost less depreciation.

From 1 July 2020, Plant & Equipment are recognised at fair value, fair value involves significant judgement to estimate the value that the assets held by the Company could obtain from willing market participants. Refer to Note 6 for further details.

###### Adjustments recognised on adoption of Fair Value

On adoption of a fair value measurement of property, plant and equipment, the entity measured these assets at fair value rather than historical cost, with the difference being recognised as an Asset Revaluation Reserve.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Half-Year Ended 31 December 2020 (Continued)**

**Critical accounting estimates and judgements**

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the financial statements.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next reporting period are:

*Convertible notes*

The company issued short-term convertible notes during the year, which are accounted for at fair value through profit or loss. The fair value of the convertible note is dependent upon the conversion feature which is the share price of the company. Given that the notes are due and payable as at 30 June 2020, the fair value of the notes will be its redemption value (which includes the face value and any interest and penalties accrued). The fair value hierarchy classification of convertible notes is Level 3.

*Property, plant and equipment*

During the period the Company changed its accounting policy to measure its plant and equipment at fair value which was determined to be more relevant to the economic decision-making needs of the financial statement users. Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e.unforced) transaction between independent, knowledgeable and willing market participants.

As fair value is a market based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specified asset or liability. The fair values of assets or liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principle market for the asset or liability(i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For property, plant and equipment, the fair value measurement also takes into account a market participants ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

**(b) Going Concern**

The consolidated financial statements have been prepared on a going concern basis.

For the half year ended 31 December 2020, the consolidated entity recorded a loss of \$1,027,636 (31 December 2019: loss of \$1,567,953) and had net cash inflows from operating and investing activities of \$845,534 (31 December 2019: (\$1,417,136)). At 31 December 2020, the consolidated entity had working capital deficit of \$2,304,442 (31 December 2019: deficit of \$289,727).

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic. These events are having a significant negative impact on world stock markets, currencies and general business activities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Half-Year Ended 31 December 2020 (Continued)**

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Board and Management of the Company will continue to actively pursue opportunities as they arise however the Company is not able to estimate the full effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the 2020 financial year. If the pandemic continues, it may have a material adverse effect on the Company's results of future operations, financial position, and liquidity in the next financial year.

As at the end of February 2021, the consolidated entity's cash balance was \$229,780, and had working capital deficit of \$2,949,885 which, included trade creditors of \$1,228,533, and a \$667,671 (inclusive of accrued interest) bridging loan from Twynam Investments Pty Ltd (one of the largest shareholders of the consolidated entity), which would mature on 31 March 2021. It also includes various short-term loans totalling \$195,000 which all originally mature by 30 June 2020 but now extended to 31 March 2021.

The ability of the consolidated entity to continue as a going concern is dependent on:

- Twynam and other short-term loan holders continuing to agree to not call on the loans until such time that the company is in a position to repay;
- Current trade creditors agreeing to not call on the amounts owing until such time that the company is in a position to repay;
- The successful commercialisation and generation of positive cash flows of the consolidated entity's iron ore and gold processing projects; and
- Securing additional funding through debt or equity to continue to fund its operational and development activities.

These conditions indicate a material uncertainty that may cast a significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons. The consolidated entity expects to:

- Continue to receive full support from its creditors, in particular, for them to not demand repayment of balances due to them until such time that Elmore Ltd has sufficient working capital or is generating sufficient revenue to meet its normal financial obligation as and when they fall due;
- Successfully secure equipment finance funding to deliver and install additional processing equipment as necessary to support our mobile crushing & screening operations in Australia. Also, to continue to expand its processing activities to generate positive cashflow from the iron ore and gold processing contracts;
- Receive an agreeable accommodation in relation to the bridging loan facility with Twynam Investments and other-short term loans, which now mature on 31 March 2021;
- Raise additional finance from debt or equity if and when required, to contribute to the consolidated entity's working capital position in the near term; and
- Seek to raise approximately \$5 million in the first quarter of 2021. The Company is considering a number of options regarding the structure of this funding.

Should the consolidated entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the consolidated entity not continue as a going concern.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Half-Year Ended 31 December 2020 (Continued)**

**2. SEGMENT INFORMATION**

Management has determined the operating segments based on the reports reviewed by the strategic steering committee that are used to make strategic decisions.

For management purposes, the Group is organised into one main operating segment, which involves mineral processing in Australia. Discrete financial information is reported to the Board (Chief Operating Decision Makers) as one segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment.

