

# Prospectus

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Elementos Limited ACN 138 468 756

A non-renounceable entitlement offer to Eligible Shareholders of four New Shares for every five Shares held at an issue price of \$0.035 per New Share, plus one free New Option for every two New Shares subscribed for, to raise approximately \$2,306,738.74 before costs of the Offer

**This Offer is underwritten up to \$1,513,222.34. In addition, the Company has received pre-commitments from existing Shareholders totalling \$793,516.40, representing the balance of the Offer.**

Lead Manager and Underwriter to the Offer

Patersons Securities Limited

**This document is important and it should be read in its entirety.**

Your Entitlement and Acceptance Form must be received by the Share Registry with your payment no later than 5:00pm (Brisbane time) on the Closing Date. Please refer to the timetable set out in this Prospectus for the important dates.

If you are in any doubt as to the contents of this document, you should consult your stockbroker, solicitor, banker, financial adviser or accountant as soon as possible. The securities offered by this Prospectus are considered to be highly speculative.

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## Offer Statistics

Number of New Shares to be issued	65,906,821
Number of New Options to be issued	32,953,410
Offer Price per New Share	\$0.035

## Timetable for Important Dates

Prospectus lodged with ASIC and ASX	28 August 2012
Notice sent to Eligible Shareholders with information on the Offer	29 August 2012
Shares commence trading ex-rights	31 August 2012
Record Date for the Offer	6 September 2012
Prospectus dispatched to Eligible Shareholders	10 September 2012
Opening Date of Offer	10 September 2012 (9:00am AEST)
Closing Date of Offer	28 September 2012 (5:00pm AEST)
New Shares and New Options quoted on a deferred settlement basis	2 October 2012
Expected date of allotment and dispatch of holding statements for the New Shares and New Options issued under the Offer	9 October 2012
Expected date for commencement of normal trading of New Shares and New Options issued under the Offer on the ASX	10 October 2012

These dates are indicative only and subject to change without notice. The Company, in conjunction with the Underwriter, may extend the period of the Offer or bring forward the closing date at their discretion. This may have a consequential effect on the other dates.

## Important Notices

This Prospectus is dated 28 August 2012 and was lodged with ASIC on the same date. Neither ASIC nor ASX takes any responsibility as to the contents of this Prospectus. No securities will be issued on the basis of this Prospectus any later than 13 months after the date of issue of this Prospectus.

This Prospectus contains an offer to Eligible Shareholders of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with Section 713 of the Corporations Act.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

The Offer is made only to those Eligible Shareholders with registered addresses in Australia and New Zealand and only those Eligible Shareholders will be offered New Shares. In making this offer to Eligible Shareholders in New Zealand, the Company is relying on the *Securities Act (Overseas Companies) Exemption Notice 2002 (NZ)*, by virtue of which this Prospectus is not required to be registered in New Zealand.

The Company has not investigated the regulatory requirements that may prevail in any country in which the Company's Shareholders may reside outside of Australia and New Zealand. The distribution

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of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe those restrictions. Any failure to comply with restrictions might constitute a violation of applicable securities laws.

## **How to Accept Entitlement to New Shares and New Options**

Entitlements to New Shares and New Options can be accepted in full or in part by completing and returning the Entitlement and Acceptance Form which is accompanying this Prospectus in accordance with the instructions set out in this Prospectus and in the Entitlement and Acceptance Form.

This Prospectus is available in electronic form on the Internet at [www.elementos.com.au](http://www.elementos.com.au). If you wish to obtain a free copy of this Prospectus, please contact the Company on +61 7 3221 7770.

## **Competent Persons' Statement**

The information in this Prospectus that relates to Exploration Results, Mineral Resources or Ore Reserves at the Company's Tamaya - Chile, Millenium - Australia and Selwyn South - Australia projects, 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 the Company and has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he 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 Prospectus of the matters based on his information in the form and context in which it appears.

The information in this Prospectus that relates to Exploration Results, Mineral Resources or Ore Reserves at the Company's Mercedes - Chile, Manantiales - Argentina and Santo Domingo - Argentina projects, is based on information compiled by Mr Gustavo Delendatti, a member of the Australian Institute of Geoscientists. Mr Delendatti is a full-time employee of the Company and its subsidiaries, and has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he 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 Delendatti consents to the inclusion in the Prospectus of the matters based on his information in the form and context in which it appears.

## **Forward Looking Statements**

Certain statements in this Prospectus constitute forward looking statements. Investors should note that these statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from anticipated results, implied values, performance or achievements expressed, projected or implied in the statements. These risks, variables and factors include, but are not limited to, the matters described in Section 6. The Company gives no assurance that the anticipated results, performance or achievements expressed or implied in those forward-looking statements will be achieved.

## **Warning**

No person named in this Prospectus, nor any other person, guarantees the performance of Elementos, the repayment of capital or the payment of a return on the New Shares or New Options. Please read this document carefully before you make a decision to invest. An investment in the Company has specific risks which you should consider before making a decision to invest.

## **Privacy**

The privacy obligations and policy relating to this Prospectus are contained in the privacy disclosure statement in Section 7.

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## Chairman's Letter

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28 August 2012

Dear Shareholder,

On behalf of the Board of Directors, I am pleased to present you with a Prospectus for the Company's current pro-rata entitlement offer. Each Eligible Shareholder is being offered the right to acquire additional fully paid ordinary shares in the Company (**New Shares**) at a discounted issue price of \$0.035 per New Share, plus one free option for every two New Shares subscribed for (**New Options**), to raise approximately \$2,306,738.74 (**Offer**). The number of New Shares to which you are entitled is specified in the enclosed Entitlement and Acceptance Form. This has been determined on the basis of four New Shares for every five Shares registered in your name as at 7:00pm on 6 September 2012. The New Options will have an exercise price of \$0.06 and an expiry date of 9 April 2014, being 18 months from the date of allotment. Patersons Securities Limited is the Lead Manager and Underwriter to the Offer.

Global equity and commodity markets have deteriorated substantially during 2012, reflecting the slowdown in global economic growth. As equity prices and investor support for exploration companies has weakened, the task of raising new equity capital for greenfield exploration has become increasingly difficult. The Directors of Elementos are resolved, however, to pursue a strategy that provides the best opportunity to re-position Elementos, should we have exploration success at our exciting copper project in Chile.

Funds raised from the Offer will be applied to advancing the Tamaya copper project, including geophysics and drilling, and payment of the Offer costs. Early exploration results at Tamaya – including sampling, mapping and geophysics – have produced encouraging results, and a number of advanced targets have been prepared for future drilling.

Positioned in a major Chilean copper belt, close to major mines, deposits and support infrastructure, Tamaya was historically an extraordinarily high-grade copper operation which the Directors believe has significant exploration and resource potential.

This Offer provides Eligible Shareholders with the opportunity to support the Company's Chilean strategy, and by doing so, increase their investment in the Company at an attractive price. The Offer is being strongly supported by Directors who own or control Shares, existing Shareholders and experienced resource investors, including:

- Andes Investors LLC, a Texas based investment company associated with James Calaway, a Non-executive Director of Elementos, is acquiring its Entitlement and sub-underwriting a further \$770,194.02 of the Offer; and
- Other Shareholders including Neil Stuart, a previous director of the Company, Belmont Park Investments Pty Ltd and Panorama Ridge Pty Ltd will take up their full Entitlements.

I urge you to consider this Offer carefully, and to read the Prospectus in full before making a decision. This is a highly speculative investment and we recommend that investors read Section 6, which outlines the key risk factors specific to an investment in the Company and other general risk factors, carefully. If there is any matter on which you require further information, you should consult your stockbroker, accountant or other professional adviser.

Yours sincerely,



A. Anthony McLellan  
Chairman

# Prospectus

## 1. Investment Overview

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The information set out in this section is not intended to be comprehensive and should be read in conjunction with the full text of this Prospectus.

### 1.1 The Offer

This Prospectus is for the non-renounceable entitlement offer of approximately 65,906,821 New Shares at an issue price of \$0.035 per New Share, plus one free New Option for every two New Shares subscribed for, on the basis of four New Shares for every five Shares held by Eligible Shareholders as at the Record Date of 6 September 2012 (**Offer**).

There is no minimum subscription to the Offer.

The Offer is underwritten by Patersons Securities Limited up to \$1,513,222.34. In addition, the Company has received pre-commitments from existing Shareholders totalling \$793,516.40, representing the balance of the Offer.

On the same date as announcing the Offer, the Company applied to the ASX for the New Shares and New Options to be granted Official Quotation on the ASX. Official Quotation of the New Shares is expected to occur on or about 10 October 2012.

The New Options constitute a new class of security to be quoted on ASX requiring the New Options to meet the criteria for a new class of security to be quoted by ASX pursuant to the Listing Rules. The Company has applied for Official Quotation of the New Options but as the date of this Prospectus, cannot guarantee that quotation of the New Options will meet the minimum holder (50 holders of New Options) criteria. The Company, in conjunction with the Underwriter, intends to use reasonable endeavours to ensure that the minimum holding criteria is met and that ASX approval of Official Quotation of the New Options is received.

If Official Quotation approval is not granted, the New Options will not be quoted, however, the Company will apply for the quotation of any resultant Shares issued by the Company on exercise of each New Option. If the New Options receive quotation approval, Official Quotation is expected to commence on or about 10 October 2012.

The Directors may at any time decide to withdraw this Prospectus and the Offer of New Shares and New Options made under this Prospectus, in which case the Company will return all Application Monies (without interest) within 28 days of giving notice of such withdrawal.

### 1.2 Terms of New Shares and New Options

Upon issue, each New Share will rank equally with all existing Shares then on issue. A summary of the rights and liabilities attaching to the New Shares is set out in Section 7.4.

The New Options will have an exercise price of \$0.06 and an expiry date of 9 April 2014, being 18 months from the date of allotment. The full terms and conditions of the New Options are contained in Section 7.5.

### 1.3 Acceptance of Entitlement to New Shares and New Options

The number of New Shares and New Options to which an Eligible Shareholder is entitled and the total amount an Eligible Shareholder would have to pay if they choose to take up all of their rights to subscribe for New Shares and New Options is shown on the Entitlement and Acceptance Form accompanying this Prospectus. This Prospectus is for the information of Eligible Shareholders who are entitled and may wish to apply for the New Shares and New Options. Fractional entitlements will be rounded to the nearest whole number.

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Entitlements to New Shares and New Options can be accepted in full or in part by completing and returning the Entitlement and Acceptance Form which accompanies this Prospectus in accordance with the instructions set out below and in the Entitlement and Acceptance Form. Eligible Shareholders will receive one free New Option for every two New Shares subscribed for.

Application Monies for the New Shares must be received by the Company at its Share Registry by 5.00pm on the Closing Date of 28 September 2012. Please refer to the timetable for the important dates of the Offer. No additional consideration is payable for the New Options.

## 1.4 Additional New Shares

New Shares that are not acquired by Eligible Shareholders under the Offer will be placed in a pool of shares referred to as Additional New Shares.

Eligible Shareholders who have accepted their Entitlement in full may apply for Additional New Shares, in addition to their Entitlement, at the Offer Price. Directors of Elementos (and any other related parties of Elementos) are not permitted to apply for Additional New Shares but may take up their Entitlement, if any, and/or participate as a sub-underwriter as disclosed in this Prospectus.

In the event that there is a Shortfall in subscriptions, the Directors in consultation with the Underwriter, reserve the right, as contemplated within the Listing Rules and subject to the terms of the Underwriting Agreement and Sub-underwriting Agreement, to allocate any Shortfall of New Shares in their discretion (which may include to subscribers for Additional New Shares) so as to ensure a maximum amount of funds is raised. Under the terms of the Sub-underwriting Agreement, Andes Investors LLC is required (and entitled) to subscribe for up to the first 22,005,543 New Shares (representing \$770,194.02) comprising the Shortfall after the close of the Offer after allowing for successful applications for Additional New Shares.

Applications for Additional New Shares can be made by completing the Additional New Shares section of the Entitlement and Acceptance Form, in accordance with the instructions on the form, and including the consideration for these Additional New Shares with the payment for your Entitlement. Successful applicants will also receive one free New Option for every two Additional New Shares subscribed for.

There is no guarantee that Eligible Shareholders will be successful in being allotted any of the Additional New Shares that they may apply for. The Company may reject any application for Additional New Shares or allocate fewer New Shares than applied for by subscribers for Additional New Shares.

## 1.5 Purpose of the Offer and Use of Funds

The Directors intend to apply the proceeds from the Offer to:

- (a) undertake geophysics and drilling at the Tamaya project in Chile; and
- (b) pay the costs of the Offer.

The Company intends to allocate the funds raised from the Offer as set out below:

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Project/Purpose	\$
Geophysics and drilling at the Tamaya project in Chile	\$2,119,766.42
Offer costs	\$186,972.32
<b>TOTAL</b>	<b>\$2,306,738.74</b>

However, in the event that circumstances change, business opportunities vary from expected, or other beneficial opportunities arise, the Directors reserve the right to vary the proposed use of funds to maximise the benefit to Shareholders.

## 1.6 Directors' Intentions in Respect of Entitlements

As at the date of this Prospectus, some of the Directors of Elementos have either a direct or indirect interest in Shares. Set out below is a table summarising the Entitlement of each Director (based on their current holding) and how they intend to treat their Entitlements.

Director	Shares	Entitlement	Intentions
A. Anthony McLellan	Nil (plus 2,000,000 Options to acquire Shares)	Nil	-
Corey Nolan	146,786 (plus 2,500,000 Options to acquire Shares)	117,429 New Shares 58,714 New Options	Take up Entitlement in full
Mark McCauley	Nil <sup>1</sup> (plus 500,000 Options to acquire Shares)	Nil	-
James Calaway	11,937,291 (plus 1,000,000 Options to acquire Shares)	9,549,833 New Shares 4,774,916 New Options	Take up Entitlement in full for Andes Investors LLC (7,926,428 New Shares and 3,963,214 New Options) Allow Entitlement to lapse for Lithium Investors LLC (1,623,405 New Shares and 811,702 New Options) <sup>2</sup>

Note 1: Mark McCauley's father, Ian McCauley, is the sole director of and controls Belmont Park Investments Pty Ltd, an entity that holds 4,230,770 Shares in the Company and that has indicated its intention to take up its full Entitlement under the Offer. However, Mark McCauley does not have any direct or indirect interest in the Shares held by Belmont Park Investments Pty Ltd.

