26 October 2011

QUARTERLY REPORT SEPTEMBER 2011

Highlights

- Manantiales Phase 2 diamond drilling, concentrating on Manantial vein
- Divisoria magnetometry survey identifies magnetic-low, which correlates to the gold–copper mineralisation mapped and sampled on surface
- Yvette magnetometry survey locates structural corridors which closely correlate to high-grade gold and silver anomalies on surface

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

MANANTIALES

Phase 2 drilling progress

During the quarter, a total of 2,143 metres of diamond core was drilled, primarily targeting the Manantial vein system. The Phase 2 drilling program is expected to consist of an additional 5,000 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 Phase 2 drilling program is expected to be completed in early October 2011.[1]

Results of the program will be released when all the final assays are received from the laboratory.

A Phase 3 diamond drilling program is being considered for early 2012. The objectives of that program would be:

- To continue testing the Manantial vein and expand the size of the known mineralisation identified in the first two phases of drilling;
- To continue testing for parallel blind vein structures at depth that have not been identified through surface mapping, as well as stockwork mineralisation in the alteration zone around the main vein systems; and
- To test the Manantial Este and Norte vein systems.

[1] Phase 2 drilling program completion was announced on 6th October.

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SANTO DOMINGO

Divisoria

During the quarter, the Company completed a ground-magnetometry survey at Divisoria. The aim of the survey was to test the magnetic response of the different alteration and mineralisation zones, and highlight potential structural corridors controlling higher-grade targets at depth.

The key highlights from the program included:

- Identification of a large magnetic low anomaly covering the main areas of known lower-grade disseminated and higher-grade vein-breccia style gold-copper mineralisation and alteration on surface – see Figure 1;
- The ground magnetometry also confirmed the main structural trends hosting the high-grade mineralisation, represented by veins and vein-breccia's cross-cutting the disseminated mineralisation; and
- Potential for porphyry mineralisation at depth over a greater area than had been mapped on surface.

Magnetic lows are considered to represent the alteration associated with the mineralising system. The lows in this survey correlate spatially with a 500 x 300 metre, north-east trending area of phyllic alteration and the highest disseminated gold and copper anomalies on surface - see Figure 1. This area also hosts narrow, high-grade gold, copper and silver quartz and quartz-breccia veins, in north-west and north-east trending structures.

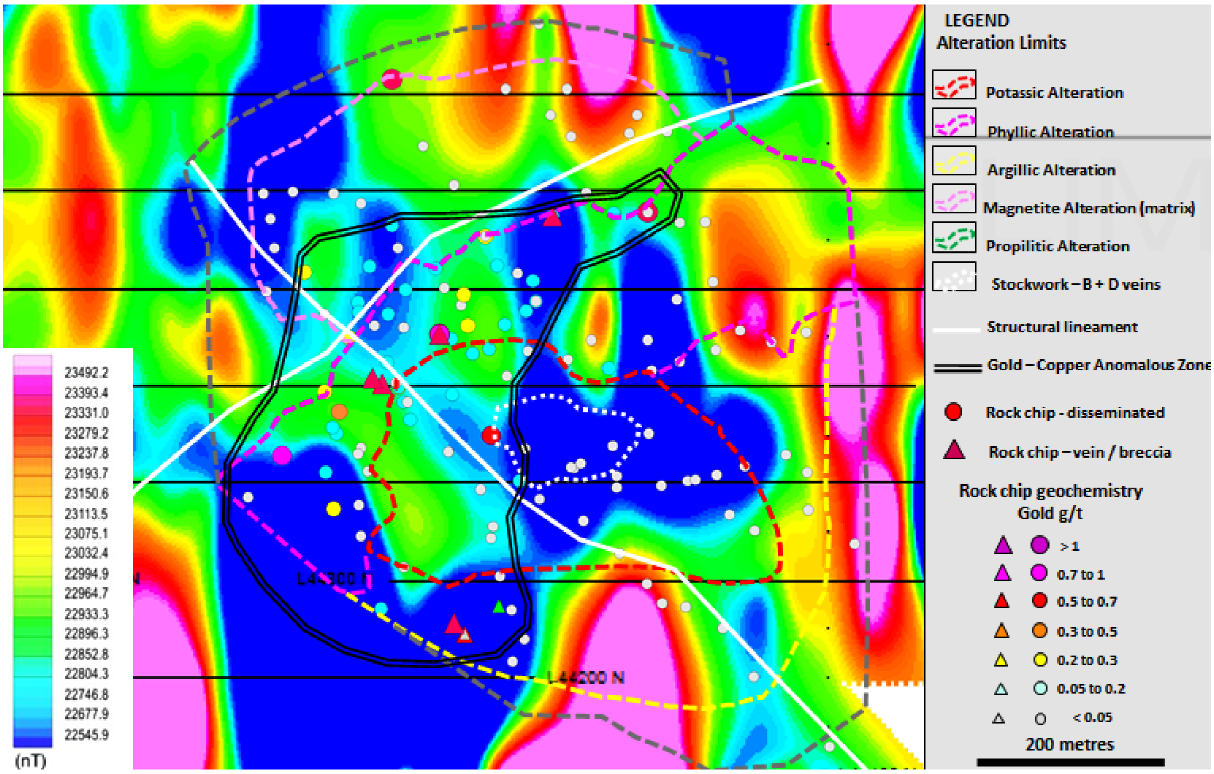

Figure 1 – Reduced-to-Pole Ground-Magnetometry geophysics at Divisoria outlining alteration zones, structure and location of rock chip sampling over disseminated, and vein and breccia mineralisation. Blue to green areas are magnetic lows (indicating magnetite destruction by hydrothermal alteration) and are well correlated with the main gold-copper anomalous zone delineated by surface sampling.