**3. REVENUE**

|   | <b>31 Dec 2020</b> | <b>31 Dec 2019</b> |
|---|--------------------|--------------------|
| Revenue from contracts with customers (1) | 1,499,827          | -                  |
|   | <b>1,499,827</b>   | <b>-</b>           |

(1) The Company undertook operations in Francis Creek and the Peko Tailings Project during the half year.

**4. EXPENSES**

|                          | <b>31 Dec 2020</b> | <b>31 Dec 2019</b> |
|--------------------------|--------------------|--------------------|
| Operational expenses (1) | 460,537            | 459,683            |
|                          | <b>460,537</b>     | <b>459,683</b>     |

(1) The Company undertook operations in Francis Creek and the Peko Tailings Project during the half year.

**5. OTHER RECEIVABLES AND PREPAYMENTS**

|                                       | <b>31 Dec 2020</b> | <b>30 Jun 2020</b> |
|---------------------------------------|--------------------|--------------------|
| <b>Current</b>                        |                    |                    |
| Trade receivables                     | -                  | 605,000            |
| Accrued revenue (1)                   | -                  | 251,416            |
| Other receivables and prepayments (2) | 105,769            | 81,232             |
|                                       | <b>105,769</b>     | <b>937,648</b>     |
| <b>Non-Current</b>                    |                    |                    |
| Security deposits                     | 80,555             | 50,772             |
|                                       | <b>80,555</b>      | <b>50,772</b>      |

(1) Accrued revenue relates to revenue earned in June and invoiced in July.

(2) Other receivables generally arise from transactions outside the usual operating activities of the entity. The current balance primarily represents the receivables relating to good and services tax of \$55,232.

**6. PROPERTY, PLANT AND EQUIPMENT**

During the period there were no additions or disposals of property, plant and equipment, with the only movement relating to the change in accounting policy as disclosed in Note 1 (a) which resulted in closing balance of \$2,587,853, representing a fair value uplift of \$1,000,000 during the period.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Half-Year Ended 31 December 2020 (Continued)**

**7. BORROWINGS**

|                                    | 31 Dec 2020    | 30 Jun 2020    |
|------------------------------------|----------------|----------------|
| <b>Current</b>                     |                |                |
| Borrowings – convertible note (1)  | 643,425        | 567,808        |
| Borrowings – equipment finance (2) | 52,353         | 60,460         |
| Borrowings – loans                 | 198,351        | 200,212        |
|                                    | <b>894,129</b> | <b>828,480</b> |

(1) During the prior half year period, the Company issued a secured convertible note for \$500,000 issued in two tranches.

The key terms of the Convertible Note are:

- ELE will pay a coupon rate of 20% p.a. Interest is payable with principal on maturity of the Note. Original maturity date was 18 March 2020. If interest rate becomes 30% on all outstanding sums owed if the issuer is late repaying the Note. Interest has been charged at 30% since 31 March 2020.
- The note will be redeemed in full no later than 90 days after subscription, unless otherwise mutually agreed.
- The method of payment of each tranche is at the discretion of the issuer and will be up to either:
  - \$500,000, plus interest in cash
  - A variable number of shares equal to \$500,000 where the Share value is calculated at the lowest of AU\$0.02 or 25% discount to the share price of any equity raise undertaken prior to the Maturity Date. Conversion is at the discretion of the Noteholder.
- The note is secured by a General Security Agreement (GSA) granting fixed and floating security over all major plant items not secured under equipment finance agreements or leases.

During the half year period, the Company and Twynam Investments Pty Ltd have entered into an agreement to extend the maturity date of the convertible note and accrued interest to 31 March 2021.

Subsequent to period end, Twynam has agreed to convert its convertible note fixed according to the balance owing at 28 February 2021 being \$667,671.36, contingent upon the Company achieving re-listing.

**8. EQUITY SECURITIES ISSUED**

|                                    | 31 Dec 2020        | 31 Dec 2019        | 31 Dec 2020       | 31 Dec 2019       |
|------------------------------------|--------------------|--------------------|-------------------|-------------------|
|                                    | Shares             | Shares             | \$                | \$                |
| <b>Opening balance – 1 July</b>    | 307,129,182        | 279,004,182        | 75,485,272        | 74,360,275        |
| Issue of Shares – issued at \$0.04 | -                  | 28,125,000         | -                 | 1,125,000         |
| Less: equity raising costs         | -                  | -                  | -                 | -                 |
| Closing balance                    | <b>307,129,182</b> | <b>307,129,182</b> | <b>75,485,272</b> | <b>75,485,272</b> |

(1) The company raised \$1.125 million for 28,125,000 shares under existing approval to existing significant shareholders.

