Quarterly Activities Report | September 2020

27 October 2020

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EHR Resources Limited
ASX: EHX
ABN: 33 160 017 390

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About
EHR is a mineral resources company with an increasing focus on diamond exploration and development.

Diamonds

Core strategy:

Identify and acquire a portfolio of interests in incomplete evaluation programs on world class discoveries at a low entry cost, and

Unlock the latent value from these projects through disciplined project level funding and technical expertise.

Current Projects:

- Naujaat Diamond Project, Canada. Advanced exploration. Earn-in agreement.
- Nanuk Diamond Project, Canada. Advanced exploration. 100% owned.
- Botswana, early stage diamond exploration. Alliance agreement.

Gold and Silver

18% interest in the La Victoria Gold/Silver Project, located in the prolific North-Central Mineral Belt of Peru.

Board of Directors
Stephen Dennis
Marc Dorion
Jeremy King
Michael O'Keeffe
Kim Truter
Peter Ravenscroft

Highlights

- Capital secured and committed to existing projects:
  - Capital raising of A$10.6 million successfully completed during the quarter
  - Unconditional commitment made to funding of Phase 1 Earn-In at world-class Naujaat Project in Canada
  - Funding of Botswana Exploration Alliance assured for first 12 months of operation and Prospecting Licence renewals secured post quarter
- Expansion of management team and strengthening of Board
  - High-profile diamond executive Mr Kim Truter appointed to EHR Board
  - Two appointments of diamond industry experts to management team to propel Diamond Strategy
- Continued assessment of incremental diamond investment opportunities, including transactions with potential for cash-flow in the short term.

Overview

The Board of **EHR Resources Ltd** (**ASX: EHX**; "EHR" or "the Company") is pleased to provide its quarterly activities and Appendix 5B cashflow report for the quarter ended 30 September 2020 ("September quarter").

During the September quarter, the Company continued to make significant progress on its strategy of becoming a significant player in the diamond industry by developing an international portfolio of high-potential diamond projects.

With two substantive transactions undertaken in the June 2020 quarter, EHR completed a A$10.6 million capital raise in the September quarter, allowing for unconditional commitment to the funding of both of these transactions. The capital raise also facilitates the funding of further incremental transactions over the next six months, and the Company continues to evaluate a number of opportunities across Canada, Botswana and Australia.

In addition, during the September quarter several high-profile appointments were made to the EHR Board of Directors and management team. Attraction of such high-calibre talent to the Company strengthens EHR's ability to successfully execute its strategy and provides strong endorsement of the growing profile and future potential of the Company.

EHR Managing Director, Mr Peter Ravenscroft, said the September quarter heralded a number of significant achievements for the Company, adding to its excellent start earlier in the year. "The successful capital raise gives us a great platform from which to consolidate current investments and pursue other incremental transactions that align with EHR's strategy of counter cyclical investment in the world's highest-quality diamond assets," Mr Ravenscroft said.

"Growing our management team and adding to a very powerful Board puts us in an even better position to focus on value accretive investments, especially transactions that will potentially lead to cash flow in the short term."