Note 2: Although James Calaway intends to allow the Entitlement to lapse for Lithium Investors LLC, under the terms of the Sub-underwriting Agreement, Andes Investors LLC, another entity associated with James Calaway, is required (and entitled) to subscribe for up to the first 22,005,543 New Shares

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(representing \$770,194.02) comprising the Shortfall after the close of the Offer after allowing for successful applications for Additional New Shares.

## 1.7 Underwriting and Potential Effects on Control

The Offer is underwritten by Patersons Securities Limited up to 42,234,924 New Shares, representing \$1,513,222.34. Details of the Underwriting Agreement are contained in Section 7.11 of this Prospectus.

Patersons Securities Limited currently has no interest in any Shares. Accordingly, if Patersons Securities Limited was required to subscribe for all of the New Shares it has agreed to underwrite, upon completion of the Offer, Patersons Securities Limited could have an interest in up to 21,229,381 Shares, representing 14.32% of the Shares on issue after completion of the Offer, depending on the take up of the Entitlements of the other Shareholders. In addition, after completion of the Offer, the Underwriter could have an interest in up to 10,614,690 Options.

Please refer to Section 5 for further details.

## 1.8 Sub-underwriting and Potential Effects on Control

The Offer is sub-underwritten by Andes Investors LLC, an entity associated with James Calaway, a Director of the Company. Under the terms of the Sub-underwriting Agreement, Andes Investors LLC is required (and entitled) to subscribe for up to the first 22,005,543 New Shares (representing \$770,194.02) comprising the Shortfall after the close of the Offer after allowing for successful applications for Additional New Shares.

Details of the Sub-underwriting Agreement are contained in Section 7.12 of this Prospectus.

Entities associated with James Calaway currently have, in aggregate, an interest in 11,937,291 Shares. Accordingly, if Andes Investors LLC was required to subscribe for all of the New Shares it has agreed to sub-underwrite, upon completion of the Offer, entities associated with James Calaway could have an interest in up to 41,869,262 Shares, representing 28.23% of the Shares on issue after completion of the Offer, depending on the take up of the Entitlements of the other Shareholders. In addition, after completion of the Offer, entities associated with James Calaway could have an interest in up to 21,934,631 Options.

Please refer to Section 5 for further details.

## 1.9 Investment Highlights

- *Substantial ground positions* – more than 1,000 km<sup>2</sup> in Chile, Argentina and Australia – in some of the world's most significant base and precious metal districts
- *Advanced projects* – geological potential to host economic resources and short term strategies to realise value:
  - Tamaya – IP geophysics and 5,000 metres of drilling in 2012
  - Santo Domingo – joint venture discussions to fund porphyry drilling
  - Manantiales – evaluation of resources and new targets
- *Geological expertise* – significant Andean and Australian geological expertise and experience
- *Copper and gold focus* – targeting commodities with attractive supply and demand fundamentals and price outlooks

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- *Cash resources* – well-funded to complete 2012 objectives (on completion of the Offer)

Please refer to Section 3 for further details.

## 1.10 Risk Factors

Investing in the Company involves risk. There are factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance of the Company. Some of these factors can be mitigated by appropriate commercial action. However, many are outside the control of the Company, dependent on the policies adopted and approaches taken by regulatory authorities, or cannot otherwise be mitigated. If you are unsure about subscribing for New Shares and New Options, you should first seek advice from your stockbroker, accountant, financial or other professional adviser.

The following sets out a summary of some of the key risks relevant to the Company and its operations (further detail is contained in Section 6):

<b>Risk</b>	<b>Details</b>
Exploration Risk	By its nature, the business of exploration is a highly speculative endeavour and involves significant risks. The Company's performance depends on the successful exploration and/or acquisition of Resources or Reserves, competent operational management and efficient financial management. The Company undertakes sampling, geophysics and drilling programs, and the outcomes of these programs will dictate the future performance of the Company. Further, the nature of exploration can sometimes result in industrial accidents and other incidents beyond the control of the Company.
Additional Requirements for Capital	Depending on the outcome of the Company's exploration programs, in particular the geophysics and drilling proposed to be undertaken at the Tamaya project in Chile, the Company will require further financing in addition to amounts raised under this Prospectus. Any additional equity financing will dilute shareholdings and debt financing and, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programs. In addition, the Company's ability to continue as a going concern may be diminished. There is no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company and such circumstances will adversely affect the Company.
Feasibility and Development Risks	Given the early stage of the Company's projects, there will be a complex, multidisciplinary process to be undertaken to complete a feasibility study to support any development proposal. There is a risk that the feasibility study and associated technical works will not achieve the results expected. There is also a risk that even if a positive feasibility study is produced, the project may not be successfully developed for commercial or financial reasons.
Exploration Targets	The geological characteristics of the Company's exploration targets appear to have similar characteristics to locations where established exploration and mining operations are being successfully conducted. Similarity of geological characteristics is not determinative of any similarity in actual mineral Resources. Whilst

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Risk	Details
	those characteristics may encourage explorers like the Company to commit expenditure to drilling programs, it must be appreciated that a substantial and real risk still exists that no viable Resource will be identified. As such, it is important that geological similarities be appreciated in the context that they only provide an indication rather than any determinative evidence of any viable outcome.
Foreign Investment Risk	The Company has operations, interests and assets located in foreign jurisdictions. As a result, the Company is subject to political, economic and other uncertainties, including but not limited to changes in mining and exploration policies or the personnel administering them, nationalisation or expropriation of property, cancellation or modification of contractual rights, foreign exchange restrictions, currency exchange rate fluctuation, royalty and tax increases and other risks arising out of foreign government sovereignty over the areas in which the Company's operations are conducted.
The Company's key assets are its interests in Mineral Tenements in Australia, Argentina and Chile	Changes in Australian, Argentinean and Chilean laws and regulations will have a significant effect on the Company's exploration operations, especially changes to environmental, mining, grant or renewal of concessions and taxation.
Future Government Actions	Future government actions concerning the economy or the operation and regulation of the mining industry could have a significant effect on the Company. No assurances can be given that the Company will not be adversely affected by any future developments in countries in which it operates.
Status of Mineral Tenements on Application	A number of the Company's projects are in the application process and have yet to be formally registered. While the Company is not aware of any impediments, there is no certainty that the rights for which the Company or the tenement owner have applied, will be granted and that the Company will acquire the rights that flow from such grant.
Tenement Interests	To the extent that the Company's interests in its tenements are contractual only, there is a risk that the counterparty may be unwilling or unable to comply with the terms of the relevant contracts. There is no certainty that the Company will be able to obtain adequate damages or specific performance in the case of such default and this may have a material impact on the value of the Company and its securities.
Contractors	The Company is dependent on contractors and suppliers to supply vital services to its operations. The Company is therefore exposed to the possibility of adverse developments in the business environments of its contractors and suppliers. Any disruption to services or supply may have an adverse effect on the financial performance of the Company.
Reliance on Key Personnel	In formulating its exploration programs, the Company relies to a significant extent upon the experience and expertise of the Directors and management.

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Risk	Details
	<p>Although information concerning the Company's tenements has been chronicled, the loss of one or more of these key personnel may adversely affect the Company's prospects of pursuing its exploration programs within the timeframes and within the cost structure currently envisaged.</p> <p>Although the key personnel have a considerable amount of experience and have previously been successful in their pursuits of important prospecting discoveries, there is no guarantee or assurance that they will be successful in their objectives pursuant to this Company.</p>
Employees	<p>The ability of the Company to achieve its objectives depends on being able to retain certain key employees, skilled operators and tradespeople. Whilst the Company has entered into employment contracts with key employees, the retention of their services cannot be guaranteed. The loss of key employees or skilled operators and tradespeople could significantly affect the performance of the Company's operations.</p>
Tenements	<p>A failure to adhere to the statutory expenditure requirements in relation the Company's mineral tenements will, unless an exemption is granted, make one or more of the tenements subject to possible forfeiture and the loss by the Company of the associated rights to the tenements.</p>
Native Title, Aboriginal Heritage and Heritage	<p>The <i>Native Title Act 1993</i> (Cth) recognises certain rights of indigenous Australians over land where those rights have not been extinguished. These rights, where they exist, may impact on the ability of the Company to carry out exploration and in future, mining activities, or obtain exploration or mining licences in Australia. In applying for licences over crown land, the Company must observe the provisions of Native Title legislation.</p>
Tenure and Access	<p>The Company's tenements are subject to numerous specific legislative conditions. The renewal of the term of a granted tenement in Australia is subject to discretion of the relevant Minister. Renewal conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the tenements comprising the Company's projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.</p>
Joint Ventures	<p>The Company may wish to develop its projects or future projects through joint venture arrangements, while some projects are already the subject of joint venture agreements. Any joint ventures entered into by, or interests in joint ventures assigned to the Company could be affected by the failure or default of any of the joint venture participants.</p>
Dividend Policy	<p>The Company has not declared a dividend for the year ended 30 June 2011 and does not intend to pay dividends for the year ended 30 June 2012. Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of profit, operating results, the financial position of the Company, future capital requirements and</p>

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Risk	Details
	general business and other factors considered relevant by the Directors. No assurances in relation to the payment of dividends, or the franking credits attached to such dividends, can be given.
Investment Speculative	Potential investors should consider that an investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for New Shares and New Options.

In addition, there are a number of general risks that are common to all investments in shares and are not specific to the business model and operations of the Company. Further details regarding risks which may affect the Company in the future are set out in Section 6.

The New Shares and New Options offered under this Prospectus carry no guarantee of profitability, dividends, return of capital or the price at which they may trade on ASX. The past performance of the Company should not necessarily be considered a guide to their future performance.

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## 2. Details of the Offer

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### 2.1 Offer to Eligible Shareholders

The Directors of Elementos have approved a non-renounceable entitlement offer of approximately 65,906,821 New Shares at \$0.035 per New Share, plus one free New Option for every two New Shares subscribed for, to raise approximately \$2,306,738.74 (before costs of the Offer). Eligible Shareholders of Elementos are entitled to subscribe for four New Shares for every five Shares held. In addition, Eligible Shareholders will receive one free New Option for every two New Shares subscribed for. Only those Shareholders shown on the share register at 7:00pm (AEST) on the Record Date of 6 September 2012 will be entitled to participate in the Offer.

Elementos has applied to the ASX for the New Shares and New Options to be granted Official Quotation on the ASX. Official Quotation of the New Shares is expected to occur on or about 10 October 2012. Please refer to Section 2.11 below for further details regarding Official Quotation of the New Options. ASX Participating Organisations (as defined in the ASX Business Rules) cannot deal in the New Shares or New Options either as principal or agent until Official Quotation is granted.

### 2.2 Eligible Shareholders

The Offer is open to Eligible Shareholders, that is Shareholders who are registered as at 7:00pm (AEST) on the Record Date of 6 September 2012 with addresses in Australia and New Zealand.

Eligible Shareholders do not include Shareholders with registered addresses outside Australia and New Zealand.

### 2.3 Entitlement

As an Eligible Shareholder, your Entitlement will be based on a pro-rata ratio of four New Shares for every five Shares held as at 7:00pm on the Record Date. Eligible Shareholders will also receive one free New Option for every two New Shares subscribed for. In total, up to 65,906,821 New Shares and 32,953,410 New Options will be issued pursuant to the Offer (unless Existing Options are exercised, as described in Section 2.15). In calculating the Entitlement, fractional entitlements to New Shares determined in respect of each holding will be rounded to the nearest whole number of New Shares. The Entitlement to New Options will be based on one free New Option for every two New Shares subscribed for. The Offer Price for New Shares will be \$0.035 per New Share. No additional consideration is payable for the New Options.

Your Entitlement is non-renounceable, which means it cannot be sold.

### 2.4 Additional New Shares

New Shares that are not acquired by Eligible Shareholders under the Offer will be placed in a pool of shares referred to as Additional New Shares.

Eligible Shareholders who have accepted their Entitlement in full may apply for Additional New Shares, in addition to their Entitlement, at the Offer Price. Directors of Elementos (and any other related parties of Elementos) are not permitted to apply for Additional New Shares but may take up their Entitlement, if any, and/or participate as a sub-underwriter as disclosed in this Prospectus.

In the event that there is a Shortfall in subscriptions, the Directors in consultation with the Underwriter, reserve the right, as contemplated within the Listing Rules and subject to the

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terms of the Underwriting Agreement and Sub-underwriting Agreement, to allocate any Shortfall of New Shares in their discretion (which may include to subscribers for Additional New Shares) so as to ensure a maximum amount of funds is raised. Under the terms of the Sub-underwriting Agreement, Andes Investors LLC is required (and entitled) to subscribe for up to the first 22,005,543 New Shares (representing \$770,194.02) comprising the Shortfall after the close of the Offer after allowing for successful applications for Additional New Shares.

As Elementos may receive applications for more Additional New Shares than are available, applications for Additional New Shares may be scaled back if the Offer is oversubscribed. This means you may not receive the full number of Additional New Shares that you applied for. If this is the case your Application Monies in respect of those Shares will be refunded without interest.

Allocation of Additional New Shares will be made by the Board of Elementos in its absolute discretion, in consultation with the Underwriter. This may result in no Additional New Shares being allocated to an Applicant or the amount applied for being scaled back.

The ability for Elementos to issue Additional New Shares is dependent upon the extent of any Shortfall to the Offer. Applications for Additional New Shares must be made in the section on the Entitlement and Acceptance Form accompanying this Prospectus.

Applications for Additional New Shares can be made by completing the Additional New Shares section of the Entitlement and Acceptance Form, in accordance with the instructions on the form, and including the consideration for these Additional New Shares with the payment for your Entitlement. Successful applicants will also receive one free New Option for every two Additional New Shares subscribed for.

There is no guarantee that Eligible Shareholders will be successful in being allotted any of the Additional New Shares that they may apply for. The Company may reject any application for Additional New Shares or allocate fewer New Shares than applied for by subscribers for Additional New Shares.

## 2.5 How to Apply Under the Offer

Entitlements to New Shares and New Options under the Offer can be accepted in full or in part by completing and returning the Entitlement and Acceptance Form which accompanies this Prospectus in accordance with the instructions set out on the Entitlement and Acceptance Form and forwarding the completed Entitlement and Acceptance Form together with the full amount payable so as to reach the Share Registry by no later than 5.00pm (AEST) on the Closing Date of 28 September 2012.

The number of New Shares and New Options offered to Eligible Shareholders under the Offer is shown on the Entitlement and Acceptance Form, and referred to as their Entitlement and is based on their shareholding as at 7:00 pm (AEST) on the Record Date of 6 September 2012.

