



28 April 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

QUARTERLY REPORT

Period Ended 31 March 2020

The Board of EHR Resources Limited (EHR or the Company) (ASX: EHX) provides the following commentary and Appendix 5B for the Quarter ended 31 March 2020.

Nanuk Diamonds Acquisition

During the quarter, the Company completed its acquisition of 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**).

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. 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 and which yielded close to 2,000 diamonds, including approximately 300 stones larger than 0.5 mm. 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.

A remote sensing survey in 2018 identified several prospective areas for expanded dyke potential and larger blows, and possible kimberlites. A mapping and sampling program was conducted in 2019 to further test these targets.



Acquisition Details

The Company received shareholder approval for the Acquisition at a General Meeting held on 9 March 2020. The total consideration for the proposed purchase of Nanuk Diamonds of A\$1m was 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 on 19 March 2020, payable by the issue of 10 million Shares to each of the Vendors as each of them owned a 50% interest in Nanuk Diamonds.

As Mr O’Keeffe is a director of the Company, shareholder approval for the Acquisition was required in accordance with Listing Rule 10.1. Mr O’Keeffe’s shareholding in EHX increased from 11.08% to 16.39%. 9064 - 6316 Quebec Inc was not a related party or a substantial shareholder prior to the transaction, but now holds 6.8% of the Company.

Nanuk Exploration Update

A surface sampling program conducted in 2019 prior to the acquisition resulted in 44 samples submitted for microdiamond and kimberlite indicator mineral analysis. Results from processing of these samples in the quarter are still being received, and will be released once finalised. Based on these results and additional interpretation, decisions will be made regarding ongoing exploration activities.

La Victoria Exploration Update

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

The project operator, Eloro Resources Limited (TSX-V:ELO) is 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 drilling program meters within the target area.

Management Appointment

The acquisition of Nanuk Diamonds by EHR is part of a broader corporate strategy related to diamonds, particularly in Canada. Mr Peter Ravenscroft, a recognised expert in this field, was appointed as Managing Director and CEO on 11 March, 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.

Following shareholder approval at the 9 March General Meeting of shareholders, the Company issued 2,500,000 Unlisted Options (exercisable at \$0.07 on or before 19 March 2022) to Mr Ravenscroft as part of his incentive package following his appointment to the Board.



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 acquired 100% of Nanuk Diamonds Inc (**Nanuk Diamonds**) as part of a broader corporate strategy related to diamonds, particularly in Canada. 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.

Agreement	Project	Location	Area	Holder	% at start of quarter	% at end of quarter
Farm-in	La Victoria Project	Peru	~80 km ²	Eloro Resources Limited	18%	18%
Acquisition	Nanuk Diamonds	Quebec, Canada	274 km ²	Nanuk Diamonds Inc.	-	100%

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 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(181)	(213)
(b) development	-	-
(c) production	-	-
(d) staff costs	(50)	(57)
(e) administration and corporate costs	(393)	(669)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	27
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)	-	-
1.9 Net cash from / (used in) operating activities	(616)	(912)

1.2(e) Includes legal and other costs associated with the acquisition of Nanuk Diamonds Inc.

2. Cash flows from investing activities		
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 (9 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 (see note 2.5)	22	22
2.6	Net cash from / (used in) investing activities	22	22
2.5	Opening cash balance of Nanuk Diamonds Inc included upon completion of Acquisition.		
3.	Cash flows from financing activities		
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)	-	-
3.10	Net cash from / (used in) financing activities	-	-
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,240	2,533
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(616)	(912)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	22	22
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

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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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	3
4.6	Cash and cash equivalents at end of period	1,646	1,646

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	846	239
5.2	Call deposits	800	2,000
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)	1,646	2,239

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**

(235)

-

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 Fees paid to Directors and/or Director related entities \$81,062
Exploration consulting fees paid to a Director and/or Director related entity \$49,112
Company secretarial and financial management fees paid to a Director related entity \$25,200
Consulting fees paid to Director related entities for services provided for the Nanuk Acquisition \$79,659

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

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)	(616)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(616)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	1,646
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	1,646
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	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: Not applicable.

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: Not applicable.

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: Not applicable.

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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: 28 April 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.