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Project Update

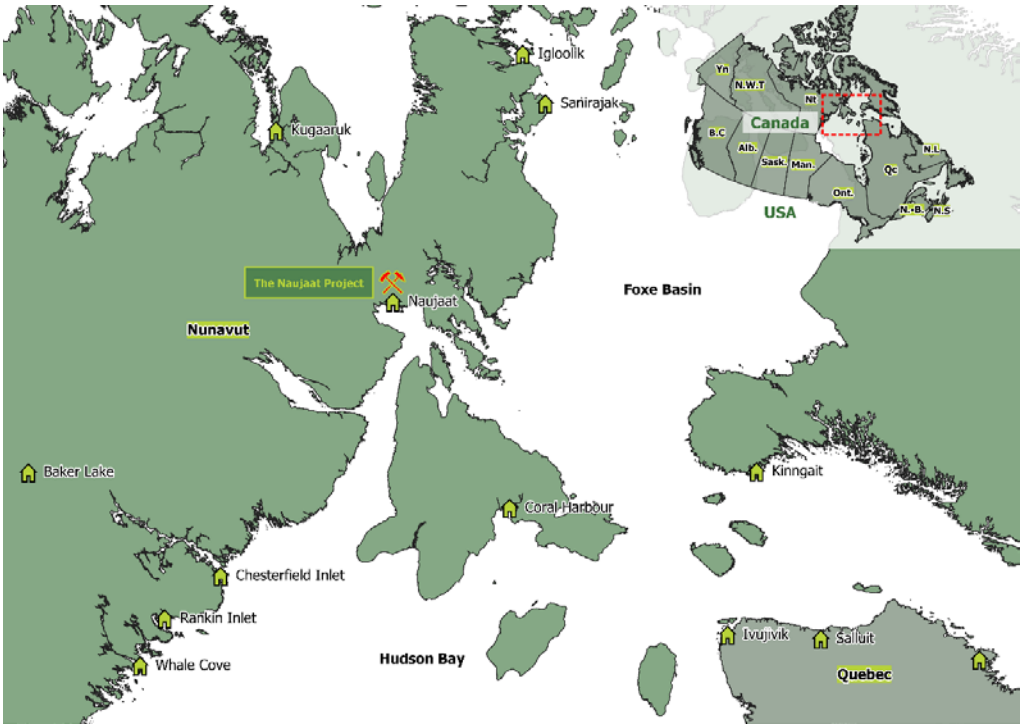
Naujaat Diamond Project

During the June 2020 quarter, the Company entered into an earn-in agreement with North Arrow Minerals Inc. over the Naujaat diamond project in Nunavut, Canada (Figure 1). The world class Naujaat project contains an exceptional population of uniquely coloured and rare high value stones. EHR has the option to earn-in to a 40% interest in the project by funding the Phase 1 program: a C$5.6 million preliminary 1,500 to 2,000 tonne bulk sampling program to be undertaken in 2021.

As a result of the capital raising completed in the September quarter, the Company successfully secured the funds for this program, and notified North Arrow Minerals that the Phase 1 earn-in agreement was now unconditional. Fuel and sampling materials were shipped to the site during the September quarter, and ongoing work is being done to optimize the bulk sample program design and ensure an on-time start in mid-2021.

EHR has also made a preliminary proposal to earn an additional 20% interest by funding a larger 10,000 tonne Phase 2 bulk sample, pending positive results from the first phase.

Figure 1 - Location of Naujaat Project



Nanuk Diamond Project

Nanuk Diamonds Inc is a 100% subsidiary of EHR, and is the owner of 625 mineral claims located East of the Ungava Bay in Northern Quebec, a highly prospective diamond district that has received little attention over the last 15 years.

No work was conducted on the Nanuk Project during the September quarter, due to access limitations from Covid-19 restrictions and the Company's increasing focus on its other opportunities.

