

29 July 2011

QUARTERLY REPORT JUNE 2011

Highlights

- Manantiales Phase 2 drilling program delivers new high-grade gold intersections at Manantial vein
- Manantiales geophysics program identifies new Manantial Este target
- New parallel, high-grade gold-silver veins within the Yvette Norte structure
- A soil sampling program at Millenium indicates strike extension of previously identified copper and cobalt anomaly

Elementos Limited (ASX: ELT) ("Elementos" or the "Company") quarterly exploration activities were concentrated on the geophysics and Phase 2 drilling at Manantiales, and geophysics and drill preparation at Santo Domingo.

MANANTIALES

Phase 2 drilling program initial results

Initial results from diamond drilling have extended the high-grade gold-silver zone with two significant intersections including:

MDH21A

- 11.68 metres at 2.1g/t Au and 5.8 g/t Ag from 146.17 metres
 - Incl. 1.19metres at 4.27g/t Au and 7.4 g/t Ag
 - Incl. 0.4metres at 9.92g/t Au and 15 g/t Ag and;
- 3.45 metres at 5.04 g/t Au and 11.75 g/t Ag
 - Incl. 1.8 metres at 8.95 g/t Au and 188.9 g/t Ag
 - and 0.81 metres at 10.4 g/t Au and 26 g/t Ag

MDH22

- 6.7 metres at 2.26g/t Au and 7.4 g/t Ag from 119 metres
 - Incl.1.25 metres at 10.68 g/t Au and 23.6 g/t Ag
 - Incl. 0.75 metres at 15.1g/t Au and 24 g/t Ag

The new drill holes have expanded the size of the high-grade gold system:

- Minimum strike length extended to 120 metres in a north-south direction;
- Mineralisation extended down to 150 metres depth; and
- The system remains open along strike and to depth.

The Company believes the Manantial vein still has potential for a larger epithermal system at depth, supported by geophysics and vein characteristics – see figure 1.

Phase 2 drilling progress

23 diamond drill holes have been completed for 3,338.27 metres. The Phase II drilling program is expected to comprise 25 holes totalling up to 4,000 metres, including:

- Manantial vein – 2,000 metres in 15 holes;
- Julieta Norte vein – 500 metres in 5 holes; and
- La Puerta group - 1,500 metres in 10 holes.

The Company also has an option to extend the contract for an additional 1,000 metres, allowing the flexibility to test newly generated or extended targets.

The objectives of this diamond drilling program are:

- To expand the size of the known mineralisation at the Manantial vein identified in the first phase of drilling. This system is open to the north and south along strike, and at depth;
- To test at depth for extensions of the Julieta Norte vein system where low-grade gold and silver mineralisation was intersected at shallow levels in the Phase 1 drilling program. Julieta Norte is the northern extension of Troy Resources' main satellite vein system;
- To identify vertical extension of mineralisation at La Puerta and La Puerta Este, where surface channel sampling has intersected high-grade gold and silver in vein systems exposed on surface; and
- To continue testing for parallel blind vein structures at depth that have not been identified through surface mapping and for stock-work mineralisation in the alteration zone around the main vein systems.

Geophysics program

Preliminary results of the recent Induced Polarisation ("IP") geophysical survey at the Manantial and Julieta Norte prospects in the Manantiales Project have been very encouraging.

The program has confirmed the use of IP geophysics as a tool for supporting on-going exploration activities at Manantiales. It has also demonstrated that resistivity anomalies¹ are coincident with quartz veins at Manantial and Julieta Norte, and has reinforced the use of this geophysical technique for the identification of potential new vein systems - see Figure 2.

A significant new target, Manantial Este, was identified by a two kilometre long, north-south, highly-resistive anomaly, similar to that of the Manantial vein, which outcrops one kilometre to the west. Subsequent mapping encountered outcrops of discrete quartz veining on surface within predominantly talus cover. Initial rock chip sampling of these veins returned anomalous values between 0.5 and 2.4 g/t gold. Drilling is planned to test the system at depth.

