

ELMORE

MARKET UPDATE

July 14th 2021

KEY POINTS

- First ball mill for Company's moveable gold processing strategy ordered
- All plant, equipment and structural steel from 5MTPA crushing and screening plant relocated from Northern Territory to Western Australia
- Plant dismantling and relocation project was completed with zero safety incidents and no damage to plant and equipment
- Drilling undertaken at Territory Minerals project in far north Queensland and test-work underway
- Improved ICA Mining Pty Ltd Peko Project contract renegotiated
- Gold Valley Iron Pty Ltd cost order resolution and settlement deed finalised

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

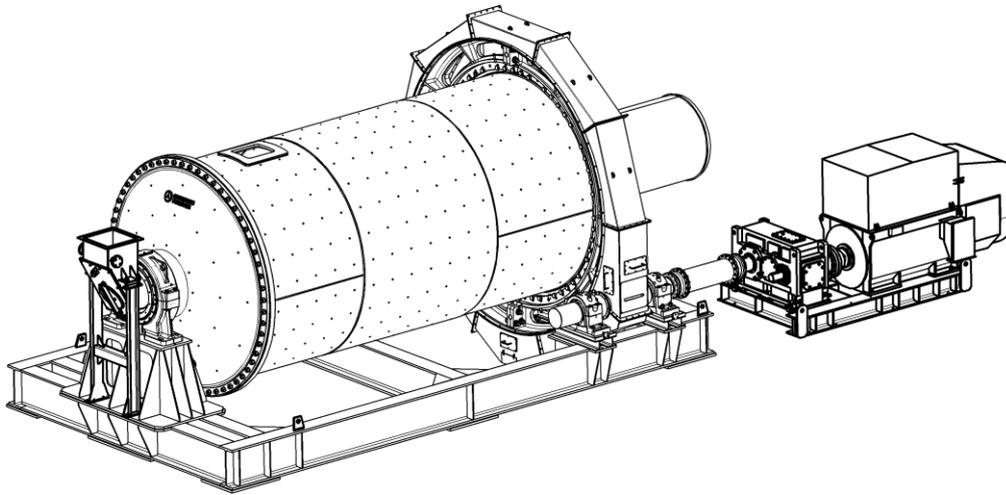
BALL MILL

Elmore has now ordered the first ball mill to be used to deliver the Company's mobile precious metals processing solution, based on its proprietary relocatable foundations system. Elmore has been working with the Christian Pfeiffer Group in Germany to design and build the optimum mill.

The mill is rated at 1150kw and is designed to be mounted on a frame measuring slightly under 12 metres long by approximately 6 metres wide, to stay within the capacity of practical road transport throughout Australia. To the best of the Company's knowledge, this will be the largest road transportable, skid mounted ball mill, available for contract processing in the world.

The power rating and design was determined to provide the Company capacity to process medium to hard rocks that are typical of gold bearing ore, at a rate of 60-80tph at a grind size of 80% passing below 80 microns after milling, when used in conjunction with 2 to 3 stages of front-end crushing. Elmore already owns the first 2 stage crushing plants that will be used with this mill.

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Schematic of ball mill and drive unit on frames ready to be slid onto foundations.

About Christian Pfeiffer

Christian Pfeiffer Maschinenfabrik was founded in 1925 and is based in Beckum, Germany. The company specializes in manufacturing and refurbishing crushing, grinding and separation equipment for the cement and minerals industries.

Christian Pfeiffer's long experience in provision of grinding equipment into the difficult environment of cement plants provides them with invaluable experience that helps make them the ideal partner for Elmore to work with to build the robust and efficient ball mills required for Elmore's moveable mining solution.

MOVEABLE CIRCA 5MPTA PLANT

Elmore has completed the relocation of all of its plant and equipment from the Frances Creek iron ore mine in the Northern Territory, to the Company's laydown and construction site 40 minutes north of the Perth CBD.

The entire dismantling and relocation job has been achieved with zero lost time injury and no damage to plant or equipment.