The results of the magnetometry survey are highly encouraging and demonstrate a pattern of magnetic lows related with porphyry mineralisation over a larger area than mapped on surface. Since the area of potential mineralisation is so large, additional IP pole-dipole geophysics will be completed to test for chargeability anomalies within the magnetic low areas, along with structural arrays to assess the potential for structurally-controlled higher-grade zones at depth.

A drilling program will be planned based on the combined results of both the magnetometry and IP geophysical surveys. Plans are advanced for a joint drilling program at Divisoria in conjunction with the Yvette polymetallic system. Drill permitting for Divisoria is complete. An additional approval is necessary for the recently discovered Yvette district, which is currently undergoing the provincial approval process.

Yvette

Magnetometry confirms structural trends at Yvette

Ground magnetometry at Yvette has successfully defined alteration areas representing structural trends that correlate with the mineralised shear zones and their potential extensions along strike under talus cover, see Figure 2. This is supported by good correlation between both low and moderate magnetic signatures (blue and green colours respectively) with the mapped structures and geochemical anomalies previously reported. The main features include a dominant north-south striking linear trend coincident with the previously reported gold-rich structures at Yvette Norte. This overprints a less marked north-east striking trend (coincident with previously reported silver-polymetallic rich structures) at Yvette Sur.

Sampling program

Further gold and silver-polymetallic structures have been encountered in shallow trenching alongside the Yvette Norte structure:

- 0.50 metres at 6.04 g/t gold and 33 g/t silver;
- 0.40 metres at 5.24 g/t gold and 14g/t silver;
- 0.20 metres at 6.09 g/t gold and 22 g/t silver; and
- 0.55 metres at 0.31g/t gold and 435 g/t silver.

Trenching program

Manual trenching is being carried out to expose potential mineralisation under shallow talus cover along the poorly exposed Yvette Norte gold–silver zone. This is being carried out with the aim of:

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

Infill and sub-parallel sampling was performed within a 250 metre section of the structure that contains previous high grade samples:

- 1.40 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.