If Eligible Shareholders take no action in respect of their Entitlement, they will have no right to subscribe for the New Shares and New Options pursuant to this Offer.

## 2.6 Closing Date of the Offer

Applications under the Offer must be received at the Company's Share Registry by no later than 5:00pm (AEST) on the Closing Date of 28 September 2012.

Elementos reserves the right, subject to the Corporations Act, the Listing Rules, any requirements of the ASX and in consultation with the Underwriter, to accept late Applications or, without notice, extend the Closing Date for the Offer. If the Closing Date is varied, subsequent dates may also be varied accordingly. Unless Elementos decides to accept late Applications or extend the Closing Date for the Offer, Applications received after 5:00pm

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(AEST) on the Closing Date will be rejected and Application Monies will be refunded without interest.

## 2.7 Underwriting and Sub-underwriting

The Offer is underwritten by Patersons Securities Limited up to 42,234,924 New Shares, representing \$1,513,222.34. Details of the Underwriting Agreement are contained in Section 7.11.

The Offer is sub-underwritten by Andes Investors LLC, an entity associated with James Calaway, a Director of the Company. Under the terms of the Sub-underwriting Agreement, Andes Investors LLC is required (and entitled) to subscribe for up to the first 22,005,543 New Shares (representing \$770,194.02) comprising the Shortfall after the close of the Offer. Details of the Sub-underwriting Agreement are contained in Section 7.12.

In addition, the Company has received pre-commitments from a number of existing Shareholders totalling 22,671,897 New Shares, representing a further \$793,516.40.

## 2.8 Minimum Application

All Applications must be for a whole number of New Shares and New Options. There is no minimum Application under the Offer for Eligible Shareholders.

## 2.9 Payment

If Eligible Shareholders wish to take up part or all of their Entitlement, payment may be made by cheque or by using BPAY<sup>®</sup>.

If paying by cheque, Entitlement and Acceptance Forms must be accompanied by the cheque for the amount of your Application Monies - calculated by multiplying the number of New Shares applied for by the Offer Price. No additional consideration is payable for the New Options.

Cheques should be in Australian currency and made payable to "Elementos Limited" and crossed "not negotiable".

If an Eligible Shareholder elects to make payment using BPAY<sup>®</sup>, they must contact their bank, credit union or building society to make payment of the Application Monies. Refer to the Entitlement and Acceptance Form for the Biller Code and Customer Reference Number. Eligible Shareholders who have multiple holdings will have multiple Customer Reference Numbers. Those Eligible Shareholders who pay for part or all of their Entitlement via BPAY<sup>®</sup>, are not required to complete and return an Entitlement and Acceptance Form.

Payment will only be accepted in Australian currency and cheques and BPAY<sup>®</sup> payments must be drawn on an Australian bank, credit union or building society.

No stamp duty, brokerage or handling fees are payable by the Applicant for New Shares and New Options offered by this Prospectus.

For those Eligible Shareholders who pay for part or all of their Entitlement by cheque, completed Entitlement and Acceptance Forms and accompanying cheques should be lodged at or forwarded to the following address:

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**Mailing Address**

Elementos Limited  
c/- Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001

**OR Hand Delivery**

Elementos Limited  
c/- Boardroom Pty Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000

The amount payable on acceptance will not vary during the period of the Offer and no further amount is payable on allotment. Application Monies will be held in trust in a subscription account until allotment of the New Shares and New Options. The subscription account will be established and kept by Elementos on behalf of the Applicants. Any interest earned on the Application Monies will be retained by Elementos irrespective of whether allotment takes place.

## 2.10 Allotment and Allocation Policy

Elementos will proceed to allocate New Shares and New Options to all Eligible Shareholders under the Offer as soon as possible after the Closing Date and receiving ASX permission for Official Quotation of the New Shares and New Options.

Allotment of New Shares and New Options under the Offer is expected to occur on 9 October 2012. From this date, Applicants may call the Company's Share Registry to seek confirmation of this allocation.

In respect of Additional New Shares, the allocation policy is set out in Section 2.4.

Successful Applicants will be notified in writing of the number of New Shares and New Options allocated to them as soon as possible following the allocation being made.

It is the responsibility of Applicants to confirm the number of New Shares and New Options allocated to them prior to trading in New Shares and New Options. Applicants who sell New Shares or New Options before they receive notice of the number of New Shares and New Options allocated to them do so at their own risk. No New Shares or New Options will be allotted or issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus.

## 2.11 ASX Listing

Elementos has applied for the listing and quotation of the New Shares and New Options on the ASX. If granted, Official Quotation of the New Shares is expected to commence on or about 10 October 2012.

Should the New Shares under the Offer not be granted Official Quotation on the ASX within 3 months after the date of this Prospectus, the Company will provide each subscriber of New Shares with the prescribed choices in the Corporations Act.

The New Options constitute a new class of security to be quoted on ASX requiring the New Options to meet the criteria for a new class of security to be quoted by ASX pursuant to the Listing Rules. The Company has applied for Official Quotation of the New Options but as the date of this Prospectus, cannot guarantee that quotation of the New Options will meet the minimum holder (50 holders of New Options) criteria. The Company, in conjunction with the Underwriter, intends to use reasonable endeavours to ensure that the minimum holding criteria is met and that ASX approval of Official Quotation of the New Options is received.

If Official Quotation approval is not granted, the New Options will not be quoted, however, the Company will apply for the quotation of any resultant Shares issued by the Company on exercise of each New Option. If the New Options receive quotation approval, Official Quotation is expected to commence on or about 10 October 2012.

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Each successful Applicant under the Offer will be provided with a holding statement which sets out the number of New Shares and New Options issued to that Applicant under the Offer, and other information required by the Corporations Act.

Holding statements for the securities issued under the Offer are expected to be despatched on 9 October 2012.

## 2.12 Important Dates

Prospectus lodged with ASIC and ASX	28 August 2012
Notice sent to Eligible Shareholders with information on the Offer	29 August 2012
Shares commence trading ex-rights	31 August 2012
Record Date for the Offer	6 September 2012
Prospectus dispatched to Eligible Shareholders	10 September 2012
Opening Date of Offer	10 September 2012 (9:00am AEST)
Closing Date of Offer	28 September 2012 (5:00pm AEST)
New Shares and New Options quoted on a deferred settlement basis	2 October 2012
Expected date of allotment and dispatch of holding statements for the New Shares and New Options issued under the Offer	9 October 2012
Expected date for commencement of normal trading of New Shares and New Options issued under the Offer on the ASX	10 October 2012

*The timetable is subject to change and is indicative only. Elementos, in consultation with the Underwriter, reserves the right to alter the timetable, including by extending the Closing Date, at any time.*

## 2.13 No Rights Trading

Entitlements pursuant to the Offer are non-renounceable and accordingly will not be traded on the ASX.

## 2.14 CHES

Elementos will apply to the ASX Settlement Corporation Pty Ltd (**ASC**) for the New Shares and New Options to participate in the Securities Clearing House Electronic Subregister System (**CHES**). After allotment of the New Shares and New Options, those who are issuer sponsored holders will receive an issuer sponsored statement and those who are CHES holders will receive an allotment advice.

The CHES statements, which are similar in style to bank account statements, will set out the number of New Shares and New Options allotted to each successful applicant pursuant to this Prospectus. The statement will also advise holders of their Holder Identification Number. Further statements will be provided to holders which reflect any changes in their holding in Elementos during a particular month.

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## 2.15 Optionholders

Existing Optionholders will not be entitled to participate in the Offer unless they:

- (a) have become entitled to exercise their Existing Options under the terms of their issue and do so prior to the Record Date; and
- (b) participate in the Offer as a result of being a holder of Shares registered on the register at 7:00pm (AEST) on the Record Date.

If all entitled Existing Optionholders elect to exercise all their Existing Options prior to the Record Date and participate in the Offer, a further 6,960,000 New Shares and 3,480,000 New Options may be issued under this Prospectus (**Option Exercise Shares and Options**).

The Company has not received any information as to whether or not, or to what extent, if any, the Existing Optionholders intend to convert their Existing Options into Shares prior to the Record Date.

The Entitlements accruing in respect of Option Exercise Shares and Options are not underwritten by the Underwriter.

Please refer to Section 5.2 for further details of Existing Options on issue.

## 2.16 Overseas Shareholders

Elementos has not made investigations as to the regulatory requirements that may prevail in the countries, outside of Australia and New Zealand, in which the Company's Shareholders reside.

The distribution of this Prospectus in places outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe those restrictions. Any failure to comply with those restrictions may violate applicable securities laws.

Elementos has decided that it is unreasonable to make offers under this Prospectus to Shareholders with registered addresses outside Australia and New Zealand having regard to the number of Shareholders in those places, the number and value of the New Shares they would be offered and the cost of complying with the legal and regulatory requirements in those places. Accordingly, the Offer is not being extended to, and does not qualify for distribution or sale, to Shareholders having a registered address outside Australia and New Zealand.

## 2.17 Electronic Prospectus

An electronic version of this Prospectus is available online at [www.elementos.com.au](http://www.elementos.com.au).

The Entitlement and Acceptance Form may only be distributed together with a complete and unaltered copy of the Prospectus. Elementos will not accept a completed Entitlement and Acceptance Form if it has reason to believe that the investor has not received a complete paper copy or electronic copy of the Prospectus or if it has reason to believe that the Entitlement and Acceptance Form or electronic copy of the Prospectus has been altered or tampered with in any way.

While Elementos believes it is extremely unlikely that in the Offer period the electronic version of the Prospectus will be tampered with or altered in any way, Elementos cannot give any absolute assurance that it will not be the case. Any investor in doubt concerning the validity or integrity of an electronic copy of the Prospectus should immediately request a paper copy of the Prospectus directly from Elementos or the Share Registry.

# Prospectus

## 3. Company Overview

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### 3.1 Introduction

Elementos is an Australian based, ASX-listed, copper and gold exploration company, operating in world-class mineral districts in the Andes region of Chile and Argentina, and the Mt Isa province in Australia.

The Company's strategic objective is to discover economic mineral deposits and realise value through development, joint venture, or sale.

Projects within the Company's 1,000 square kilometres of tenements, are situated in some of the world's most significant base and precious metals districts, close to major operating mines and deposits, including:

- **Chile** - Chuquicamata, Escondida, Collahuasi, Radomiro Tomic, El Abra, Gaby, Spence and Andacollo;
- **Argentina** - Pascua Lama, Veladero, and Gualcamayo and Casposo; and
- **Australia** - Mt Isa, Ernest Henry, Cannington, Rocklands, Roseby, Osborne and Merlin.

The Company's geological team has significant Andean and Australian experience and expertise. The leaders are Exploration and Development Manager, Alistair Grahame and Argentina Country Manager, Gustavo Delendatti. The Company's international team is headed by Managing Director, Corey Nolan.

Members of the Board of Directors are experienced international mining professionals, including Chairman, A. Anthony McLellan who was previously president of the predecessor of Barrick Gold Ltd; Mark McCauley, formerly Managing Director of Norton Gold Fields Limited; and James Calaway, Chairman of Orocobre Limited, which is developing a major lithium mine in Argentina in partnership with Toyota.

### 3.2 2012 Strategic Objectives

The Company's main strategic focus during 2012 is to realise value from its assets as follows:

**Exploration** - Apply the new funding raised from this Offer to the ongoing exploration at Tamaya where early exploration activities – including sampling, mapping and geophysics – are demonstrating the exciting potential of the project. Ongoing exploration activities will include detailed mapping and channel sampling, and IP geophysics of targets identified for a planned drilling program later in 2012.

**Divestment and Joint Venture** - In Argentina, the Company remains committed to advancing and/or realising value from its Manantiales and Santo Domingo projects through sale or joint ventures. Early stage discussions are underway with a number parties interested in the assets. In Chile, following the Company's exploration program at Mercedes that ruled out the economic porphyry potential of the project, the Company has commenced re-negotiating the purchase terms of the Joint Venture. Should it be unable to reach acceptable new commercial terms, the option to purchase will be allowed to lapse.

**Consolidation** - In Australia, the Company is continuing to consolidate its land package in the Mt Isa district, in geologically prospective areas, situated near major mines and deposits. Following the recent granting of 254 square kilometres of exploration permits at Millenium, an exploration program is being planned to test for the copper, gold and rare-earths potential in the areas within the permits historically mined and drilled. The planned exploration programs

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are not expected to commence until 2013 and are subject to the Company securing additional financing or entering into joint ventures on the tenements.

## 3.3 Company Projects

The following summary highlights the current status of the exploration activities at each of the Company's projects. As highlighted above, exploration during 2012 will be concentrated on the Tamaya project in Chile.

### (a) Tamaya, Chile

Tamaya is located 400 kilometres north of the Chilean capital, Santiago, and 80 kilometres south of La Serena and Coquimbo, Region IV's provincial capital. The region has excellent exploration, mining, and development infrastructure, being host to several world-class mines and deposits.

The project is situated in an established mining district in the coastal ranges of central Chile, at less than 1,000 metres altitude. Mines and deposits in the area include clusters of large iron-oxide-copper-gold (IOCG) style deposits, including Andocollo (Teck), Tres Valles (Vale), Punitaqui (Glencore) and El Espino (Pucobre), along with numerous other smaller copper and gold deposits.

Tamaya is located in the Cerrillo Tamaya historic mining district. Historical mining activities at Tamaya apparently focused on selectively mining high-grade sulphide copper veins, with reported production of 2Mt @ 12% copper, with grades up to 20%.

The first phase exploration activities that commenced in April have included:

- Mapping - of known structures and identifying new structures. Three major north-south structures have been identified and correlate strongly with copper and gold from the sampling programs. Approximately 70% of the property has been covered by reconnaissance exploration;
- Sampling - more than 480 reconnaissance samples from outcrops, historic workings or from waste piles proximal to mines. Wide-spread copper mineralisation with copper up to 7.91% and gold up to 9.51g/t have been identified;
- Geophysics - 690 kilometres of ground-magnetometry which has identified the principle structures including a potential deeper porphyry-style intrusion in the east of the property; and
- Drill target identification - five core target areas identified: Central, Lecaros, Tortolas, Norte and Este.

The ongoing exploration activities at Tamaya will test a variety of oxide and sulphide targets, including:

- Lower grade bulk-tonnage mineralisation in the broad shear and breccia structures that host the main veins, material that was not worked historically because of the lower grades, and in recently identified structures including Tortolas and Lecaros;
- Remnants of the high-grade sulphide vein down to the historical mining levels, up to 700 metres below the Tamaya ridge;
- High-grade sulphides below the old mine workings beneath the historical mining levels; and

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- A potential porphyry target indicated by the alteration and mineralisation styles, and the ground-magnetometry survey.