**9. DIVIDENDS**

No dividends have been declared or paid since the start of the financial period, and none are recommended.

**10. CONTINGENCIES**

There has been no change in contingencies since the 30 June 2020 reporting period until the end of this period.

**11. COMMITMENTS**

There are no changes to the commitments since the 30 June 2020 reporting period.

**12. RELATED PARTY TRANSACTIONS**

There has been no change in related party or key management personnel transactions during the period.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Half-Year Ended 31 December 2020 (Continued)**

**13. EVENTS OCCURRING AFTER REPORTING DATE**

**Preferred Bidder Agreement with Polaris Engineering Services**

The Company entered into an agreement with Polaris Engineering (Polaris) in January 2021, where Polaris will become the preferred bidder, essentially partnering with Elmore, to provide a range of services, including:

1. Maintenance planning
2. Maintenance support
3. Labour Hire Support
4. Fabrication services
5. Surface treatment services,
  - a. Painting
  - b. Rubber lining
6. Engineering due diligence
7. Field spare parts

**Key Term of the Agreement**

The Preferred Bidder status will provide Polaris with a First Right of Refusal over the above listed services if Polaris can meet other quotations for these services in all aspects, including quality, budget.

The agreement is for 2 years and has no specific contract value.

Elmore's aim is to use the relationship to increase reliability of its service provision and lower operating costs through being able to efficiently schedule labour, fabrication and spare parts without having to hire additional staff or lease additional facilities. Elmore aims to establish Polaris as an extension of Elmore, for the services that Polaris prove to be competitive in.

**Convertible Note – Polaris**

Along with the agreement, Polaris has invested \$500,000 in Elmore by way of a convertible note.

**Key Terms**

- The note automatically converts to equity at \$0.02 per share if Elmore is successful in being re-instated on the Board of the ASX next month.
- If for some reason the Company is unable to meet the requirements of re-instatement, the investment will be a 2-year convertible note accruing 7% interest per annum and convertible at Polaris's discretion at \$0.02 per share.
- The Note will be secured via a General Security Agreement (GSA).

**Convertible Note – Twynam**

Twynam has agreed to convert its convertible note fixed according to the balance owing at 28 February 2021 being \$667,671.36, contingent upon the Company achieving re-listing.

**Notice of Extra Ordinary Meeting**

The Company issued a Notice of Meeting on Friday 5<sup>th</sup> February to be held on March 8<sup>th</sup>, 2021. The purpose of the meeting is to raise \$5 million (plus fees).

The raise will be used to retire all debts and creditors, purchase plant and equipment, and provide a working capital buffer to the Company's balance sheet.

Shares will be issued at \$0.02 per share.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Half-Year Ended 31 December 2020 (Continued)**

**13. EVENTS OCCURRING AFTER REPORTING DATE (CONTINUED)**

**Prospectus Issued**

On 2 March 2021, the Company issued a prospectus for a public offer of a minimum of 125,000,000 up to a maximum of 250,000,000 Shares at an issue price of \$0.02 per Share to raise a minimum of \$2,500,000 and a maximum of \$5,000,000 (before associated costs).

The Public Offer opened on 2 March 2021 (Opening Date) and will close at 5.00pm (AWST) on 9 March 2021 (Closing Date).

There were no other subsequent events other during the period.

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**DIRECTORS' DECLARATION**  
**31 December 2020**

1. In the opinion of the Directors of Elmore Limited and its controlled entities ('the Group'):
- (a) the financial statements and notes set out on pages 7 to 17 are in accordance with the Corporations Act 2001, including:
    - (i) Complying with Accounting Standards, AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
    - (ii) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and.
  - (b) Subject to the matters highlighted in Note 1 (b), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



David Mendelawitz  
Director

Perth, 5 March 2021

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Elmore Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Elmore Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

#### Material uncertainty relating to going concern

We draw attention to Note 1(b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

### **Responsibility of the directors for the financial report**

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**BDO Audit (WA) Pty Ltd**

BDO  


**Jarrad Prue**

**Director**

Perth, 5 March 2021

## DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF ELMORE LIMITED

As lead auditor for the review of Elmore Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Elmore Limited and the entities it controlled during the period.



**Jarrad Prue**  
**Director**

**BDO Audit (WA) Pty Ltd**  
Perth, 5 March 2021

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