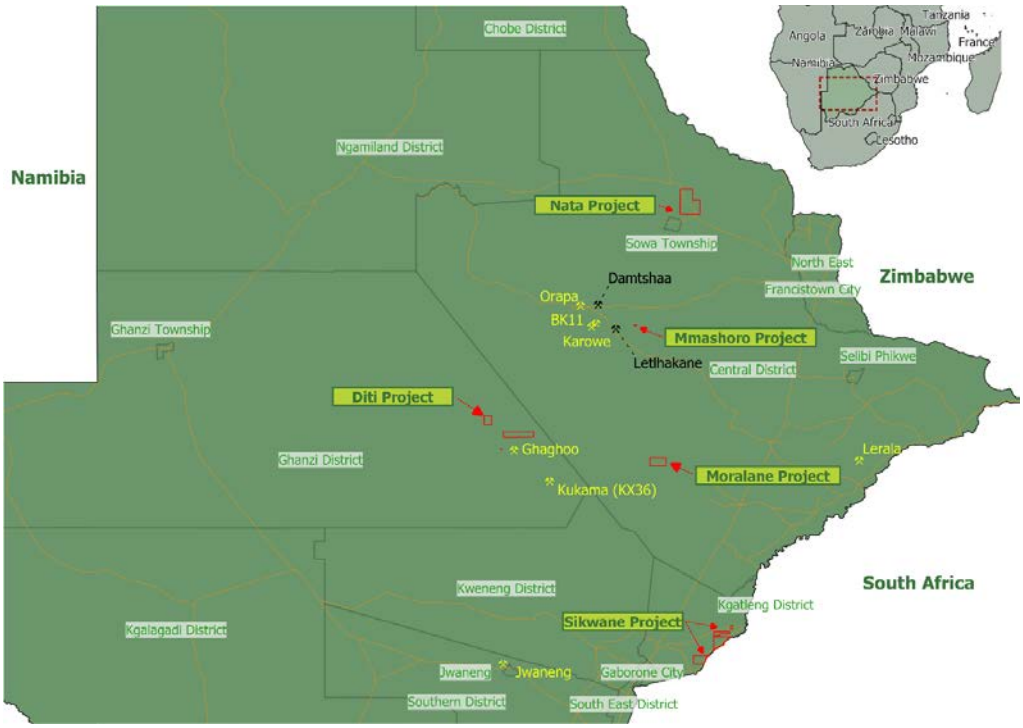
Botswana Exploration Alliance

During the June 2020 quarter, the Company signed an Exploration Alliance Agreement in Botswana with Diamond Exploration Strategies Ltd (DES), a privately-owned company with an excellent management team. EHR is providing funding of US$1.5 million over three years to finance exploration activities, earning 50% ownership of any discoveries made. EHR will have the option to sole fund a Scoping Study on a designated project to earn-in to a 70% ownership interest, with a further option to reach a 90% ownership interest by sole funding a Feasibility Study. The Alliance is initially over five areas that comprise nine existing prospecting licenses (Figure 2), but extends to cover other prospective areas of Botswana that may be identified.

Despite restricted activities in the country during varying stages of the Covid-19 lock-down in Botswana, DES succeeded in obtaining renewals to 30 June 2022 from the Ministry of Mines for the seven Prospecting Licences that required renewal. Significant development work was also completed using DES' extensive database and innovative targeting strategies, and a number of targets were identified for license application in the December 2020 quarter.

The Covid-19 restrictions have impacted the processing of environmental permits in Botswana, and it is now expected that drilling programs on the Nata and Mmashoro projects, previously planned for the December 2020 quarter, will commence early in the first quarter of 2021.

Figure 2 - Location of Project Areas in Botswana



La Victoria Gold and Silver Project

EHR holds an 18% interest in the La Victoria Gold/Silver Project, located in the prolific North-Central Mineral Belt of Peru, which it acquired through earn-in arrangements starting in 2017. Proposed drilling at this project has been impacted by permitting delays, although some progress was made with community negotiations during the September quarter. EHR remains enthusiastic about the potential of this project and will participate in the next drilling program when Covid-19 restrictions are eased and drill permits are granted.

Corporate

Capital Raising

During the September quarter, the Company announced that it had received commitments to raise A$10 million (before costs) via a new share placement to institutional and sophisticated investors (Placement). The issue price of the new shares was set at 9.6 cents per share, and the Placement was conducted in two tranches, along with an associated Share Purchase Plan made available to existing shareholders.

Tranche 1

During the June 2020 quarter, the Company issued 36,666,997 new shares at 9.6 cents per share to raise approximately $3.52 million (Tranche 1 Shares) in accordance with the Company's existing placement capacity. 22,000,198 new shares were issued pursuant to its 15% placement capacity under ASX Listing Rule 7.1, and 14,666,799 new shares were issued pursuant to its additional 10% placement capacity under ASX Listing Rule 7.1A.