Additionally, exploration is now revealing gold and silver precious metal values in the mineralised structures that were not previously recognised. This will be tested as part of the on-going exploration activities

A diamond drilling program, planned for the last half of 2012, will be supported by the on-going detailed mapping and sampling programs, together with an induced polarisation geophysical survey to test for the potential intrusive mineralisation in the east of the property.

The Company has a joint venture with HMC Gold SCM on the Tamaya copper project in Chile, comprising 5,690 ha and 1,200 ha of mining concessions and exploration applications respectively. Recently the Company has made applications over ground hosting extensions of known mineralisation totalling 2,700 hectares. Elementos can earn a 50% interest in the project by spending US\$7 million over three years on exploration and development, including drilling of 5,000 metres per year.

## (b) **Manantiales, Argentina**

Manantiales is situated 150 kilometres north-west of the city of San Juan, and comprises a number of exploration leases covering 97 square kilometres. Access is by sealed roads to the town of Calingasta, 30 kilometres south-east of Manantiales, and then via sealed and dirt roads. Local infrastructure and logistics include power, water and labour.

Manantiales is located within a relatively unexplored low sulphidation epithermal district which includes the adjacent Casposo epithermal gold-silver mine, Castaño Nuevo abandoned gold mine (10 kilometres north-east) and Castaño Viejo, an abandoned lead-silver-zinc-gold mine (13 kilometres to the north).

The project area adjoins and is immediately to the north of Troy Resources Ltd's Casposo project. Troy Resources is operating a 400,000 tonne per year carbon-in-pulp gold processing plant based on a gold and silver resource. Manantiales shares a similar geological environment including rock types and structures that host the Casposo mineralisation.

Progress has been made at Manantiales, discovering and defining prospects through mapping, surface sampling, geophysics and drilling. Three phases of drilling totalling more than 7,500 metres have been completed on the Manantial, Julietta and La Puerta veins.

At the Manantial vein, drilling has defined the shallow levels of a low-sulphidation epithermal vein system with significant potential remaining at depth and along strike. The key highlights of the results to date include:

- Minimum strike length extended to 180 metres in a north-south direction;
- Mineralisation extended down to 300 metres depth;
- A new zone of mineralisation positioned approximately 250 metres south of the main Manantial vein has been identified and remains untested; and
- The system remains open along strike and at depth.

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Drilling has confirmed high-grade gold mineralisation within a much larger envelope of lower-grade gold mineralisation. There is potential for the Manantial vein to support a larger epithermal system at depth, based on:

- Geochemical evidence of shallow levels, such as the high gold to silver ratio (compared to the adjacent Casposo deposit which has a much higher silver content);
- Geophysical anomalies extending to depth in the recent pole-dipole induced polarisation data;
- Geological evidence, such as high-level quartz-vein textures; and
- Lithological and structural interpretations that indicate the Manantial system is at a higher level in the low sulphidation system than the adjoining Casposo mine.

Elementos has a number of other targets that warrant drilling, including Manantial Este, a two kilometre long, north-south, highly-resistive anomaly, similar to that of the Manantial vein, which outcrops one kilometre to the west.

In addition, more than 1,200 metres has been drilled at La Puerta and Julietta Norte. The Company considers that both targets warrant future drilling programs:

- **La Puerta** - Initial drilling along 200 metres of the La Puerta vein has returned a limited number of low-grade narrow anomalies at shallow levels, showing decreasing grade compared with high grades returned by surface saw blade channel sampling. This pattern was also encountered during early drilling at shallow levels in the Manantial vein and which required subsequent deeper drilling to encounter the high-grade Manantial vein.
- **Julietta Norte** - The system appears to be plunging deeply to the north and any future drilling would focus on drilling the system at greater depths. The deposit appears to be an extension of the nearby Troy Resources Julietta satellite deposit, which contains a defined gold and silver resource.

Due to the onset of winter and significant short-term exploration commitments in Chile, the Company has decided to defer any further on-ground exploration activities at Manantiales until next spring. A key focus will be on desk top studies, including a compilation of all the results produced to date, for future drill planning purposes and possible delineation of a small JORC resource.

The Company remains in a unique position at Manantiales to monetise its discoveries through possible standalone development, should a resource of sufficient size be defined, or potentially in partnership with the adjacent Casposo operation. Elementos is in the early stages of assessing various options in relation to the project, including divestment and joint venture.

## (c) **Santo Domingo, Argentina**

Santo Domingo comprises a series of exploration tenements covering nearly 250 square kilometres. Located 120 kilometres east of San Juan city, Santo Domingo is a low altitude project with well-established regional infrastructure and access compared to higher Andes Cordillera projects.

Since the Company's public flotation in December 2009, systematic exploration programs, including mapping, sampling, and ground-magnetometry and IP geophysics,

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have been completed at Santo Domingo. This has resulted in the discovery of an extensive mineralised system, with a number of distinct styles and structures.

The main targets identified include the Yvette high-grade gold and silver-polymetallic shear zones, and the large Divisoria gold-copper porphyry system. In addition, the Company has identified three other porphyry targets at El Arriero, EL Arriero Extension, and Alunita, which remain untested by drilling.

Elementos believes that Santo Domingo could host a world-class deposit, which will require significant investment in exploration and infrastructure, including additional geophysics and deep drilling. As a result, Elementos has begun discussions with potential joint venture partners with the financial capacity to explore and develop a large porphyry target, to complement the Company's technical understanding of the project.

## (d) **Millenium, Australia**

Millenium is situated near Cloncurry in the world-class Mt Isa Inlier, a significant gold and base metal producing region, host to major copper/gold and lead/silver/zinc deposits. The district has established mining, processing and transportation infrastructure in close proximity to the regional centres of Mt Isa and Cloncurry.

The Company has been consolidating a large tenement position over the Corella Fault zone, 40 kilometres north-west of Cloncurry. The Government recently approved 254 square kilometres of Exploration Permits (**EPMs**) and 74 square kilometres of EPMS remain subject to granting. In addition, the Company has an Option-to-Purchase agreement with Forte Energy NL to acquire 134 hectares of Mining Licenses (**MLs**), currently subject to renewal. This process is nearing completion.

The Millenium project is in close proximity to major deposits including:

- **Rocklands** - copper-cobalt project 15 kilometres to the south-east;
- **Roseby** - copper-cobalt project 10 kilometres to the north-west;
- **Dugald River Project** – base metals project 10 kilometres to the north; and
- **Mary Kathleen** - 25 kilometres north-west of the historical uranium mine.

Little modern exploration has been undertaken on the Millenium EPMS. However, extensive exploration has been undertaken on the five MLs, including 13 drill holes which outlined a large zone of cobalt and copper mineralisation.

The Millenium MLs host a number of historical copper mine workings and prospects that were operated around the turn of the century. The Federal mine exploited copper in bornite and chalcopyrite down to 135 metres, producing some 10,000 tonnes of ore at exceptionally high grade (25% copper). Other workings along a shear "lode" structure were less successful for copper mining, but the lodes were noted to be rich in cobalt.

Between 1964 and 1991 several companies explored the district with trenching and drilling programs targeting both copper and cobalt mineralisation, including Carpentaria Exploration Company Pty Ltd, Tasman Minerals NL, and Murchison United NL. Encouraging results were reported from drilling on the Millenium MLs, confirming the

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thickness of the cobalt mineralisation including a best intersection in drill hole FD02 (95.4 to 106.1 metres) 10.7 metres at 2,333 ppm cobalt and 2.02% copper<sup>1</sup>.

Elementos completed a number of outcrop sampling programs during 2010/2011 to study the areas historically mined and drilled within the MLs. Copper, cobalt, gold and other metallic anomalies were identified along the trend of the Corella structure, including the zone of historic drilling. Subsequently, a soil survey extended the evident footprint of the mineralisation 1,500 metres north to the limit of the MLs, and remains open, apparently extending onto the newly granted EPM's. This survey extended the potential mineralisation over an area of limited exposure and no historical drilling, reinforcing the potential for further mineralisation over the newly granted EPMs.

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.

Future exploration activities, planned for 2013, will involve:

- Ground-magnetometry geophysical surveys of the Corella structure, including the zone of the cobalt and copper anomalies already identified;
- Drilling to confirm the cobalt and copper grades from historical drill holes;
- Testing for the presence of Rare Earth Elements and Yttrium; and
- Drilling deeper into structures showing mineralisation.

## (e) **Selwyn South, Australia**

The Company has made applications for 109 square kilometres of EPMs (19371, 19375 and 19426) at a new project area called Selwyn South. EPM 19375, representing 59% of the total area, is subject to a Contested Application which has yet to be resolved.

The project is situated 35 kilometres north of Osborne, 10 kilometres east of the prolific Selwyn trend (which includes the Merlin molybdenum rhenium development project) and 40 kilometres west of the Cannington mine. The EPMs are located over an area of inflection in a prospective north-south structural trend, a feature often related to major deposits and mineralised systems in the district.

The target style and criteria are similar to those in the existing Millenium properties 120 kilometres to the north-west. A thorough review has been carried out of open-file data and satellite imagery in order to help plan future exploration activities.

## (f) **Mercedes, Chile**

Mercedes is situated in the Calama district, Region II, Chile, 1,600 kilometres north of Santiago and 215 kilometres north-east of Antofagasta, the national and regional capitals respectively. Access to the project is via sealed and graded roads from the city of Calama located 65 kilometres to the west. Mercedes is located 60 kilometres east of the world-class Chiquicamata mining district, the largest copper producing district in the world.

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<sup>1</sup> Based on non-JORC compliant historic published reports.

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The Atacama region is located centrally within the prolific northern Chile copper belt. It is host to several clusters of major copper-molybdenum-gold deposits and numerous small to mid-sized copper oxide deposits.

Mercedes is located between 2,500 and 3,600 metres above sea-level, where the excellent regional mining infrastructure, good network of roads, stable climate and subdued topography enables year-round, cost-effective exploration.

Elementos believes there is significant potential for economic copper mineralisation in the exposed host rocks and beneath the extensive shallow ignimbrite cover throughout the project area. Additionally, there is potential for transition to sulphide mineralisation at depth.

Prior to commencing any further exploration activities at Mercedes, the Company is currently negotiating with the vendor to agree new commercial terms for the Mercedes joint venture given the diminished porphyry potential. Should new terms not be reached then the Company will allow the option to purchase to lapse.

Should new commercial terms be agreed, Elementos plans two parallel strategies at Mercedes:

- Investigate the potential for delineating a copper oxide resource capable of being developed into a solvent extraction and electrowinning operation. This could include consolidation with other known nearby copper oxide deposits; and
- Explore for copper-gold sulphide mineralisation at depth.

The Company has completed a number of phases of mapping and sampling, and airborne magnetometry and Induced Polarisation (**IP**) surveys. The IP geophysical survey results highlighted a low-level chargeability anomaly (potential presence of sulphide mineralisation), located at depths considered uneconomic.

When exploring the Elvira porphyry system, Elementos has identified a number of near surface high-grade copper oxide targets including Mecha I, II, and III and Pamela. The biggest structure is at Elvira. The oxide potential remains highly prospective, although further exploration is required prior to committing to drilling.

Sampling and mapping programs of exposed mineralisation and artisanal mines demonstrate the wide-spread distribution of high-grade copper oxides throughout the project area. There is also potential for deeper sulphide mineralisation within the structures. This hypothesis is also supported by the airborne magnetometry, which reveals a strong correlation between extensive geophysical lineaments and high-grade copper-oxide mineralisation on surface.

Further geological mapping, sampling and drilling will be required to demonstrate that there are sufficient structures to achieve the volume required to create an economic copper oxide resource, capable of development into a solvent extraction and electro-winning operation.

The Company has secured an option to acquire a 90% interest in the Mercedes project, comprising 9,564 ha of mining concessions and applications, plus 21,100 ha of exploration permits and applications.

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## 3.4 Directors and Management

Members of the Board of Directors have significant public company experience in resource companies, and a track-record of identifying exploration opportunities, creating new corporations and raising capital.

The Company is exploring for world-class deposits in the Andes of Chile and Argentina, and the Mt Isa inlier in Australia. Members of the geological team have significant experience and expertise in copper and gold exploration including epithermal, porphyry, intrusion and iron-oxide copper-gold style geological environments. The dedicated management team has the expertise and commitment necessary to explore, evaluate, delineate and develop its projects.

The management team also has a strong track record of identifying, negotiating and completing corporate transactions, combined with a strong financial capability to value and structure deals.

### **A. Anthony McLellan, Chairman**

Mr McLellan is a skilled company chairman with experience in a range of resource industries. For approximately thirty years he lived overseas. A proven leader, he has been the CEO of major international corporations, and has transacted business in more than twenty countries.

During his time abroad, Mr McLellan served as President and CEO of the predecessor of Barrick Gold Ltd, now the world's largest gold mining company, headquartered in Toronto, Canada.

Since returning to Australia, Mr McLellan was elected as chairman of Norton Gold Fields Limited, owner of the Paddington Gold Mine at Kalgoorlie, the purchase of which he negotiated from Barrick Gold. He also served as the initial chairman of Felix Resources Ltd and was closely involved in building Felix Resources into a major coal company, which was sold for \$3.4 billion. In addition, he was appointed chairman of Bemax Resources Ltd, Australia's second-largest mineral sands producer, and was instrumental in its later sale at a substantial premium.

### **Corey Nolan, Managing Director**

Qualifications: B. Com (Bond), MMEE (Macquarie), Graduate of AICD

Mr Nolan has twenty years of diverse experience in the resources sector. This has included experience in mining operations, global resource evaluation, and the financing and development of new opportunities in Australia, South Africa, Asia, and South America.

Mr Nolan is a qualified mineral economist who has applied his first-hand practical and technical skills in specialist roles as an equities analyst in the mining and natural resources sector of stock broking firms Morgan Stanley and Wilson HTM. During this period he undertook detailed coverage of the Australian and global resources sector including the commodities market.

Mr Nolan has been a Director at PWC in the corporate finance and valuations practice, specialising in resources industry valuations for Australian and global resources firms.

### **Mark McCauley, Non-executive Director**

Qualifications: B Eng Mining (Honours), MBA, AMP (Harvard)

Mr McCauley is currently the Managing Director of RMM Capital, a Queensland based private equity firm specialising in resource investments.

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Recently, Mr McCauley acted as Managing Director of Norton Gold Fields Limited, undertaking a successful management and strategic overhaul of Norton.