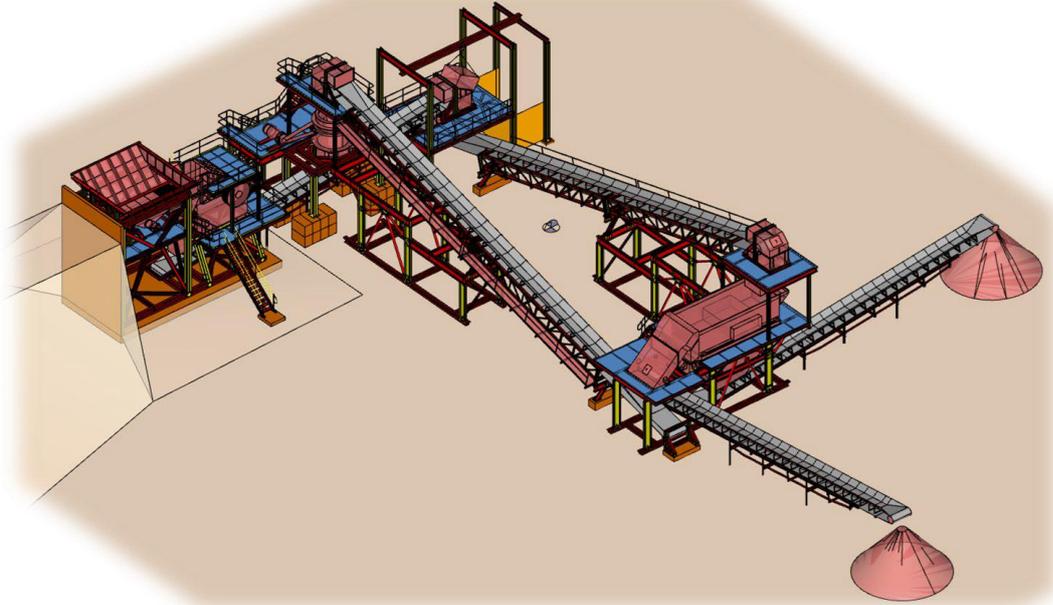
Elmore had previously decided to scrap a significant portion of the steel structures that made up the original fixed plant, as the plant was originally built to be able to run either wet or dry screening, on a switchable basis. As the new configuration will be built to run either wet or dry screening with only 1 screening unit fitted at a time, compared to the original 2, much of the structural steel would have been redundant in the moveable plant that Elmore is building.

Elmore evaluated the condition and potential use of the steel structure and determined it to be a significant asset driven by structural steel prices having increased dramatically and the availability of steel and fabricators being under pressure and these factors are widely forecast to worsen.

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The additional steel work relocation was a larger logistical exercise than the movement of the equipment that will be used to complete the new moveable plant. In total the movement of all the plant has taken 36 conventional road train trailers and 7 wide load trailers. Given that all dis-assembly and loading of the plant was undertaken by only 6 people, this has been a job that we are justly proud of achieving safely.



3D MODEL OF MOVEABLE CRUSHING AND SCREENING PLANT UNDER CONSTRUCTION



IMAGE LEFT – FRANCES CREEK PLANT SITE BEFORE

IMAGE ABOVE – AERIAL VIEW OF STRUCTURAL STEEL LAYOUT IN WESTERN AUSTRALIA (NOTE 5 X 20FT SEA CONTAINERS FOR SCALE REFERENCE)

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TERRITORY MINERALS

Elmore has a contract with Territory Minerals Trading Ltd ("Territory" or "TM") to process gold and antimony ore from Territory's suite of gold and antimony projects in the Hodgkinson Basin, far north Queensland. Elmore outlined the key terms of its agreement with TM in an announcement on 18 January 2021.

Elmore has assisted Territory to design and undertake a small drilling program to evaluate the oxide mineralisation at TM's Northcote project approximately 35 km west of the town of Mareeba in far north Queensland. Whilst a reasonable level of confidence is held over the recovery of gold from the fresh ore, further understanding was sought over the oxide material which represents approximately 20% of the expected material to be processed.

TM (unlisted entity) completed three metallurgical reverse circulation (RC) drill holes for a total of 193 meters; one hole at each of the Tunnel, Emily and Ethel prospects at the Northcote Project. These project areas were selected to test metallurgical recoveries and processing options matched to Elmore's proposed processing circuit utilizing gravity and floatation. Drilling was completed down dip on the mineralised structures to provide information on the continuity of mineralisation and provide adequate sample for ongoing test work.

Although oxide is relatively thin and will not form a major portion of the ore, little information was available on the oxide recoveries and the current program will evaluate the gravity recoveries of the oxide mineralisation. There is very little transition mineralisation and almost no surface depletion with mineralisation outcropping or being present from 1 to 3 metres depth. This is important in relation to the pre-stripping required.

The project is covered by a granted Exploration Licence, and mining lease applications, which are progressing well. Initial water and sediment samples are being collected to assist with environmental permitting and an environmental gap analysis is underway to determine the level of environmental work required and costing of the work.