In the Manantial prospect, geophysics has confirmed a resistive anomaly over 1.8 kilometres long, significantly extending the interpreted strike length. Resistivity

¹ Resistivity is a measure of the conductivity of the rocks when electrical current is passed through the earth's sub-surface. Warm colours (red) indicate areas of low resistivity and cool colours (white to yellow) indicate high resistivity. At Manantiales, the areas of quartz veining or silicified rocks or structures are located within high resistivity anomalies.

anomalies at Manantial Norte and Julieta Norte are consistent with the outcropping quartz veins and have also highlighted potential extensions of these structures along strike in areas covered by talus.

Over 40 line kilometres of gradient array resistivity survey have now been completed around the Manantial, Manantial Norte and Julieta Norte prospects. The aim of the survey has been to locate and develop potential targets on veins with limited or no outcrop.

SANTO DOMINGO

Yvette

New parallel gold-silver veins identified within the Yvette Norte structure

Narrow, high-grade gold, silver and polymetallic veins have been encountered in shallow trenching alongside the Yvette Norte vein. These parallel and sub-parallel veins occur between 10 and 30 metres to the east of the main north-south gold vein.

Highlights of representative (fixed length, continuous channel) rock-chip samples from the trenches include:

- 0.1 metres at 72.4 g/t gold, 112 g/t silver, 0.08 % lead, 5.4 % zinc;
- 0.12 metres at 15.7 g/t gold, 124 g/t silver, 3.1 % lead, 8.7 % zinc; and
- 0.15 metres at 4.17 g/t gold, 161 g/t silver, 1.03 % lead, 0.38 % zinc.

Whilst the new results are encouraging, due to the limited degree of surface exposure of the veins, it is not possible to estimate the density of veining across the structure at this early stage.

High-grade gold results continue at Yvette Norte

Follow-up trench-sampling aimed at infilling hidden portions of a 250 metre long, gold-rich segment of the previously-reported Yvette Norte gold-silver-polymetallic vein system continues to deliver high-grade results.

Significant sample results included:

- 0.15 metres at 19.5 g/t gold, 44 g/t silver, 0.12 % lead, 1.1 % zinc;
- 0.1 metres at 5.21 g/t gold, 24 g/t silver, 0.18 % lead, 0.23 % zinc; and
- 0.1 metres at 0.55 g/t gold, 281 g/t silver, 23.1 % lead, 1.44 % zinc.

These high-grade results confirm the continuity of the mineralisation under the areas of talus cover. Due to the steep topography, low surface vein exposure and large amount talus cover, drilling will be required to confirm the average widths of the veins along strike and at depth.

Trenching program

Manual trenching has been carried out to expose potential mineralisation under shallow talus cover along the poorly-exposed Yvette Norte gold-silver vein. This was carried out with the aim of:

1. Infill-sampling along the known main Yvette Norte structure;
2. Testing the widths of mineralisation; and
3. Testing the potential for mineralisation in the wall-rock.

Infill and sub-parallel vein sampling was performed in trenches dug within a 250 metre length along strike section of the vein that contains previous high grade samples:

- 1.4 metres at 26.5 g/t gold and 2,538 g/t silver;
- 0.15 metres at 24.8 g/t gold and 188 g/t silver; and
- 0.35 metres at 7.1 g/t gold and 41 g/t silver.

The aim of the program is to increase the sample density along specific areas where there is no surface vein outcrop, as well as to test the potential widths of the system.

The Yvette Norte gold-vein zone is approximately 1.4 kilometres long and comprises poorly exposed, narrow (0.1 metres to 1.5 metres) pinching and swelling veins. Shallow historic workings exploiting high-grade mineralisation in the area exhibit widths of up to 2 metres.

More than 8.5 kilometres of structure containing combined gold and silver veins have now been identified throughout the Yvette area. Elementos has established a spatial relationship between the vein system and the porphyry environment at surface level, increasing the potential size of the combined mineralised systems.

On-going exploration activities

The Company has planned a combined IP Pole-Dipole and Ground Magnetometry geophysical survey to assist with targeting veins not exposed on the surface and to enable Elementos to understand the veins at depth. Additionally, a Ground Magnetometry survey is planned over the Divisoria porphyry target. These programs will commence directly after the current program at Manantiales. Following the geophysics, priority targets will be drilled. Earthworks for geophysics and drill rig access are well advanced.