Prior to this, Mr McCauley was the chief financial officer of Felix Resources Limited, a highly-successful coal company which, during Mr McCauley's tenure grew in market capitalisation from approximately \$30 million to over \$1 billion through a number of successful mergers, acquisitions and green field project developments.

Previously, Mr McCauley worked at the Alumbra copper-gold mine in Argentina.

Mr McCauley holds an Honours Degree in Engineering (majoring in Mining), and a Masters in Business Administration. Mr McCauley is also a graduate of the Advanced Management Programme at Harvard Business School, and a member of the Australian Institute of Company Directors. In addition, Mr McCauley holds a First Class Underground Mine Manager's Certificate.

## **James Calaway, Non-executive Director**

Qualifications: BA (Economics), MA (Politics, Philosophy and Economics) Oxford University

Mr Calaway is a respected business and civic leader in Houston, Texas where he serves as Chairman of the Board of the premier middleware software company in the geological and geophysical software industry.

He is also Chairman of Orocobre Limited, an Australian and TSX-listed company which, in partnership with Toyota, is developing one of the world's largest lithium mines in Argentina.

Mr Calaway received a Bachelor of Arts degree in Economics from the University of Texas, and a Master of Arts degree in Politics, Philosophy and Economics from Oxford University.

## **Alistair Grahame, Exploration and Development Manager**

Qualifications: Bachelor of Science (Geology and Applied Geology) (Honours)

Mr Grahame has over seventeen years exploration experience in South America and Australia across a broad range of deposits, including thirteen years in Chile and Argentina.

Using predictive modelling techniques, including mapping, geochemical, geophysical and drilling, Mr Grahame has extensive experience at target generation exploration in a wide range of situations. This includes serving as Project Manager of the discovery team at Exeter's Caspiche copper-gold porphyry system, Chile, and Project Manager that discovered Exeter's (now Extorre) Cerro Moro low-sulphidation epithermal project in Argentina.

Mr Grahame also has experience at Meridian's Esquel gold deposit, Argentina, and in exploring for Barrick in Chile and Argentina, including the Pascua-Lama, El Indio, Tambo and Rio del Medio mines.

## **Gustavo Delendatti, Argentina Country Manager**

Qualifications: PhD Geological Sciences, Bachelor of Science (Honours)

Mr Delendatti has over seventeen years experience in exploration and evaluation in a variety of world class gold-silver and gold-copper deposits in the Andes region of Argentina and Chile, including epithermal and porphyry systems. He has managed exploration programs in the Andes including multi-rig drilling programs, geophysical surveys and coordinating support activities. He was also Senior Geologist at El Quevar silver project in the Puna, Argentina, and Exploration Manager at Exeter's Don Sixto project in Argentina and Caspiche, Chile.

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Recently, Mr Delendatti discovered Elementos's Manantiales low-sulphidation gold epithermal system and its Divisoria gold-copper porphyry system.

## **Linda Scott, Chief Financial Officer and Joint Company Secretary**

Qualifications: B.Com (CA, Acc)

Ms Scott is a chartered accountant with over twenty years experience in a broad range of industries.

Ms Scott's diverse commercial experience, gained both in Australia and the United Kingdom, includes mining, travel, tourism and information technology.

For five years, Ms Scott worked as the Group Financial Controller and Company Secretary for Core Resources Pty Ltd, assisting the company to develop its exploration and mining services businesses, including the purchase of the Hydrometallurgical Research Laboratory from Xstrata, in Brisbane.

## **Paul Crawford, Joint Company Secretary**

Mr Crawford is an accountant with over 30 years of commercial experience in various technical and management roles within the minerals, coal and petroleum industries. He has also had significant corporate experience in the management and governance of ASX listed resource and mining companies.

Mr Crawford is the principal of a corporate consultancy firm he established in 2001, offering a range of commercial and corporate governance services to corporate clients.

Mr Crawford is currently a non-executive director and company secretary of ASX-listed companies DiamonEx Limited and ActivEx Limited, and company secretary of Orocobre Limited.

# Prospectus

## 4. Effect of Offer on Elementos

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### 4.1 Financial Position

To illustrate the effect of the Offer on the Company, the pro-forma consolidated balance sheet has been prepared based on the reviewed balance sheet as at 31 December 2011.

The pro-forma assumes that the Offer is fully subscribed.

The accounting policies adopted in preparation of the pro-forma consolidated balance sheet are consistent with the policies adopted and as described in the Company's financial statements for the year ended 30 June 2011. The balance sheet as at 31 December 2011 was prepared in accordance with the same policies.

The significant effects of the Offer (assuming the Offer is fully subscribed) will be to:

- (a) increase cash reserves by approximately \$2,119,766 (after cash expenses of the Offer which are estimated to be \$186,972);
- (b) increase the number of Shares by 65,906,821 to 148,290,347, assuming a \$0.035 per New Share subscription price, and increase the number of Options by 32,953,410 to 41,653,410.

If an Eligible Shareholder does not take up their Entitlement in full it will result in their percentage holding in the Company being diluted by the Offer.

The financial information has been prepared by management and adopted by the Board. The Board is responsible for the inclusion of all financial information in the Prospectus.

The historical and pro-forma financial information has been prepared in accordance with the measurement and recognition criteria of Australian Accounting Standards and the significant accounting policies set out in Section 4.5 below. The historical and pro-forma financial information is presented in an abbreviated form insofar as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with Australian Accounting Standards and the Corporations Act.

### 4.2 Historical Financial Information

The historical financial information for Elementos set out below comprises:

- (a) the reviewed Statement of Financial Position as at 31 December 2011; and
- (b) selected notes to the reviewed Statement of Financial Position.

The historical financial information has been extracted from the reviewed financial statements of Elementos for the six month period ended 31 December 2011. The Company is an exploration company, exploring for gold and copper in Australia, Argentina and Chile. During the period from incorporation to 31 December 2011, the Company has not earned any revenue from operations and therefore presentation of the Statement of Comprehensive Income and Statement of Cash Flows is not considered relevant.

### 4.3 Pro-Forma Financial Information

The pro-forma financial information for Elementos set out below comprises:

- (a) the unaudited Pro-Forma Statement of Financial Position as at 31 December 2011; and

# Prospectus

- (b) selected notes to the unaudited Pro-Forma Statement of Financial Position.

The unaudited Pro-Forma Statement of Financial Position has been derived from the reviewed Statement of Financial Position as at 31 December 2011 adjusted for the following transactions as if they had occurred at 31 December 2011 (pro-forma transactions):

- (a) transactions for the five months ended 31 May 2012 including:
  - (1) capitalised exploration and evaluation expenditure of \$788,118;
  - (2) exploration and evaluation expenditure written off of \$565,775;
  - (3) corporate and administration expenses of \$899,028; and
  - (4) bank guarantee deposit of \$500,000;
- (b) the issue of 65,906,821 ordinary Shares and 32,953,410 Options pursuant to a rights issue at an issue price of \$0.035 per Share to raise approximately \$2,306,739 before costs; and
- (c) total costs expected to be incurred in connection with the preparation of the Prospectus of approximately \$186,972.

All New Shares issued pursuant to this Prospectus will be issued as fully paid.

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## 4.4 Elementos's Historical and Pro-Forma Financial Information

<b>Statement of Financial Position</b>		<b>Reviewed Historical Financial Information 31 December 2011</b>	<b>Pro-Forma Financial Information 31 December 2011</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>Current assets</b>			
Cash and cash equivalents	4.5.3	5,298,390	4,692,329
Trade and other receivables		155,520	178,212
Other current assets		62,256	538,070
<b>Total current assets</b>		<b>5,516,166</b>	<b>5,408,611</b>
<b>Non-current assets</b>			
Property, plant and equipment		97,856	88,921
Exploration and evaluation assets		6,509,469	7,297,587
<b>Total non-current assets</b>		<b>6,607,325</b>	<b>7,386,508</b>
<b>Total assets</b>		<b>12,123,491</b>	<b>\$12,795,119</b>
<b>Current liabilities</b>			
Trade and other payables		715,626	561,000
<b>Total current liabilities</b>		<b>715,626</b>	<b>561,000</b>
<b>Total liabilities</b>		<b>715,626</b>	<b>561,000</b>
<b>Net assets</b>		<b>11,407,865</b>	<b>12,234,119</b>
<b>Equity</b>			
Issued capital	4.5.4	15,919,925	18,039,692
Reserves		354,809	526,099
Accumulated losses		(4,886,869)	(6,331,672)
<b>Total equity</b>		<b>11,407,865</b>	<b>12,234,119</b>

## 4.5 Notes To and Forming Part of the Financial Information

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial information. The accounting policies have been consistently applied unless otherwise stated.

### 4.5.1 Basis of Preparation

#### Going Concern

The financial information has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The Company has not generated revenues from operations. As such, the Company's ability to continue to adopt the going concern assumption will depend upon a number of matters including the successful raising in the future of necessary funding and the successful exploration and subsequent exploitation of the Company's tenements.

#### Reporting Basis and Conventions

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The financial information has been prepared on an accruals basis and is based on historical costs.

## 4.5.2 Accounting Policies

### (a) Foreign Currency Translation

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- Assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- Income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred to the Company's foreign currency translation reserve in the statement of financial position.

### (b) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The charge for current income tax expense is calculated using the tax rates that have been enacted or are substantially enacted by the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates expected to apply to the period when the asset is realised or liability is settled based on tax rates (and laws) that have been enacted or substantially enacted by the reporting date.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences and unused tax losses can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumptions that no adverse changes will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### (c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

### (d) Plant and Equipment

*Plant and equipment*

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Plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

The carrying amount of plant and equipment is reviewed at each reporting date by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is the higher of an assets fair value less costs to sell and its value in use.

## *Depreciation*

The depreciable amount of plant and equipment is depreciated over the assets' useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful economic lives used for each class of assets are:

<u>Class</u>	<u>Useful economic life</u>
Plant and equipment	4 – 10 years

## (e) **Exploration and Evaluation Assets**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

Regular reviews are undertaken during the year on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

A provision is raised against exploration and evaluation expenditure where the directors are of the opinion that the carried forward net cost may not be recoverable or the right of tenure in the area lapses. The increase in the provision is charged against the results for the year. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

## (f) **Trade and Other Payables**

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30-60 days of recognition.

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(g) **Issued Capital**

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

(h) **GST**

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(i) **Share Based Payments**

The fair value of shares and options granted to Directors, employees and consultants is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the relevant vesting period. For options, fair value is determined using an appropriate option pricing model.

Where the terms of equity instruments granted are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where equity instruments granted are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to the profit or loss. If new instruments are substituted for the cancelled instruments and designated as a replacement, the combined impact of the cancellation and replacement instruments are treated as if they were a modification.

## 4.5.3 Cash and Cash Equivalents

	\$
<b>Reconciliation of movements in Pro-Forma cash and cash equivalents</b>	
Cash and cash equivalents at 31 December 2011	5,298,390
Cash outflow for five months ended 31 May 2012	(2,725,828)
Proceeds from the issue of New Shares pursuant to this Prospectus	2,306,739
Payment of estimated costs with respect to this Prospectus	(186,972)
<b>Pro-Forma Cash and Cash Equivalents</b>	<b>4,692,329</b>

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## 4.5.4 Issued Capital

<b>Reconciliation of movements in Pro-Forma issued capital</b>	<b>Number of shares</b>
Shares on issue at 31 December 2011	82,383,526
Issue of New Shares pursuant to this Prospectus	65,906,821
<b>Pro-Forma Issued Capital</b>	<b>148,290,347</b>

<b>Reconciliation of Movements in Pro-Forma Issued Capital</b>	<b>\$</b>
Issued capital at 31 December 2011	15,919,925
Proceeds from the issue of New Shares pursuant to this Prospectus	2,306,739
Payment of estimated costs with respect to this Prospectus (share issue costs)	(186,972)
<b>Pro-Forma Issued Capital</b>	<b>18,039,692</b>

## 4.5.5 Deferred Tax

At 31 December 2011, the total unrecognised deferred tax asset on tax losses was \$976,592. The total of carry-forward tax losses at 31 December 2011 was \$3,255,306. Following the pro-forma transactions outlined above, in particular the share issue costs, the total carry-forward tax losses will be increased to \$3,442,278.

Deferred tax assets which have not been recognised as an asset, will only be obtained if:

- (a) the Company derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;
- (b) the Company continues to comply with the conditions for deductibility imposed by the law; and
- (c) no changes in tax legislation adversely affect the Company in realising the losses.

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## 4.5.6 Commitments

### **Future Exploration Commitments**

The Company has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Company. The commitments are as follows:

	\$
<b>Exploration commitments</b>	
Less than 12 months	410,548
Between 12 months and 5 years	3,440,025
	<u><b>3,850,573</b></u>

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Company has the option to negotiate new terms or relinquish the tenements. The Company also has the ability to meet expenditure requirements by joint venture or farm-in agreements.

### **Operating lease commitments**

Commitments in relation to operating leases for premises rent not recognised as liabilities payable are: **Operating lease commitments**

	\$
Less than 12 months	39,600
Between 12 months and 5 years	56,100
	<u>95,700</u>

## 4.5.7 Subsequent Events

The Directors are not aware of any significant changes in the state of affairs of the Company or events that would have a material impact on the historical and pro-forma financial information.

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## 5. Control Issues Arising from the Offer on Elementos

### 5.1 Present Position

As at the date of this Prospectus, the Directors are of the opinion that no one entity “controls” the Company within the meaning of the Corporations Act.

However, the following Shareholders held more than 5% of the Shares on issue prior to the date of this Prospectus:

Substantial Holder	Number of Shares	% voting power	Number of Options
Andes Investors LLC (entity associated with James Calaway, Director)	9,908,035	12.027	Nil
Belmont Park Investment Pty Ltd	4,230,770	5.135	Nil

In addition, Lithium Investors LLC, another entity associated James Calaway, Director, currently holds 2,029,256 Shares. In aggregate, entities associated with James Calaway control 11,937,291 Shares, representing voting power of 14.49%. James Calaway also controls 1,000,000 Options to acquire Shares.

Please refer to Section 5.3 below for further details of the potential effect of the Offer on control of the Company.