PEKO TAILINGS REHABILITATION PROJECT

Elmore has a service contract with ICA Mining Pty Ltd ("ICA") in which the Company provides a range of consulting services, including design, procurement and the construction management of a magnetite processing plant to be owned by ICA and known as the Peko Tailings Project.

For this service Elmore receives a \$100,000 + GST monthly retainer. In addition, Elmore is entitled to \$2 per tonne royalty. At the time of this announcement ICA owes Elmore \$660,000 Inc GST of unpaid retainer fees.

On 13 June 2021, the Director of ICA appointed Mr Sule Arnautovic of Hall Chadwick as an Administrator in accordance with Section 436A of the Corporations Act 2001. On 15 June 2021, Messrs Rajiv Goyal and Andrew McCabe of Wexted Advisors were appointed Receivers and Managers of ICA Mining Ltd by the secured creditor of ICA being Peko Gold Lending Pty Limited ("PGL"). The effect of the appointment of the Receivers and Managers is that they are in control of the business and assets of ICA.

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On 8 July 2021 the Administrator provided a report to creditors, which includes Elmore. The report includes details of ICA's business, property, affairs and financial circumstances to provide creditors with sufficient information for them to make an informed decision about the future of ICA. This includes details of the proposed Pooled Deed of Company Arrangement ("DOCA") put forwards by the company's secured creditor.

The second creditors meeting is scheduled to be held on 16 July 2021, where creditors will vote on whether to accept the proposal to execute the DOCA.

The DOCA provides the ability for the planned mine to continue and enter into a production phase under the direction of a new Board of Directors. It will allow for the continuation of business between ICA and its trade suppliers in respect of the set up and operation of the mine.

Throughout the process, neither the Administrator nor Elmore, terminated Elmore's Minerals Processing Agreement, as it was proposed by both ICAs Secured Creditor and Elmore, that Elmore take a larger and more active role in delivering and operating the mining project. ICAs secured creditor and Elmore have agreed on the terms of the Company's involvement and are now finalising a Heads of Agreement to document these terms. The Heads of Agreement contemplates, amongst other points, that the outstanding debt owed by ICA to Elmore is converted into equity in the project. Elmore will manage the construction and operations of the mining project, at an increase monthly rate and Elmore will arrange financing to finalise the construction of the plant, in exchange for an increase in equity ownership in the project.

If the DOCA is not approved at the Second Creditors meeting on 16 July 21, Elmore will remain both a Creditor and with its Minerals Processing Agreement in place.

GOLD VALLEY IRON

On 29 April 2019, Gold Valley Iron Pty Ltd (GVI) and Elmore entered into an Asset Sale Agreement and a Minerals Processing Agreement. Elmore held a first-ranking, registered security interest in respect of all GVI's present and after-acquired property. By a notice of termination dated 22 November 2019, Elmore terminated the Minerals Processing Agreement.

GVI asserted a claim against Elmore under the Asset Sale Agreement. The asserted claim in the GVI v Elmore Proceedings and the Elmore Claim against GVI under the Minerals Processing Agreement were, on a without prejudice basis, it was agreed by GVI, the Liquidators, the Former Administrators & Receivers and Elmore, to resolve and end all Claims between them, however arising, subject to and in accordance with the terms of a Deed of settlement.

Pursuant to this Deed, Elmore will receive a payment of \$98,860 from the Liquidators in settlement of their claim, whilst maintaining an interest in any successful litigation for insolvent trading, that may be actioned against the Officers of GVI. This reserved debt amount, has a cap on it of \$500,000 + GST payable to Elmore in accordance with the Deed.

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On 25th of May 2021 Elmore entered into an agreement with Gold Valley Iron and Manganese Pty Ltd (GVIM) whereby GVIM are to repay \$42,174 to Elmore in 6 equal monthly payments as compensation for costs incurred by Elmore when GVIM unsuccessfully disputed the legitimacy of the appointment of the Administrator. The agreement and cost order was made within the Magistrates Court of Western Australia. At the time of writing, GVIM were up to date on payments, having made the first payment on time.

MANAGING DIRECTORS COMMENT

Elmore's Managing Director, Mr David Mendelawitz commented:

"This really is a transformational period for Elmore. With construction of 3 different plants underway and another ready to go, we are preparing for a solid future ahead. Over the next quarter we expect to significantly advance both our fleet and our capability to provide reliable, cost effective solutions to our clients, which will lead to the basis for providing reliable returns to shareholders."

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