CATHEDRAL ROCKS

A geological mapping program to determine the potential for intrusive-related gold systems ("IRGS") was completed in June. Several new areas of interest have been identified and sample results are being processed at the laboratory.

Visible gold has been identified in a previously unexplored and remote area of the tenement at Styx River. The gold occurs in a series of sheeted quartz veins in the intrusive aplite dykes. Similar prospective sheeted veins are also observed in the granite and hornfels lithologies within the tenement, which have been known to host other IRGS deposits in the Northern Tablelands of New South Wales. These key areas will be studied in more detail during a planned mapping campaign in July and August.

MILLENIUM

A soil sampling program on the Mining Licences was completed in April. Copper, cobalt and other geochemical anomalies have been identified in soils, extending the apparent footprint of the known mineralisation along strike from the previously identified mineralised fault zone, see Figures 3 and 4.

The soil sampling survey produced anomalies that appear to represent the strike continuation of the known mineralisation within the Corella structure from the southern end of the project, where it outcrops at surface, northwards 1,500 metres to the limit of the leases over an area of limited exposure.

A number of elements display roughly linear anomalies along the interpreted strike extension of the known structure, similar to the copper and cobalt anomalies shown in Figures 1 and 2. As can be seen, the cobalt and copper anomalies are not entirely coincident, which is similar to the historical drill results and implies the potential for significant widths of mineralisation, especially high-value cobalt.

The company believes the recently completed program has extended the mineralisation in the south of the tenement northwards into areas not previously drilled. The new information will be used to extend the planned drill program to test the new anomaly.

Additionally, Rare Earth Elements and Yttrium have been identified in check-assays of rock-chip surface samples announced by the Company in 2010. Total Rare Earths (TRE) anomalies of up to 0.17% were identified in multiple samples from oxidised surface outcrops and shallow historic trenching. The average anomaly over 36 samples of varied composition and distribution was >400ppm. This is considered a significant surface anomaly and the future drill program will test for these elements at depth.

A drilling program is being planned, based on the new soil sampling program and the historical drilling results. The program will be designed to:

- Confirm the cobalt –copper grades from the historical drill holes;
- Test for the presence of Rare Earth Elements and Yttrium;
- Test for extensions of known mineralisation under the soil anomalies to the north; and
- Drill deeper into structures showing mineralization.

CORPORATE

Corporate development

The Company continues to explore acquisitions in the Andes region, and is currently reviewing a number of opportunities in Argentina, Chile and elsewhere.

Currently the company is considering both green-field and brown-field assets, including properties with defined resources.

Cash reserves

At the end of the reporting period, the Company's cash reserves were \$9.3 million.

For more information, please contact:

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Please visit us at www.elementos.com.au



Elementos Limited is an Australian, ASX-listed, exploration company, with a number of projects in Argentina and Australia, which offer an attractive investment environment. The properties are all in mineral rich, highly prospective provinces, with developed infrastructure nearby.

COMPETENT PERSON STATEMENT

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Alistair Grahame, a member of the Australian Institute of Geoscientists. Mr Grahame is a full-time employee of Elementos Ltd and has sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which it is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Grahame consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Figure 1: Manantiales Longitudinal Section