### 5.2 Capital Structure

The share capital structure of Elementos immediately following the Offer, on the basis that the Offer is fully subscribed (excluding rounding of Entitlements), will be as follows:

	Shares
Shares on issue at the date of the Prospectus	82,383,526
Maximum number of New Shares to be issued under the Prospectus	65,905,821
<b>Total</b>	<b>148,290,347</b>

As at the date of this Prospectus, the Company has the following Existing Options on issue:

Number of Options	Exercise price	Expiry date
4,500,000	\$0.233	23 October 2015
1,500,000	\$0.300	23 December 2013
1,200,000	\$0.250	7 September 2015
500,000	\$0.233	30 November 2015
1,000,000	\$0.333	18 January 2017

# Prospectus

Upon completion of the Offer, the Company will have the following Options on issue (excluding rounding of Entitlements):

	<b>Options</b>
Existing Options in issue at the date of the Prospectus	8,700,000
Maximum number of New Options to be issued under the Prospectus	32,953,410
<b>Total</b>	<b>41,653,410</b>

## 5.3 Potential Effect of the Offer on Control

The Offer is a pro-rata offer so that if all Eligible Shareholders take up their Entitlements, the voting power of all Eligible Shareholders will remain the same. In that event, there will be no actual or potential effect or consequences arising from the Offer on the control of the Company.

However, the proportional shareholdings of Shareholders who are not resident in Australia or New Zealand may be diluted as those Shareholders are not entitled to participate in the Offer. Additionally, if an Eligible Shareholder does not take up their Entitlement in full, there may be a dilutionary effect on that Shareholder's proportional shareholdings.

The Sub-underwriter, an entity associated with James Calaway, is a substantial Shareholder, currently holding 9,908,035 Shares, representing 12.027% of the Company's issued Shares. In aggregate, entities associated with James Calaway have an interest in 11,937,291 Shares, representing 14.49% of the Company's issued Shares.

Depending on the take up of the Offer by existing Shareholders, the aggregate shareholdings of entities associated with James Calaway may increase to between 21,309,985 and 41,869,262 Shares as a result of Andes Investors LLC sub-underwriting the Offer up to 22,005,543 New Shares (representing \$770,194.02). As a result, the voting power of entities associated with James Calaway could increase from the present 14.49% to as high as 28.23%. In addition, entities associated with James Calaway could have an interest in up to 21,934,631 Options.

The following table sets out the voting power in the Company's Shares for the Underwriter, Sub-underwriter and entities associated with James Calaway under various scenarios of take-up (assuming that no Options are exercised prior to the Record Date). Please note that the figures may be affected by rounding and allowances for the Company's Shortfall allocation policy.

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		Number of Shares	% Voting Power
<b>Total voting power before the Offer</b>			
Entities associated with James Calaway		11,937,291	14.49%
Pre-committed Shareholders		18,210,413	22.10%
Underwriter		0	0%
Other Shareholders		52,235,822	63.41%
<b>Total</b>		<b>82,383,526</b>	<b>100%</b>
<b>Total voting power following the Offer</b>			
0% take-up	Entities associated with James Calaway	41,869,262	28.23%
	Pre-committed Shareholders	32,955,883	22.22%
	Underwriter	21,229,381	14.32%
	Other Shareholders	52,235,822	35.23%
	<b>Total</b>	<b>148,290,347</b>	<b>100%</b>
25% take-up	Entities associated with James Calaway	41,869,262	28.23%
	Pre-committed Shareholders	32,955,883	22.22%
	Underwriter	10,782,216	7.27%
	Other Shareholders	62,682,986	42.28%
	<b>Total</b>	<b>148,290,347</b>	<b>100%</b>
50% take-up	Entities associated with James Calaway	41,869,262	28.23%
	Pre-committed Shareholders	32,955,883	22.22%
	Underwriter	335,052	0.23%
	Other Shareholders	73,130,151	49.32%
	<b>Total</b>	<b>148,290,347</b>	<b>100%</b>
75% take-up	Entities associated with James Calaway	31,757,149	21.42%
	Pre-committed Shareholders	32,955,883	22.22%
	Underwriter	0	0%
	Other Shareholders	83,577,315	56.36%
	<b>Total</b>	<b>148,290,347</b>	<b>100%</b>
100% take-up	Entities associated with James Calaway	21,309,985	14.37%
	Pre-committed Shareholders	32,955,883	22.22%
	Underwriter	0	0%
	Other Shareholders	94,024,480	63.41%
	<b>Total</b>	<b>148,290,347</b>	<b>100%</b>

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The Directors do not expect that the above potential impacts on control of the Company will result in any material changes to the Company's current objectives and proposed actions.

Finally, the Directors note that James Calaway did not participate in any commercial discussions relating to the pricing of the Offer.

## 5.4 Takeovers Provisions

The Company understands that entities associated with James Calaway intend to rely on the "underwriting of fundraising" exception to Section 606 of the Corporations Act (which prohibits certain acquisitions of relevant interests in a company's voting shares) in the event that its voting power in the Company increases as outlined above.

There is another exception to the rule in Section 606 for acquisitions made under a rights issue. However, the Company understands that entities associated with James Calaway do not intend to rely on the "rights issues" exception.

## 5.5 Exercise of New Options

As noted above, depending on the take-up of the Offer by existing Shareholders, the voting power of entities associated with James Calaway may increase from the present 14.49% to as high as 28.23%. Under Section 606 of the Corporations Act, after the Offer is completed, entities associated with James Calaway will be precluded from exercising any New Options issued pursuant to the Offer or the Sub-underwriting Agreement if, because of the exercise, their voting power will increase from a starting point that is above 20% and below 90%. There are, however, several exceptions to this prohibition, including where the acquisition has been approved by a resolution passed at a general meeting in accordance with certain requirements.

In consideration for Andes Investors LLC agreeing to sub-underwrite a portion of the Offer, the Company has agreed to take steps in the future to seek Shareholder approval to allow entities associated with James Calaway to exercise any New Options issued pursuant to the Offer or the Sub-underwriting Agreement. This will involve the commissioning of an independent expert's report and Shareholders will be provided with all of the required information at the time the notice of meeting is given. After taking into account numerous factors, including the availability of alternative sub-underwriters, the extent of the sub-underwriting commitment of the entity associated with James Calaway and the current state of equity markets generally, the non-associated Directors consider that the Company agreeing to take such steps is reasonable in the circumstances.

# Prospectus

## 6. Risk Factors

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### 6.1 Introduction

There are risks which may impact on the operating and financial performance of the Company and, therefore, on the value of the New Shares and New Options offered under this Prospectus. Some of these risks can be mitigated by the Company's systems and internal controls, but many are outside of the control of the Company and the Board. There can be no guarantee that the Company will achieve its stated objectives or that any forward-looking statements will eventuate. An investment in a business with limited operating history, such as Elementos, is considered highly speculative and an investor could lose most or all of any investment. There are also general risks associated with any investment in shares.

More specifically, the risks are that:

- (a) the price at which the Applicant is able to sell the New Shares is less than the price paid due to changes in market circumstances;
- (b) the Applicant is unable to sell the New Shares or New Options;
- (c) the Company is placed in receivership or liquidation making it reasonably foreseeable that Shareholders could receive none, or only some of their initial investment; and
- (d) the Company fails to generate sufficient profit in order to pay dividends.

In the event of insolvency, the holders of fully paid ordinary Shares would not normally be liable to pay money to any person. An exception could occur where a distribution, such as a dividend, has been made to Shareholders in circumstances where the Company was unable at that time to meet the solvency test set out in the Corporations Act. In that case, a liquidator may call for a return of such distributions.

Potential investors should therefore carefully consider all associated risks before applying for New Shares and New Options under this Prospectus and should consider their personal circumstances (including financial and taxation issues) and seek advice from their stockbroker, accountant, solicitor or other professional advisers before deciding whether to invest.

A number of material risk factors which may adversely affect the Company and the value of the New Shares and New Options offered under this Prospectus are set out in this Section. This is not an exhaustive list and there may be other factors which have an adverse effect on the Company and the value of the Shares offered under this Prospectus.

### 6.2 Key Risks Specific to an Investment in the Company

#### (a) Exploration Risk

By its nature, the business of exploration is a highly speculative endeavour and involves significant risks. The Company's performance depends on the successful exploration and/or acquisition of Resources or Reserves, competent operational management and efficient financial management. The Company undertakes sampling, geophysics and drilling programs, and the outcomes of these programs will dictate the future performance of the Company. Further, the nature of exploration can sometimes result in industrial accidents and other incidents beyond the control of the Company.

There can be no assurances that the Company's exploration programs described in this Prospectus or those relating to any projects or tenements that the Company may acquire in the future, will result in the discovery of a significant mineral target. Even if a

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significant target is identified, there is no guarantee that it will be viable for economic exploitation.

Ultimate success depends on the discovery and delineation of economically recoverable mineral Resources, establishment of efficient exploration operations, obtaining necessary titles and access to projects, as well as government and other regulatory approvals.

The exploration and mining activities of the Company may be affected by a number of factors, including but not limited to geological conditions, seasonal weather patterns, technical difficulties and failures, continued availability of the necessary technical equipment, plant and appropriately skilled and experienced technicians, adverse changes in government policy or legislation and access to the required level of funding.

(b) **Additional Requirements for Capital**

The Company's capital requirements depend on numerous factors. Depending on the outcome of the Company's exploration programs, in particular the geophysics and drilling proposed to be undertaken at the Tamaya project in Chile, the Company will require further financing in addition to amounts raised under this Prospectus. Any additional equity financing will dilute shareholdings and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programs. In addition, the Company's ability to continue as a going concern may be diminished. There is no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company and such circumstances will adversely affect the Company.

(c) **Feasibility and Development Risks**

Given the early stage of the Company's projects, there will be a complex, multidisciplinary process to be undertaken to complete a feasibility study to support any development proposal. There is a risk that the feasibility study and associated technical works will not achieve the results expected. There is also a risk that even if a positive feasibility study is produced, the project may not be successfully developed for commercial or financial reasons.

(d) **Exploration Targets**

The geological characteristics of the Company's exploration targets appear to have similar characteristics to locations where established exploration and mining operations are being successfully conducted. Similarity of geological characteristics is not determinative of any similarity in actual mineral Resources. Whilst those characteristics may encourage explorers like the Company to commit expenditure to drilling programs, it must be appreciated that a substantial and real risk still exists that no viable Resource will be identified. As such, it is important that geological similarities be appreciated in the context that they only provide an indication rather than any determinative evidence of any viable outcome.

(e) **Foreign Investment Risk**

The Company has operations, interests and assets located in foreign jurisdictions. As a result, the Company is subject to political, economic and other uncertainties, including but not limited to changes in mining and exploration policies or the personnel administering them, nationalisation or expropriation of property, cancellation or modification of contractual rights, foreign exchange restrictions, currency exchange rate fluctuation, royalty and tax increases and other risks arising out of foreign

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government sovereignty over the areas in which the Company's operations are conducted.

The Company's Argentinean and Chilean projects are subject to the risks associated in operating in a foreign country. These risks may include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety or labour regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

The Company may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Any future material adverse changes in government policies, conditions or legislation in Argentina or Chile or other countries in which the Company operates that affect foreign ownership, mineral exploration, development or mining activities, may affect the viability and profitability of the Company. The legal systems operating in Argentina or Chile or other countries in which the Company operates may be less developed than more established countries, which may result in risks such as:

- (1) difficulties in obtaining effective legal redress in the courts, whether in respect of a breach of law or regulation, or in an ownership dispute;
- (2) a higher degree of discretion on the part of governmental agencies;
- (3) the lack of political or administrative guidance on implementing applicable rules and regulations including, particularly in relation to local taxation and property rights;
- (4) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; and
- (5) the relative inexperience of the judiciary and courts in resolving a disputed matter.

The commitment by local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and legal contacts. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, options, tenement acquisition agreements, licences, licence applications or other legal arrangements will not be adversely affected by the actions of the government authorities, officials or others and the effectiveness of and enforcement of such arrangements cannot be assured.

(f) **The Company's Key Assets are its Interests in Mineral Tenements in Australia, Argentina and Chile**

Changes in Australian, Argentinean and Chilean laws and regulations will have a significant effect on the Company's exploration operations, especially changes to environmental, mining, grant or renewal of concessions and taxation.

The political conditions under which the Company currently operates are stable compared to many areas of the world, but arguably not as stable as Australia. Potential risk to the Company's activities may arise if there are changes to the political, legal and fiscal systems which might affect the ownership and operation of the Company's foreign interests. This may also include changes in exchange control

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regulations, expropriation of mining rights, changes in government and in legislative and regulatory regimes.

(g) **Future Government Actions**

Future government actions concerning the economy or the operation and regulation of the mining industry could have a significant effect on the Company. No assurances can be given that the Company will not be adversely affected by any future developments in countries in which it operates.

(h) **Status of Mineral Tenements on Application**

A number of the Company's projects are in the application process and have yet to be formally registered. While the Company is not aware of any impediments, there is no certainty that the rights for which the Company or the tenement owner have applied, will be granted and that the Company will acquire the rights that flow from such grant.

(i) **Tenement Interests**

To the extent that the Company's interests in its tenements are contractual only, there is a risk that the counterparty may be unwilling or unable to comply with the terms of the relevant contracts. There is no certainty that the Company will be able to obtain adequate damages or specific performance in the case of such default and this may have a material impact on the value of the Company and its securities.

(j) **Contractors**

The Company is dependent on contractors and suppliers to supply vital services to its operations. The Company is therefore exposed to the possibility of adverse developments in the business environments of its contractors and suppliers. Any disruption to services or supply may have an adverse effect on the financial performance of the Company.

(k) **Reliance on Key Personnel**

In formulating its exploration programs, the Company relies to a significant extent upon the experience and expertise of the Directors and management.

These persons possess knowledge of many of the Company's tenements through extensive personal experience of prospecting in those areas.

Although information concerning the Company's tenements has been chronicled, the loss of one or more of these key personnel may adversely affect the Company's prospects of pursuing its exploration programs within the timeframes and within the cost structure currently envisaged.

Although the key personnel have considerable experience and have previously been successful in their pursuits of important prospecting discoveries, there is no guarantee or assurance that they will be successful in their objectives pursuant to this Company.

(l) **Employees**

The ability of the Company to achieve its objectives depends on being able to retain certain key employees, skilled operators and tradespeople. Whilst the Company has entered into employment contracts with key employees, the retention of their services cannot be guaranteed. The loss of key employees or skilled operators and tradespeople could significantly affect the performance of the Company's operations.

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(m) **Tenements**

A failure to adhere to the statutory expenditure requirements in relation the Company's mineral tenements will, unless an exemption is granted, make one or more of the tenements subject to possible forfeiture and the loss by the Company of the associated rights to the tenements.