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Tranche 2

Shareholder approval was received at an extraordinary general meeting (EGM) held on 4 August 2020 for the Company to issue 67,499,670 new shares at 9.6 cents per share to raise approximately $6.48 million (Tranche 2). Shareholder approval was also given for the issue of Placement Shares to participating Directors.

Share Purchase Plan

In addition, EHR completed a Share Purchase Plan (SPP) for up to an additional A$2 million, through the issue of up to 20,833,333 new shares, to allow eligible existing shareholders an opportunity to participate in the capital raising at the same price as the Placement. The SPP was completed in July 2020 and raised A$592,314 (before issue costs) from the issue of 6,169,936 new shares.

Board Changes

On 22 September 2020, the Company announced the appointment of **Mr Kim Truter** as Non-Executive Director. Mr Truter brings significant executive leadership experience in the international diamond industry, having served most recently as Chief Executive Officer of De Beers Canada from 2015 to 2019. Previously, Mr Truter was Chief Operating Officer of Rio Tinto Diamonds, managing their global portfolio in Australia, Canada and Zimbabwe. He also served as Managing Director of Argyle Diamond Mines Pty Limited in Australia and as the President and Chief Operating Officer of Diavik Diamond Mines Inc in Canada. Mr Truter brings over 30 years of mining experience in both surface and underground operations and large-scale project development across multiple geographies.

Appointments to Management Team

In September 2020 the Company announced two high-calibre additions to its management team:

- Mr **Sean Whiteford** was appointed as Vice President Business Development and will have a key role in implementing the Company's strategy of forming commercial relationships with partner companies focused on diamond project development. He is a geologist with more than 25 years of experience, including more than 10 years in the diamond sector, with a strong track record in operational, commercial and executive roles across BHP, Rio Tinto and Cleveland Cliffs.
- Mr **George Read** assumed the role of Vice President Exploration and will be responsible for all technical aspects of existing Company projects and assessment of future investment opportunities. He is a highly respected exploration geologist and internationally renowned in the diamond mining industry, with more than 35 years of diamond experience across multiple jurisdictions. Mr Read initially spent 12 years with De Beers and subsequently over 20 years in the Canadian diamond sector, culminating in an executive role with Star Diamond Corporation. He has extensive expertise in mineral chemistry, design and execution of diamond exploration programs, management of drilling and sampling programs, studies from scoping to feasibility, and joint venture relationships.

Covid-19

The Company has implemented required measures to minimise spread of the virus, ensure the safety and wellbeing of employees, and maintain business continuity. The impact of government restrictions on EHR's operations has been seen in Canada, Botswana and Peru, but resulting delays have been used to proactively optimise and in some cases expand planned activities, and EHR is well positioned to move as quickly as possible when current restrictions are eased.

Annual General Meeting

The Company's Annual General Meeting (**AGM**) will be held at 11:00am (WST) on 18th November 2020 at:

Suite 2, 1 Altona Street
West Perth, WA 6005

The Notice of Meeting for the AGM was dispatched to shareholders on 16th November 2020 and lodged with ASX on this date.

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Outlook

The Company continues to carefully execute its strategy of consolidating high-value diamond projects in stable mining jurisdictions around the world. Following the two transactions on diamond projects in Canada and Botswana completed during the June 2020 quarter, the Company has subsequently raised adequate capital to fund these two projects, as well as having funding available for further incremental transactions which are now under consideration.

The expansion of the management team and the strengthening of the EHR Board of Directors in the current quarter has positioned the Company well to accelerate the execution of its strategy and drive long-term shareholder value.

-Ends-

This announcement was authorised for release on the ASX by the Board of EHR Resources Ltd.

Further Information:

Investors

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Media

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About EHR Resources Limited

EHR is a global mineral resources company with an increasing focus on diamond exploration and project development.