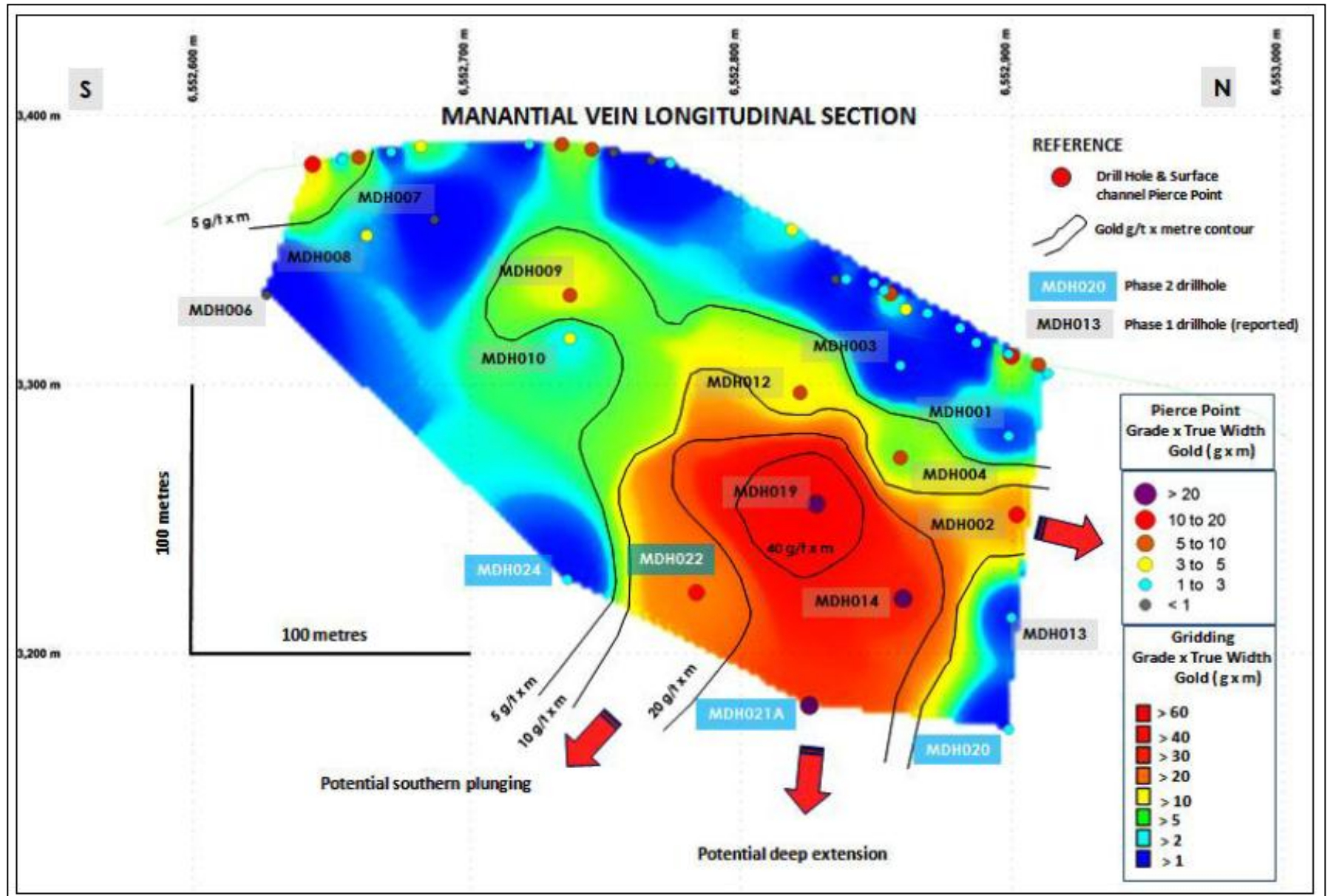


Figure 2: Manantiales Geophysics Program

