



30 January 2020

## ASX Announcement

Manager of Company Announcements  
ASX Limited  
Level 40, Central Park  
152-158 St George's Terrace  
PERTH WA 6000

*By E-Lodgement*

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## QUARTERLY REPORT

### Period Ended 31 December 2019

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The Board of EHR Resources Limited (**EHR** or **the Company**) (ASX: EHX) provides the following commentary and Appendix 5B for the Quarter ended 31 December 2019.

#### **Nanuk Diamonds Acquisition**

During the quarter, the Company entered into an agreement to acquire 100% of Nanuk Diamonds Inc (**Nanuk Diamonds**) from Prospect AG Trading Pty Limited, a company associated with Mr Michael O'Keeffe, a director of EHX, and 9064-6316 Quebec Inc (together the "**Vendors**") (**Acquisition**).

The acquisition of Nanuk Diamonds by EHX is part of a broader corporate strategy related to diamonds, particularly in Canada. Mr Peter Ravenscroft, a recognised expert in this field, was appointed to the board of EHX to assist with the implementation of this strategy. Mr Ravenscroft brings 40 years of experience in the international mining industry, with specific knowledge of diamonds, and a background in exploration, geostatistics, resource evaluation and mine planning.

#### **About Nanuk Diamonds**

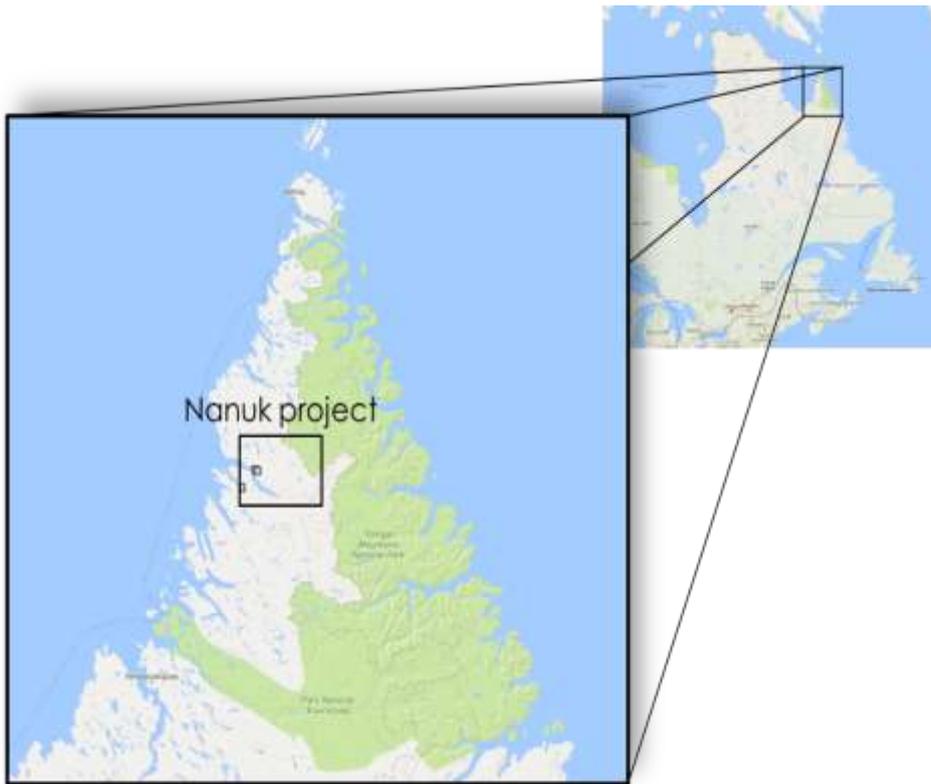
Nanuk Diamonds is the holding company and 100% owner of 625 mineral claims located East of the Ungava Bay in Northern Quebec (Figure 1). The 274 sq.km area contains several occurrences of diamond-bearing kimberlitic dykes that were originally found in the early 2000's but were left unexplored for the last 15 years.

Nanuk Diamonds' mineral claims are located in the area in which Twin Mining Corporation's Torngat Project was active from 1999 to 2001 where bulk and infill samples from different parts of the dyke system were collected totalling more than 350 tonnes which yielded close to 2,000 diamonds, including approximately 300 macrodiamonds. Other companies owned claims in the area and found kimberlite dykes, but little was done besides geophysics and the collection of small samples. From 2005 until 2017, no further work was done.