(n) **Native Title, Aboriginal Heritage and Heritage**

The *Native Title Act 1993* (Cth) recognises certain rights of indigenous Australians over land where those rights have not been extinguished. These rights, where they exist, may impact on the ability of the Company to carry out exploration and in future, mining activities, or obtain exploration or mining licences in Australia. In applying for licences over crown land, the Company must observe the provisions of Native Title legislation.

In carrying out exploration and/or mining operations, the Company must observe Native Title legislation (where applicable), Aboriginal heritage legislation and heritage legislation which protects sites and objects of significance and these may delay or impact adversely on the Company's operations in Australia.

(o) **Tenure and Access**

Mining and exploration tenements are subject to periodic renewal. There is no guarantee that current or future tenements or future applications for renewal of tenements will be approved.

The Company's tenements are subject to numerous specific legislative conditions. The renewal of the term of a granted tenement in Australia is subject to discretion of the relevant Minister. Renewal conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the tenements comprising the Company's projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

(p) **Joint Ventures**

The Company may wish to develop its projects or future projects through joint venture arrangements, while some projects are already the subject of joint venture agreements. Any joint ventures entered into by, or interests in joint ventures assigned to the Company could be affected by the failure or default of any of the joint venture participants.

(q) **Dividend Policy**

The Company has not declared a dividend for the year ended 30 June 2011 and does not intend to pay a dividend for the year ended 30 June 2012. Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of profit, operating results, the financial position of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurances in relation to the payment of dividends, or the franking credits attached to such dividends, can be given.

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## 6.3 General Risks

### (a) Share Market Investments

The New Shares are to be quoted on the ASX, where their price may rise or fall in relation to the Offer Price. The New Shares and New Options carry no guarantee in respect of profitability, dividends or return of capital, or the price at which they may trade on the ASX. The value of the New Shares and New Options will be subject to the ASX market and hence a range of factors outside of the control of the Company and the Directors and officers of the Company. Such factors include the demand for and availability of shares and options, movements in domestic and international interest rates and inflation rates, economic conditions and general economic outlook, exchange rates, fluctuations in the Australian and international share markets, taxation, government and monetary policies and demand and supply for capital. Returns from an investment in the New Shares and New Options offered under this Prospectus may also depend on general share market conditions, as well as the performance of the Company. Investors who decide to sell their New Shares or New Options may not receive the entire amount of their original investment. There can be no guarantee that an active market in the Shares or Options will develop or that the price of the New Shares or New Options will increase.

### (b) General Economic Conditions

Factors such as inflation, currency fluctuations, interest rates, supply and demand, industrial disruption, government policy and legislation have an impact on operating costs, commodity prices, and the parameters in which the Company operates. Factors that may be beyond the control of the Company include:

- general economic conditions in Australia and its trading partners and, in particular, inflation rates, interest rates, exchange rates, commodity supply and demand factors;
- financial failure or default by a participant in any of the joint ventures or other contractual relationship to which the Company is, or may become, a party;
- insolvency or other managerial failure by any of the contractors used by the Company in its activities; and
- industrial disputes.

These as well as other conditions can affect the Company's future revenues and profitability and the price of its securities.

### (c) Industrial Risk

Industrial disruptions, work stoppages and accidents in the course of the Company's operations could result in losses and delays, which may adversely affect profitability.

### (d) Management Actions

The Directors will, to the best of their knowledge, experience and ability (in conjunction with management) endeavour to anticipate, identify and manage the risks inherent in the activities of the Company, but without assuming any personal liability for same, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of the Company and its securities.

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(e) **Government Policy and Legislative Changes**

Capacity to explore and mine, as well as industry profitability generally, can be affected by changes in government policy that are beyond the control of the Company and which may materially adversely affect the Company and the value of its securities.

(f) **Taxation**

In all places where the Company has operations, in addition to the normal level of income tax imposed on all industries, the Company may be required to pay government royalties, indirect taxes, goods and services tax and other imposts which generally relate to revenue or cash flows. Industry profitability can be affected by changes in government taxation policies.

*Minerals Resource Rent Tax*

The Federal Government proposes has introduced a Minerals Resource Rent Tax (**MRRT**) on coal, iron ore and some gas projects in Australia, which will broadly tax MRRT assessable profits at a rate of 30%.

The Minerals Resource Rent Tax Bill 2011 passed through the House of Representatives on 22 November 2011 and applies from 1 July 2012.

*Clean Energy Act 2011 (Cth)*

In addition, the Australian Federal Government has introduced the *Clean Energy Act 2011 (Cth)* (**CEA**), which is designed to implement a carbon tax. The broad intent of the CEA is to impose a form of carbon tax on the major carbon emitters in Australia, who will be required to pay for their emissions. It is expected that the CEA will also indirectly lead to increased costs for other companies in the resource and exploration industry.

At this preliminary stage of the implementation of the CEA, it is difficult to ascertain whether the scheme will negatively impact the operations of the Company.

It is possible that both the introduction of the MRRT and implementation of the CEA may adversely impact on the Company in the event that the Company commences commercial mining operations in Australia.

It is also possible future policy and legislative changes will adversely affect the mining industry and participants in it, including the Company.

(g) **Commodity Price Risks**

The Company's prospects and share price will be influenced by the price obtained from time to time for the commodities targeted in its exploration programs. Commodity prices fluctuate and are affected by factors including the relationship between global supply and demand for minerals, forward selling by producers, costs of production and general global economic conditions.

Commodity prices are also affected by the outlook for inflation, interest rates, currency exchange rates and supply and demand factors. These factors may have an adverse affect on the Company's exploration and any subsequent development and production activities, as well as its ability to fund its future activities.

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(h) **Foreign Exchange**

Foreign exchange rates fluctuate over time. Fluctuating exchange rates have a direct effect on the Company's operating costs and cash flows expressed in Australian dollars. The Company does not currently have any formal currency hedging in place, which means that adverse changes to foreign exchange rates may have an adverse effect on the Company and its business.

(i) **Environmental Risks**

The Company's projects are subject to Australian laws and regulations in relation to environmental matters. As a result, there is the risk that the Company may incur liability under these laws and regulations. The Company proposes to comply with applicable laws and regulations and conduct its programs in a responsible manner with regard to the environment.

6.4 **Speculative Nature of Investment**

The above list of risk factors is not to be taken as exhaustive of the risks faced by the Company or by Shareholders in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares and New Options offered under this Prospectus.

Accordingly, the New Shares and New Options to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns, returns of capital or market value at any time. Shareholders should consider that an investment in the Company is highly speculative and should consult their professional advisers before deciding whether to take up their Entitlement.

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## 7. Additional Information

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### 7.1 Transaction Specific Prospectus

Elementos is a disclosing entity and therefore subject to regular reporting and disclosure obligations under the Corporations Act. Under those obligations, Elementos is obliged to comply with all applicable continuous disclosure and reporting requirements in the ASX Listing Rules.

This Prospectus is issued under Section 713 of the Corporations Act. This section enables disclosing entities to issue a prospectus in relation to securities in a class of securities which has been quoted by ASX at all times during the three months before the date of the Prospectus or options to acquire such securities. Apart from formal matters, this Prospectus needs only to contain information relating to the terms and conditions of the Offer, the effect of the Offer on the Company and the rights and liabilities attaching to the New Shares and New Options.

Copies of the documents lodged by Elementos with ASIC may be obtained from, or inspected at an office of ASIC.

The Company will provide a copy of any of the following documents, free of charge, to any person who asks for a copy of the document before the Closing Date in relation to this Prospectus:

- (a) audited financial statements for the Company for the year ended 30 June 2011;
- (b) reviewed half-yearly financial statements for the Company for the period ended 31 December 2011; and
- (c) any other financial statements lodged in relation to Elementos with ASIC and any continuous disclosure notices given by Elementos to ASX, in the period starting immediately after lodgement of the audited financial statements for the Company for the year ended 30 June 2011 and ending on the date of lodgement of this Prospectus with ASIC.

### 7.2 ASX Announcements

The ASX announcements that the Company has made since 17 October 2011 are set out below:

2012

24/08/2012	Trading Halt
22/08/2012	Tamaya Sampling Intersects Further High-Grade Copper
20/08/2012	Tamaya Induced Polarisation Geophysics Program Commences
17/08/2012	Tamaya - Advances in Evaluation of Bulk Tonnage Potential
30/07/2012	Tamaya IP Geophysics Program To Test For Porphyry
27/07/2012	Quarterly Activities and Cashflow Reports
12/07/2012	Tamaya Project Update
03/07/2012	Further Millenium Exploration Permits Granted
21/06/2012	New Prospects Discovered At Tamaya
20/06/2012	Manantiales Update - New Vein Targets Identified
18/06/2012	Tamaya Sampling Continues To Identify New Copper Structures
29/05/2012	Mercedes IP Geophysics and Project Update
23/05/2012	Tamaya Phs II Sampling Identifies Further High-Grade Copper
21/05/2012	Tamaya Sampling Identifies Further High-Grade Copper

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18/05/2012	Manantiales Project Update
18/05/2012	Company Secretary Appointed
15/05/2012	Mercedes Elvira Prospect Returns Further High-Grade Copper
08/05/2012	Amended Mercedes Second Phase Geophysical Survey Commences
08/05/2012	Millenium Exploration Permits Granted
07/05/2012	Mercedes Second Phase IP Geophysical Survey Commences
27/04/2012	Quarterly Reports March 2012
16/04/2012	Investor Presentation April 2012
16/04/2012	Tamaya Exploration Identifies High-Grade Copper Structures
02/04/2012	Mercedes Geophysics Program Identifies Oxide and Porphyry
13/03/2012	Mercedes Ongoing Sampling Returns High-Grade Copper Values
28/02/2012	Half Yearly Report and Accounts
23/02/2012	Investor Presentation
23/02/2012	South America Strategy Update
22/02/2012	Tamaya Ground-Based Geophysics Commences
16/02/2012	Divisoria Porphyry Depth Potential Confirmed by Geophysics
15/02/2012	Mercedes Demonstrates High-Grade Copper Potential
10/02/2012	Mercedes Airborne Geophysics Program
07/02/2012	Acquisition of Interest in Cerrillo Tamaya Project, Chile
06/02/2012	Elementos Acquires Right to Mercedes Copper Project in Chile
31/01/2012	Reset of Option Exercise Price
31/01/2012	Quarterly Activities and Cashflow Reports
30/01/2012	Yvette Gold-Silver Prospect Exploration Update

## 2011

15/12/2011	Manantiales Phase II-Extended Drilling Program Commences
13/12/2011	Appendix 3B - Restricted Securities
13/12/2011	Divisoria Porphyry Geophysics Program Commences
25/11/2011	Manantiales Phase II Extended Drilling Program
25/11/2011	Manantiales Phase II Drilling Results
17/11/2011	Appendix 3Z - Final Director`s Interest Notice
17/11/2011	Change of Auditor
17/11/2011	Results of Meeting
17/11/2011	AGM Chairman`s Address
11/11/2011	Details of Company Address
26/10/2011	Quarterly Activities and Cashflow Reports

### 7.3 Share Prices

The highest and lowest prices of Shares in the Company on the ASX during the six month period before the date of this Prospectus are set out below:

	Price	Date
Highest	\$0.18	29 February 2012
Lowest	\$0.045	16 August 2012

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The Offer Price of \$0.035 represents a discount of 39.7% to the last market price of Shares on 23 August 2012, being the last trading day before lodgement of this Prospectus.

## 7.4 Rights and Liabilities Attaching to New Shares

Full details of the rights attaching to Shares are set out in the Company's Constitution, a copy of which can be inspected, free of charge, at the Company's registered office during normal business hours.

There is only one class of Share on issue in the Company, being fully paid ordinary Shares. The rights attaching to Shares are:

- (a) set out in the Constitution of the Company; and
- (b) in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules (formerly the SCH Business Rules) and the general law.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares including New Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

### ***Share Capital***

All issued Shares rank equally in all respects.

### ***Voting Rights***

At a general meeting of the Company, every Shareholder present in person, by an attorney, representative or proxy, has one vote on a show of hands and on a poll, one vote for every Share held, and for every partly paid share held (at present there are none), a fraction of a vote equal to the proportion which the amount paid up bears to the total issue price of the contributing Share. Where there is an equality of votes, the chairperson does not have a casting vote.

### ***Dividend Rights***

Subject to the rights of holders of shares issued with any special or preferential rights (at present there are none), the profits of the Company which the Directors of the Company may from time to time determine to distribute by way of dividend, are divisible among the Company's Shareholders in proportion to the Shares held by them respectively, according to the amount paid up or credited as paid up on them.

### ***Rights on Winding Up***

If, on a winding up of the Company, there remains a surplus, that surplus will, subject to the terms of issue of each share, the Corporations Act, the Listing Rules and any agreement between a member and the Company to the contrary, be divided amongst the members in proportion to the amounts paid up on their Shares.

### ***Transfer of Shares***

Generally, Shares may be transferred in accordance with the Corporations Act, the Listing Rules and the ASTC Settlement Rules. The Directors of the Company may refuse to register a transfer of Shares were permitted or required to do so by the Corporations Act, the Company's Constitution, the Listing Rules or the ASTC Settlement Rules.

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## ***Sale of Small Holdings***

The Company may take steps in respect of non-marketable holdings of Shares in the Company to effect an orderly sale of those Shares in the event that holders do not take steps to retain their holdings.

The Company may only take steps in relation to small holdings in accordance with the Company's Constitution and the Listing Rules.

## ***Calls on Shares***

Where shares are issued as partly paid, the Directors of the Company may make calls upon the holders of those shares to pay the whole of or a portion of the balance of the issue price. If a Shareholder fails to pay a call or instalment of a call, then subject to the Corporations Act and Listing Rules, the shares the subject of the call may be forfeited and interest and expenses may be payable in accordance with the Company's Constitution, the Corporations Act and Listing Rules or proceedings taken to recover the amount unpaid.

## ***No Calls on Shares***

As all Shares are fully paid, they are not subject to any calls for money by Directors of the Company and will therefore not become liable to forfeiture.

## ***Further Increases in Capital***

The allotment and issue of any new Shares is under the control of the Directors and, subject to any restrictions on the allotment of Shares imposed by the Company's Constitution, Listing Rules or the Corporations Act, the Directors of the Company may allot, issue or grant options over or otherwise dispose of those Shares to such persons, with such rights or restrictions as they may from time to time determine.