Diamonds

Since late 2019, EHR has acquired interests in three diamond projects:

- 100% ownership of the Nanuk Diamonds project east of the Ungava Bay in Northern Quebec. The 274 sq.km area contains several occurrences of diamond-bearing kimberlite dykes that were originally found in the early 2000's but were left unexplored for the last 15 years.
- An earn-in agreement with North Arrow Minerals Inc. over the Naujaat diamond project in Nunavut, Canada. The world class Naujaat project contains an exceptional population of uniquely coloured and rare high value stones. EHR has the option to earn-in to a 40% interest in the project by funding a C$5.6 million preliminary 1,500 to 2,000 tonne bulk sampling program in 2021. The Company has already successfully raised the funds for this program, and delivery of fuel and sampling materials to the site is currently underway in preparation for next year. EHR has also made a preliminary proposal to earn an additional 20% interest by funding a larger 10,000 tonne bulk sample pending positive results from the first phase.
- An Exploration Alliance Agreement in Botswana with Diamond Exploration Strategies Ltd, a privately-owned company with an excellent management team. EHR is providing funding of US$1.5 million over three years to finance exploration activities, earning 50% ownership of any discoveries made. EHR will have the option to sole fund a Scoping Study on a designated project to earn-in to a 70% ownership interest, with a further option to reach a 90% ownership interest by sole funding a Feasibility Study. The Alliance is initially over five areas that comprise nine existing prospecting licenses, but extends to cover other prospective areas of Botswana that may be identified. Drilling programs on two of the initial areas are scheduled to start in the first quarter of 2021.

In addition to these projects, EHR continues to evaluate other investment opportunities, principally in Canada, Botswana and Australia, as it seeks to build a world-class portfolio of diamond exploration, development and mining projects.

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Gold and Silver

EHR holds an 18% interest in the La Victoria Gold/Silver Project, located in the prolific North-Central Mineral Belt of Peru, which it acquired through an earn-in arrangement with Eloro Resources Ltd (TSX-V: ELO) starting in 2017. Proposed drilling at this project has been impacted by permitting delays, but EHR remains enthusiastic about the potential of this project and expects to participate in the next drilling program when Covid-19 restrictions are eased and drill permits are granted.

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 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.

Additional Information

ASX Listing Rule 5.3.1:

Exploration and Evaluation during the quarter was $148k. The majority of this was spent on launching the Company's exploration program in Botswana.

ASX Listing Rule 5.3.2:

There were no substantive mining production and development activities during the quarter.

The following table sets out the information as required by **ASX Listing Rule 5.3.5** regarding payments to related parties of the entity and their associates:

Related Party	Amount	Description
Directors	$147,797	Director Fees
Mirador Corporate Pty Ltd	$36,220	Company Secretarial and Financial Management Services

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%	100%

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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	Quarter ended ("current quarter")
33 160 017 390	30 September 2020

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(148)	(148)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(220)	(220)
	(e) administration and corporate costs	(285)	(285)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
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**	**(652)**	**(652)**
1.2(e)	Administration and corporate costs includes costs associated with the Botswana Diamond Alliance transaction and the capital raising conducted in the quarter.		

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**-**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	7,072	7,072
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	35	35
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(318)	(318)
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**	**6,789**	**6,789**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	4,342	4,342
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(652)	(652)
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)	6,789	6,789

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
4.6	**Cash and cash equivalents at end of period**	**10,478**	**10,478**

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	5,478	3,542
5.2	Call deposits	5,000	800
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)**	**10,478**	**4,342**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(184)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

7.	Financing facilities *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.*	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
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.		

N/A

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8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(652)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(652)
8.4	Cash and cash equivalents at quarter end (item 4.6)	10,478
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	10,478
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	**16**

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 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: N/A

8.8.2 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

8.8.3 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

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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: 27 October 2020

Authorised by: Board of EHR Resources Limited
(Name of body or officer authorising release – see note 4)

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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.

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