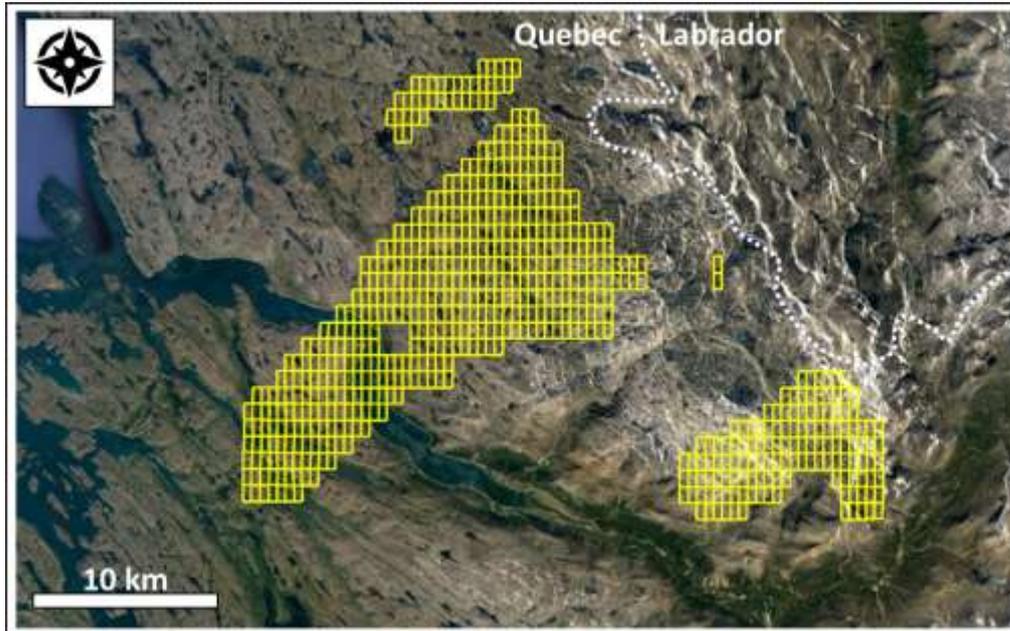


In 2017, Nanuk Diamonds acquired 570 claims in order to reassess the Torngat Project's potential by integrating data from previous owners and exploring for new kimberlites. A remote sensing survey identified several prospective areas which were confirmed by mapping and sampling in 2019. In 2019, 118 mineral claims with little potential were dropped and 173 additional prospective mineral claims were added (see Figure 2).

Subject to EHX shareholder approval for the acquisition being forthcoming, Nanuk Diamonds intends to undertake a program of work during the Northern summer months.



**Figure 1:** General location of the Nanuk Diamond Project in Northern Quebec.



*Figure 2: Location of the 625 exploration claims owned by Nanuk Diamonds.*

### Acquisition Details

The total consideration for the proposed purchase of Nanuk Diamonds is A\$1m which will be satisfied by the issue of 20 million fully paid ordinary shares in the Company (**Shares**), at a deemed issue price of A\$0.05 per Share payable by the issue of 10 million Shares to each of the Vendors as each of them owns a 50% interest in Nanuk Diamonds.

As Mr O’Keeffe is a director of the Company and a substantial shareholder with an interest of 11.08%, shareholder approval for the Acquisition will be sought in accordance with Listing Rule 10.1 as a condition precedent to the Acquisition. Should shareholders approve the acquisition of Nanuk Diamonds, Mr O’Keeffe’s shareholding in EHX will increase to 16.39%. 9064 - 6316 Quebec Inc is not a related party or a substantial shareholder of the Company.

Completion of the Acquisition is conditional on the Company being satisfied with the results of its due diligence on the Company and its assets. Based on its due diligence to date, the Company is comfortable that this condition has been satisfied. The Acquisition agreement also contains customary warranties and termination rights.

The Company is currently preparing a Notice of Meeting in connection with the Acquisition and anticipates releasing this notice to shareholders shortly. It is expected that a shareholders meeting will take place early in March.



### **La Victoria Exploration Update**

The Company retains its 18% interest in the La Victoria Gold Project in Peru.