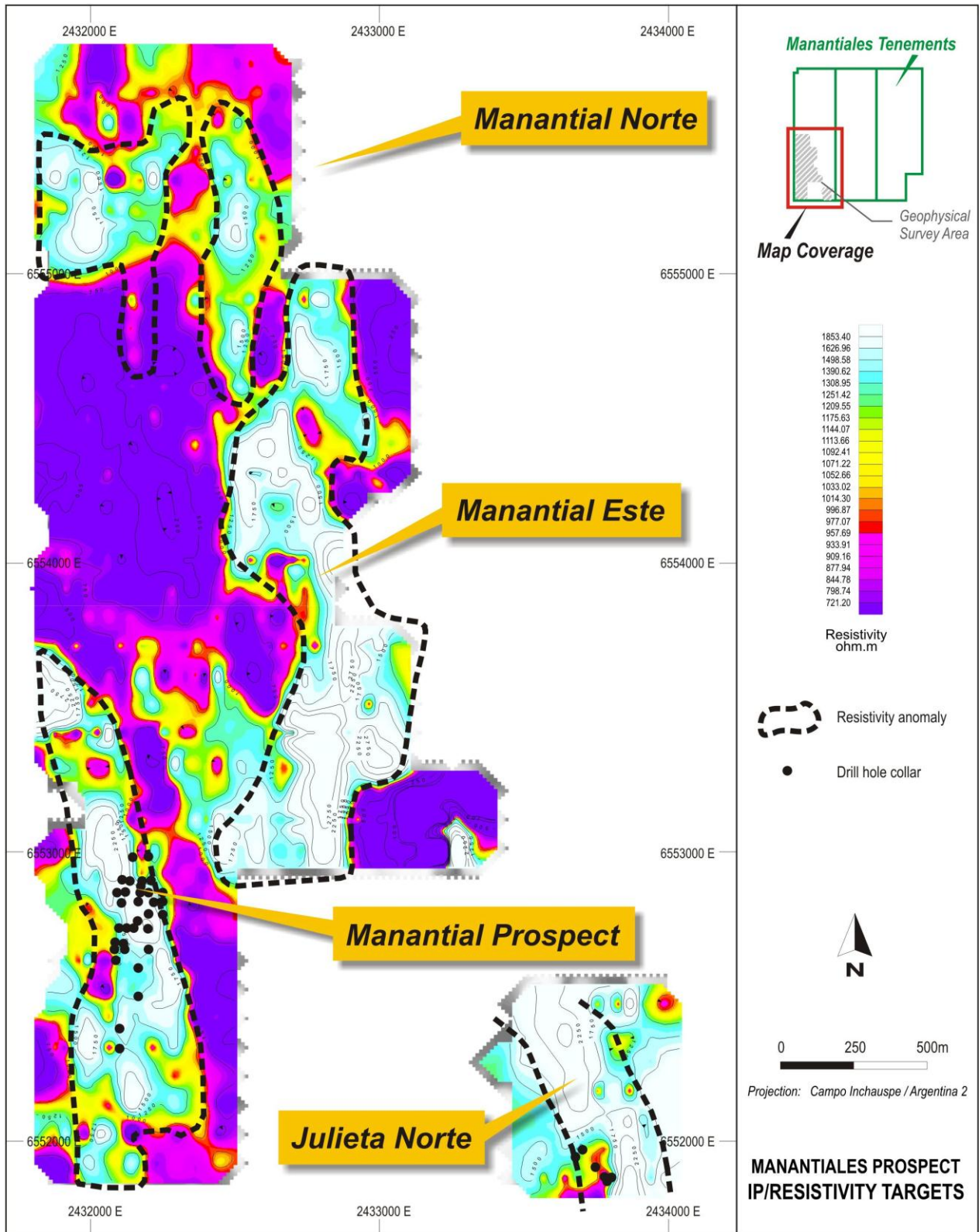


Figure 3: Map showing Copper anomalies in Niton-soil analysis, Millenium