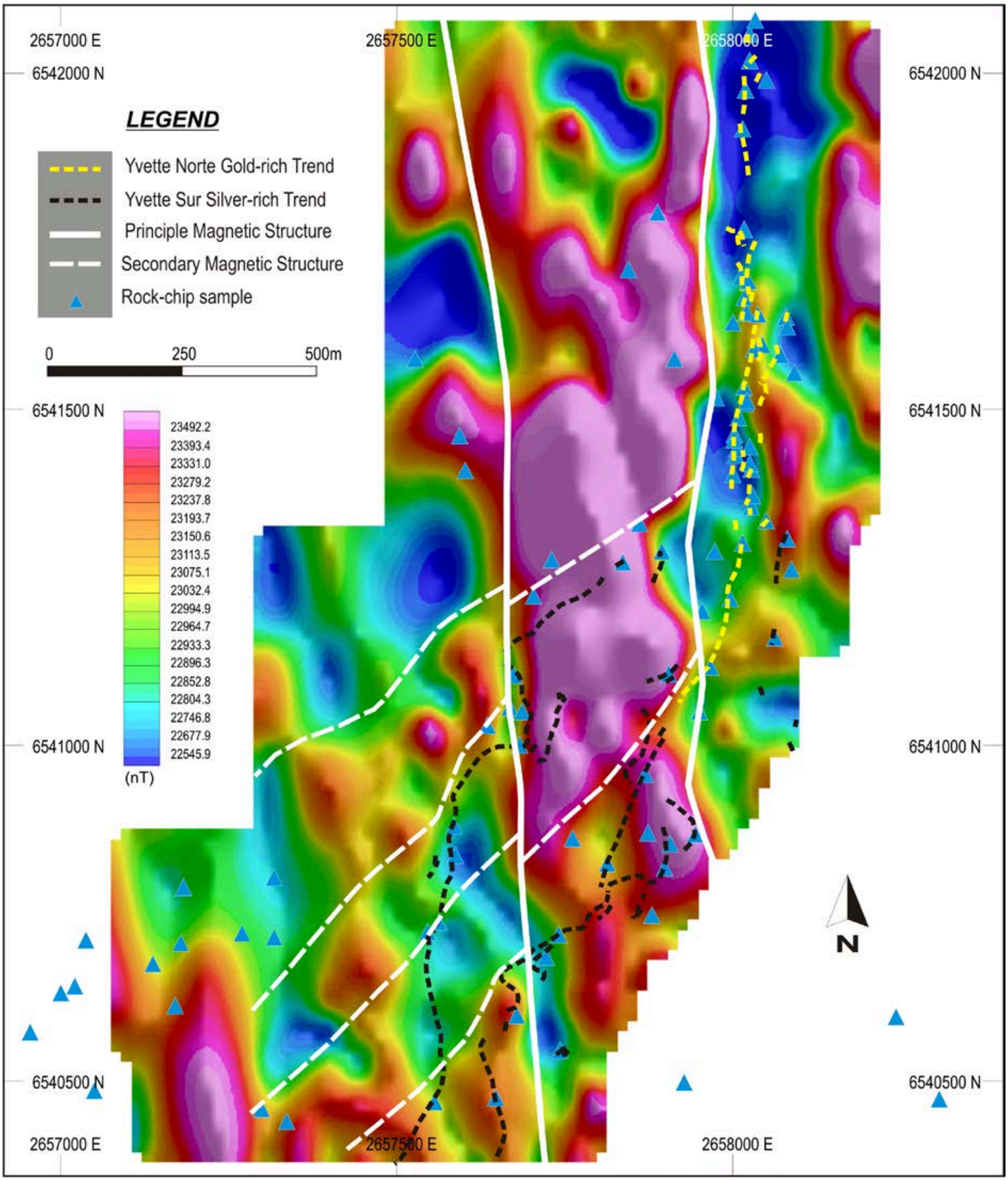

Figure 2 - Map of Yvette prospect outlining detailed surface mapping and sampling of Yvette Norte and Sur overlain on Reduced-to-Pole Ground-Magnetometry.

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

The Yvette Norte gold-rich zone is approximately 1.4 kilometres long and comprises poorly exposed, narrow (0.1 metres to 1.5 metres) pinching and swelling, shear-hosted mineralisation. 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-rich shear structures have now been identified throughout the Yvette area. Elementos has established a spatial relationship between the shear-hosted system and the porphyry environment at surface level, increasing the potential size of the combined mineralised systems.

Environmental permit applications for drilling at the Yvette prospect have been lodged and a drilling program will be scheduled once permitting is approved.

CATHEDRAL ROCKS

Exploration activities in Cathedral Rocks have focussed on prospecting and target generation work on both known and previously untested areas. This has successfully highlighted several previously unrecognised areas of indicative, low-grade mineralisation, which will be further explored during the coming year.

The Company is continuing a program of geological mapping and sampling to determine the potential for intrusive-related gold systems ("IRGS"). Several new areas of interest have been identified and sample results are being processed.

Current samples submitted to the laboratory include visible chalcopyrite from a Hillgrove-type prospect and visible molybdenite from an IRGS-style sheeted vein prospect.

An additional 600 square kilometres of new exploration permit applications have been lodged over new contiguous ground south and west of Cathedral Rocks. The new ground extends the existing tenement cover around the margins of the Round Mountain granodiorite, and the associated baked host-rocks to the west and north. These have proven to hold significant potential for IRGS-style mineralisation and Hillgrove-type shear-zone hosted gold, antimony and tungsten.

MILLENIUM

There were no exploration activities at Millenium during the quarter.

Native Title negotiations have commenced on the Company's Exploration Permit Applications 18773, 18793, 18982 and 18402.

Forte Energy NL is currently renewing the Mining Licences subject to an Option-to-Purchase contract with Elementos.

CORPORATE

Corporate development

The Company continues to explore acquisition targets 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 property with defined resources.

Cash reserves

At the end of the quarter, the Company's cash reserves were $7.2 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 style of mineralisation and type 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.

4Rule 5.3

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	Quarter ended ("current quarter")
49 138 468 756	**30 SEPTEMBER 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	(1,809)	(1,809)
	(b) development		
	(c) production		
	(d) administration	(587)	(587)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	117	117
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	(2,279)	(2,279)
	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)	(2,279)	(2,279)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(2,279)	(2,279)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
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		
	Net financing cash flows	0	0
	Net increase (decrease) in cash held	(2,279)	(2,279)
1.20	Cash at beginning of quarter/year to date	9,317	9,317
1.21	Exchange rate adjustments to item 1.20	130	130
1.22	**Cash at end of quarter**	7,168	7,168

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	115
1.24	Aggregate amount of loans to the parties included in item 1.10	0

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	1,000
4.2	Development	0
4.3	Production	0
4.4	Administration	500
	Total	1,500

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	613	890
5.2	Deposits at call	6,555	8,427
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	7,168	9,317

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	EPMA 19371 EPMA 19375 ELA 4386 ELA 4387	All metals and minerals other than coal or gas	0%	100%

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** *(description)*				
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** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)* Unlisted Options	5,500,000 1,500,000 1,200,000 500,000 1,000,000	Nil Nil Nil Nil Nil	*Exercise price* 23.3 cents 30.0 cents 25.0 cents 23.3 cents 33.3 cents	*Expiry date* 23 October 2015 17 December 2013 7 September 2015 30 November 2015 18 January 2017
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

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: 26 October 2011
(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.