During the Quarter, the local communities in the Pallasca District, Ancash Department held community elections and as such all negotiations for land access and drilling permits were put on hold. The project operator, Eloro Resources Limited (TSX-V:ELO) is now continuing to progress land access and land rental negotiations with the local community in the Pallasca District where the primary San Markito target is located. In order for a drilling campaign to commence at San Markito, drill permits must first be obtained which are required to be underpinned by a process of local community engagement and support. The project operator, Eloro Resources Limited, remains confident that the requisite approvals for San Markito will be forthcoming, following which it is planned to commence an initial 5 hole diamond drilling program comprising 2,000 meters within the target area.

The Company held its Annual General Meeting (AGM) on 29 November 2019. All resolutions put to the AGM were passed on a show of hands.

### **About EHR Resources Limited**

EHR is a mineral resources company which holds an 18% interest in the La Victoria Gold/Silver Project, located in the prolific North-Central Mineral Belt of Peru, and has the right to earn a further 7% interest in the Project. The La Victoria Gold/Silver Project, owned and operated by Eloro Resources Limited (TSX-V: ELO), covers 89 square kilometres and is within 50 km of several large, low-cost producing gold mines including Yanacocha (Newmont Mining), La Arena (Tahoe Resources) and Laguna Norte (Barrick Gold). Infrastructure in the area is good with access to road, water, and electricity and the project is located at an altitude that ranges from 3,100m to 4,200m above sea level.

EHR recently entered into an agreement to acquire 100% of Nanuk Diamonds Inc (**Nanuk Diamonds**) as part of a broader corporate strategy related to diamonds, particularly in Canada, and it is expected that shareholders will have the opportunity to vote on this transaction at a shareholders meeting early in March. Nanuk Diamonds is the holding company and 100% owner of 625 mineral claims located East of the Ungava Bay in Northern Quebec. The 274 sq.km area contains several occurrences of diamond-bearing kimberlitic dykes that were originally found in the early 2000's but were left unexplored for the last 15 years. It is expected a program of work in the Nanuk project area will be undertaken during the Northern summer months.

### **Caution regarding Forward Looking Information**

*This document contains forward looking statements concerning EHR Resources Limited. Forward Looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward looking statements in this document are based on EHR's beliefs, opinions and estimates of the Project as of the dates the forward looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions or estimates should change or to reflect other future developments.*

*This announcement was authorised to be given to the ASX by the EHR Resources Limited Board.*



The following table sets out the information as required by ASX Listing Rule 5.3.3 namely:

1. Mining tenements held at the end of the Quarter and their location;
2. Mining tenements disposed during the Quarter and location;
3. Beneficial percentage interests held in farm-in or farm-out agreements at end of Quarter; and
4. Beneficial percentage interests held in farm-in or farm-out agreements acquired or disposed of during the Quarter.

<b>Agreement</b>	<b>Project/Permit</b>	<b>Location</b>	<b>Area</b>	<b>Holder</b>	<b>Beneficial %</b>
Farm-in	La Victoria Project	Peru	~80km <sup>2</sup>	Eloro Resources Limited	18%

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## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

EHR Resources Limited

ABN

33 160 017 390

Quarter ended ("current quarter")

31 December 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(18)	(32)
(b) development	-	-
(c) production	-	-
(d) staff costs	(3)	(7)
(e) administration and corporate costs	(97)	(276)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	19
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(109)</b>	<b>(296)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	-	-
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	-	-
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,348	2,533
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(109)	(296)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

## 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	-	2
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,239</b>	<b>2,239</b>

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	239	348
5.2	Call deposits	2,000	2,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,239</b>	<b>2,348</b>

**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**

(33)

-

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

- 6.1 Company secretarial and financial management fees paid to a Director related entity \$32,700

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## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. <b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-

7.5 <b>Unused financing facilities available at quarter end</b>	
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. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(109)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(109)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	2,239
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	2,239
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	<b>20</b>

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: In the next quarter, the Company expects to incur ~\$105,000 in addition to the net operating cash flows in the current quarter. This additional cost is associated to the Nanuk Diamonds Inc. Acquisition.

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: N/A

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: N/A

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## 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: 30 January 2020

Authorised by: Board of EHR Resources Limited  
(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.