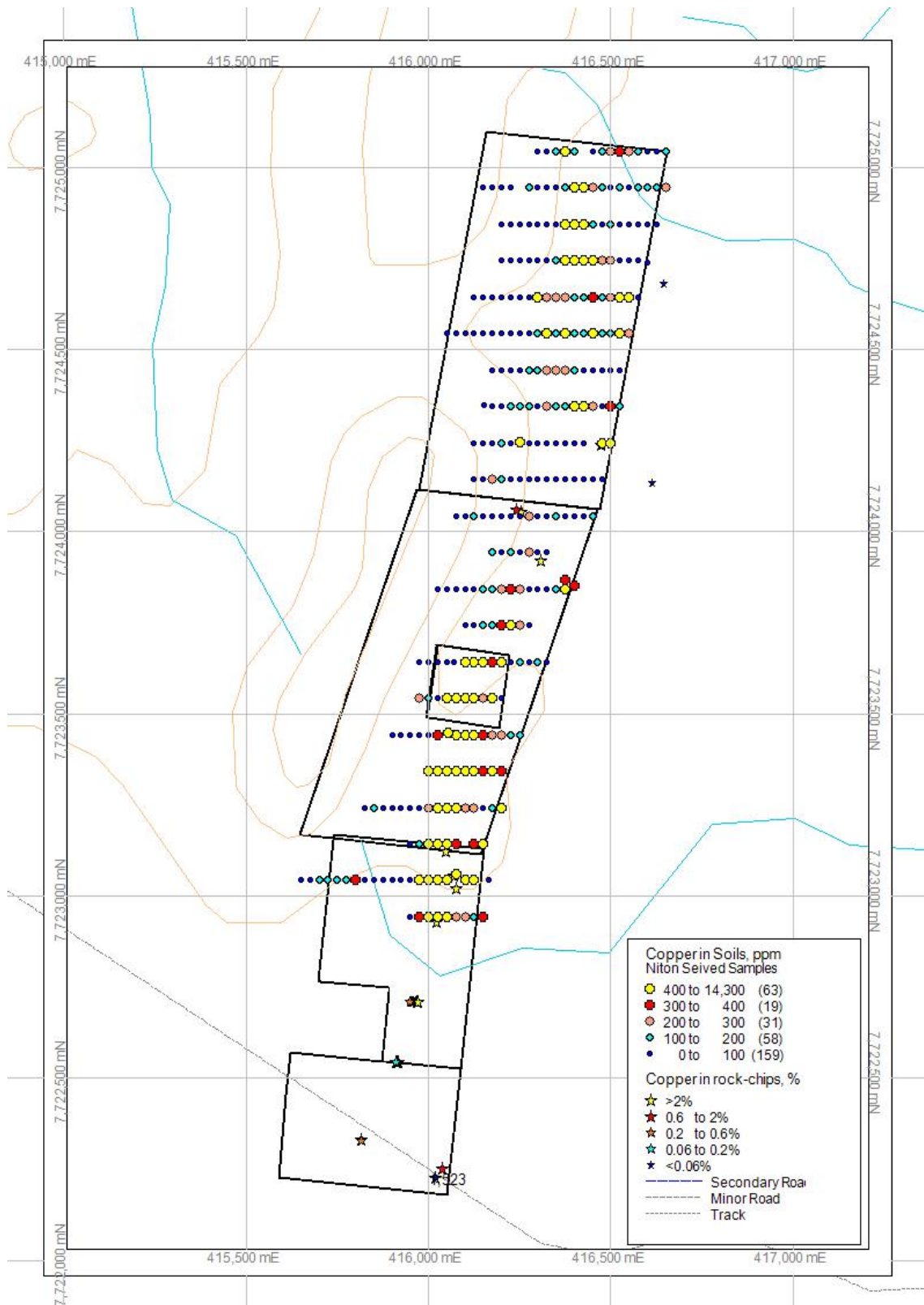
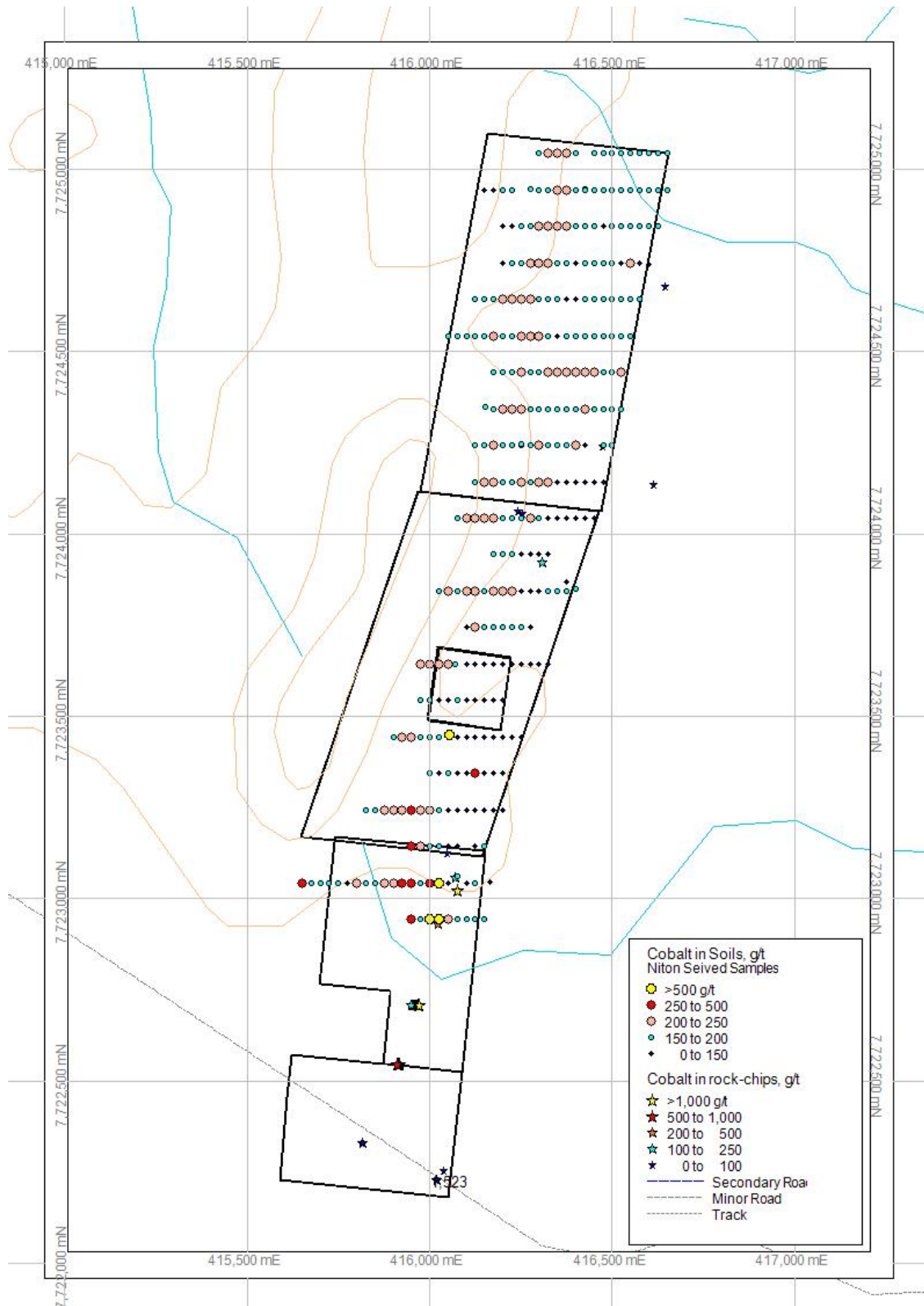


Figure 4: Map showing cobalt anomalies in Niton-soil analysis, Millenium.



Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/2010.

Name of entity

ELEMENTOS LIMITED

ABN

49 138 468 756

Quarter ended ("current quarter")

30 JUNE 2011

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(1186)	(2777)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	107	313
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(1684)	(4597)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(0)	(0)
1.9	Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows	(0)	(0)
1.13	Total operating and investing cash flows (carried forward)	(1684)	(4597)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1684)	(4597)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	Nil	7365
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other:		
	Cost of share issue (adjust for IPO)	Nil	(108)
	Net financing cash flows	Nil	7257
	Net increase (decrease) in cash held	(1684)	2660
1.20	Cash at beginning of quarter/year to date	10887	6567
1.21	Exchange rate adjustments to item 1.20	114	90
1.22	Cash at end of quarter	9317	9317

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	141
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1000
4.2 Development	Nil
4.3 Production	Nil
4.4 Administration	500
Total	1500

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	890	1498
5.2 Deposits at call	8427	9389
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	9317	10887

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

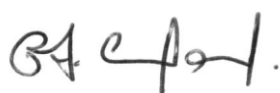
Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	82,383,526	77,068,979		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i> Unlisted Options			<i>Exercise price</i>	<i>Expiry date</i>
	5,500,000	Nil	25 cents	23 October 2015
	1,500,000	Nil	30 cents	17 December 2013
	1,200,000	Nil	25 cents	7 September 2015
	500,000	Nil	25 cents	30 November 2015
	1,000,000	Nil	35 cents	18 January 2017
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: Date: 28 July 2011

+ See chapter 19 for defined terms.

(Director/Company secretary)

Print name: Paul Crawford

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.