## ***Variation of Rights Attaching to Shares***

Where Shares of different classes are issued, the rights attaching to the Shares of a class (unless otherwise provided by their terms of issue) may only be varied by a special resolution passed at a separate general meeting of the holders of those Shares of that class, or with the written consent of the holders of at least three quarters of the issued Shares of that class.

## ***General Meeting***

Each Shareholder will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to Shareholders under the Company's Constitution, the Corporations Act and Listing Rules.

## ***Alteration of Constitution***

The Constitution of the Company can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at a general meeting. At least 28 days written notice specifying the intention to propose the resolution as a special resolution, must first be given to Shareholders.

## ***ASX Listing Rules***

For so long as the Company is admitted to the Official List of ASX, then despite anything in the Constitution of the Company, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Company's Constitution prevents an act being done if the Listing Rules require the act to be done. If the Listing Rules require an act to be done or not to be

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done, authority is given for that act to be done or not to be done (as the case may be). If a provision of the Company's Constitution becomes inconsistent with the Listing Rules, the Company's Constitution is deemed not to contain that provision to the extent of that inconsistency.

## 7.5 Terms and Conditions of New Options

Set out below are the terms and conditions of the New Options:

- (a) The New Options shall be issued for nil consideration.
- (b) The New Options will, except to the extent earlier exercised, expire on 9 April 2014 (**Expiry Date**).
- (c) The exercise price of each New Option shall be \$0.06 (**Exercise Price**).
- (d) The New Options will be transferable in whole or in part.
- (e) The New Options may be exercised at any time wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the Exercise Price per New Option to the Company at any time on or after the date of issue of the New Options and on or before the Expiry Date;
- (f) The number of New Options that may be exercised at one time must be not less than 10,000.
- (g) Upon the valid exercise of the New Options and payment of the Exercise Price, the Company will issue fully paid ordinary Shares ranking pari passu with the then issued ordinary Shares.
- (h) Optionholders do not have any right to participate in new issues of securities in the Company made to Shareholders generally. The Company will, where required pursuant to the Listing Rules, provide Optionholders with notice prior to the books record date (to determine entitlements to any new issue of securities made to Shareholders generally) to exercise the New Options, in accordance with the requirements of the Listing Rules.
- (i) Optionholders do not participate in any dividends unless the New Options are exercised and the resultant Shares of the Company are issued prior to the record date to determine entitlements to the dividend.
- (j) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
  - (1) the number of New Options, the Exercise Price of the New Options, or both will be reconstructed (as appropriate) in a manner consistent with the Listing Rules as applicable at the time of reconstruction, but with the intention that such reconstruction will not result in any benefits being conferred on the holders of the New Options which are not conferred on Shareholders; and
  - (2) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of Shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the New Options will remain unchanged.

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- (k) If there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:

$$O^n = O - \frac{E [P - (S + D)]}{N + 1}$$

where:

$O^n$  = the new exercise price of the New Option;

$O$  = the old exercise price of the New Option;

$E$  = the number of underlying securities into which one New Option is exercisable;

$P$  = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex right date or the ex entitlements date;

$S$  = the subscription price for a security under the pro rata issue;

$D$  = dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue);

$N$  = the number of securities with rights or entitlements that must be held to receive a right to one new security.

- (l) If there is a bonus issue to the holders of Shares in the Company, the number of Shares over which the New Option is exercisable may be increased by the number of Shares which the Optionholder would have received if the New Option had been exercised before the record date for the bonus issue.
- (m) The terms of the New Options shall only be changed if holders (whose votes are not to be disregarded) of ordinary Shares in the Company approve of such a change. However, the terms of the New Options shall not be changed to reduce the Exercise Price, increase the number of New Options or change any period for exercise of the New Options.
- (n) The Company has applied for listing of the New Options on the ASX.
- (o) The Company shall apply for listing of the resultant Shares of the Company issued upon exercise of any New Option.

## 7.6 Corporate Governance

The Company has adopted a Corporate Governance Charter that can be obtained, at no cost, from the Company's registered office.

The Company reports on its compliance with the recommendations made by the Corporate Governance Principles and Recommendations in its annual report. Where the Company's corporate governance practices do not correlate with the practices recommended by the ASX Corporate Governance Council, the Company is working towards compliance; however, it does not consider that all practices are appropriate for the Company due to the size and scale of the Company's operations.

## 7.7 Directors' Interests

The nature and extent of the interest (if any) that any of the Directors of the Company holds, or held at any time during the last two years in:

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- (a) the formation or promotion of the Company;
- (b) property acquired or to be acquired by the company in connection with:
  - (1) its formation or promotion; or
  - (2) the Offer; or
- (c) the Offer

is set out below or elsewhere in this Prospectus.

Other than as set out below or elsewhere in this Prospectus, no one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit to any director or proposed director:

- (a) to induce them to become, or to qualify as, a Director of the Company; or
- (b) for services provided by a director in connection with:
  - (1) the formation or promotion of the Company; or
  - (2) the Offer.

Set out below are details of the interest of the Directors in the securities of the Company immediately prior to lodgement of the Prospectus with ASIC. Interest includes those securities held directly and indirectly. The table does not take into account any New Shares or New Options the Directors may acquire under the Offer.

Director	Number of Shares	Number of Options
A. Anthony McLellan	Nil	2,000,000
Corey Nolan	146,786	2,500,000
Mark McCauley	Nil <sup>1</sup>	500,000
James Calaway	11,937,291	1,000,000

Note 1: Mark McCauley's father, Ian McCauley, is the sole director of and controls Belmont Park Investments Pty Ltd, an entity that holds 4,230,770 Shares in the Company and that has indicated its intention to take up its full Entitlement under the Offer. However, Mark McCauley does not have any direct or indirect interest in the Shares held by Belmont Park Investments Pty Ltd.

## 7.8 Directors' Fees

Set out below is the remuneration paid to the current Directors of the Company and their associated entities for the past two years.

### 1 July 2010 – 30 June 2011

Director	Salary/Fees	Equity Settled Options	Superannuation	Total
A Anthony McLellan	\$68,500	\$177,179	\$6,165	\$251,844
Corey Nolan	\$232,308	\$221,474	\$18,658	\$472,440

# Prospectus

James Calaway	\$18,172	\$186,000	Nil	\$204,172
Mark McCauley	\$29,247	\$93,900	\$2,632	\$125,779

## **1 July 2011 – 30 June 2012**

<b>Director</b>	<b>Salary/Fees</b>	<b>Equity Settled Options</b>	<b>Superannuation</b>	<b>Total</b>
A Anthony McLellan	\$75,000	Nil	\$6,750	\$81,750
Corey Nolan	\$238,179	Nil	\$21,436	\$259,615
James Calaway	\$40,000	Nil	Nil	\$40,000
Mark McCauley	\$40,000	Nil	\$3,600	\$43,600

### **Directors' and Officers' Indemnity**

Pursuant to the Constitution, but subject to the Corporations Act, each Director is entitled to be fully indemnified by the Company in respect of all loss and liability incurred by the Director in performing his duties as Director of the Company, including but not limited to a liability arising from negligence and for reasonable costs and expenses in successfully defending any civil or criminal proceedings relating to performance of those duties. Liability arising from conduct involving lack of good faith is excluded from the indemnity. The Company maintains a Directors and Officers Insurance Policy to cover these risks.

### **7.9 Substantial Holders**

The following are details of those Shareholders who held more than 5% of the Shares on issue prior to the date of this Prospectus:

<b>Substantial Holder</b>	<b>Number of Shares</b>	<b>%</b>	<b>Number of Options</b>
Andes Investors LLC	9,908,035	12.027	Nil
Belmont Park Investments Pty Ltd	4,230,770	5.135	Nil

Please refer to Section 5 for further details of the effect of the Offer on the control of the Company. As at the date of this Prospectus, there are no other Shareholders who hold more than 5% of the Shares on issue.

### **7.10 Related Party Transactions**

From time to time the Company may be party to transactions with related parties including:

- (a) employment and service arrangements; and
- (b) payment of Directors' fees.

The Company believes that it has made appropriate disclosure of past related party transactions and other than any further disclosure specifically set out below or made elsewhere in this Prospectus does not intend to make any further disclosure of such transactions which transactions will have either proceeded on an "arms length" basis, reasonable remuneration basis or been approved by Shareholders in general meeting.

# Prospectus

The Company discloses the following transactions with related parties which have either proceeded on an “arm’s length” or reasonable remuneration basis. The transactions are:

- (a) proposed capital issues to Directors or interests associated with Directors;
- (b) employment agreements with related parties; and
- (c) payment of Directors’ fees to Non-executive Directors.

## 7.11 Underwriting Agreement [to be updated based on final version]

The Company has entered into the Underwriting Agreement with the Underwriter.

The Underwriter, pursuant to the Underwriting Agreement, has agreed to underwrite the Offer up to 42,234,924 New Shares (and 21,117,462 New Options), representing \$1,513,222.34.

The Company has agreed to pay the Underwriter an underwriting fee of 4.5% of the total amount raised under the Offer less amounts pre-committed by certain Shareholders (for a total underwriting fee of \$91,952.24) and a management fee of 1.5% of the total amount raised under the Offer (for a total management fee of \$34,601.08) once the New Shares have been allotted pursuant to the Offer.

In the event that the Company terminates the Underwriting Agreement, or the Underwriter terminates the Underwriting Agreement for cause, the Underwriter will be entitled to a termination fee of \$50,000, together with the reimbursement of any incurred or accrued expenses up to the date of termination.

The Company has agreed to indemnify the Underwriter, in respect of all costs of and incidental to the Offer, and further indemnify the Underwriter and related parties against all losses, liabilities and claims in respect of the Prospectus, the Offer and associated documents to the Offer.

The Underwriting Agreement makes provisions (inter alia) for certain covenants to be observed by the Company and also circumstances in which the Underwriter may terminate the Underwriting Agreement. Some of those provisions which allow termination of the Underwriting Agreement are summarised as following:

- (a) **Indices fall:** any of the All Ordinaries Index or the ASX300 Materials Index as published by ASX is at any time after the date of the Underwriting Agreement 10% or more below its respective level as at the close of business on the Business Day prior to the date of this Agreement (**Threshold**) and remains below the Threshold for 2 consecutive trading days; or
- (b) **Share Price fall:** the Company’s share price (under the ASX stock code “ELT”) trades below the Offer Price for 5 consecutive trading days; or
- (c) **Prospectus:** the Company does not lodge the Prospectus on the agreed lodgement date or the Prospectus or the Offer is withdrawn by the Company; or
- (d) **Copies of Prospectus:** the Company fails to deliver the Prospectus to the Underwriter in accordance with the Underwriting Agreement and such failure is not remedied within 2 days after receiving notice to remedy from the Underwriter; or
- (e) **No Official Quotation:** ASX notifies the Company or any other person that Official Quotation will not be granted in respect of the New Shares by the Shortfall Notice Deadline Date or, having been granted, is subsequently withdrawn, withheld or qualified; or

# Prospectus

- (f) **Supplementary Prospectus:**
- (1) the Underwriter, having elected not to exercise its right to terminate its obligations under the Underwriting Agreement as a result of a “new circumstance” that arises (as defined in section 719(1) of the Corporations Act) that is materially adverse from the point of view of an investor, forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require; or
  - (2) the Company lodges a supplementary or replacement Prospectus without the prior written agreement of the Underwriter; or
- (g) **Non-compliance with Disclosure Requirements:** it transpires that the Prospectus does not contain all the information required by section 713 (or sections 710, 711 and 716) of the Corporations Act; or
- (h) **Misleading Prospectus:** it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of section 713 (or sections 710, 711 and 716) of the Corporations Act) or if any statement in the Prospectus becomes or misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive; or
- (i) **Restriction on Allotment:** the Company is prevented from allotting the New Shares and New Options within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority; or
- (j) **Withdrawal of Consent to Prospectus:** any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent; or
- (k) **ASIC Application:** an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the Shortfall Notice Deadline Date has arrived, and that application has not been dismissed or withdrawn; or
- (l) **ASIC Hearing:** ASIC gives notice of its intention to hold a hearing under section 739 or any other provision of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or the ASIC makes an interim or final stop order in relation to the Prospectus under section 739 or any other provision of the Corporations Act; or
- (m) **Takeovers Panel:** the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act; or
- (n) **Hostilities:** there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this agreement involving one or more of Australia, New Zealand, Japan, Russia, the United Kingdom, the United States of America, Chile, Argentina, the Peoples Republic of China or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world; or

# Prospectus

- (o) **Authorisation:** any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter; or
- (p) **Indictable Offence:** a Director or senior manager of the Company or a subsidiary is charged with an indictable offence; or
- (q) **Sub-underwriters:** any of the sub-underwriters that are introduced by the Company (which includes the Sub-underwriter) do not comply with its obligations under the sub-underwriting agreements; or
- (r) **Termination Events:** subject to the materiality threshold discussed below, any of the following events occurs:
  - (1) **Default:** default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
  - (2) **Incorrect or Untrue Representation:** any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
  - (3) **Contravention of Constitution or Corporations Act:** a contravention by the Company or a subsidiary of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
  - (4) **Adverse Change:** an event occurs which gives rise to a material adverse effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company or any subsidiary including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;
  - (5) **Error in Due Diligence Results:** it transpires that any of the due diligence results or any part of the verification material was materially false, misleading or deceptive or that there was a material omission from them;
  - (6) **Significant Change:** a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
  - (7) **Public Statements:** without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer or the Prospectus;
  - (8) **Misleading Information:** any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the affairs of the Company or any subsidiary is or becomes misleading or deceptive or likely to mislead or deceive;
  - (9) **Official Quotation Qualified:** the Official Quotation of the New Shares is qualified or conditional other than as set out in the definition of "Official Quotation";
  - (10) **Change in Act or Policy:** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the

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Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;

- (11) **Prescribed Occurrence:** a Prescribed Occurrence occurs within the meaning of the Corporations Act;
- (12) **Suspension of Debt Payments:** the Company suspends payment of its debts generally;
- (13) **Event of Insolvency:** an event of insolvency occurs in respect of the Company or any subsidiary;
- (14) **Judgment against Company or Subsidiary:** a judgment in an amount exceeding \$25,000 is obtained against the Company or any subsidiary and is not set aside or satisfied within 7 days;
- (15) **Litigation:** litigation, arbitration, administrative or industrial proceedings are after the date of this Agreement commenced or threatened against the Company or any subsidiary, other than any claims foreshadowed in the Prospectus;
- (16) **Board and Senior Management Composition:** there is a change in the composition of the Board or a change in the senior management of the Company before completion of the Offer without the prior written consent of the Underwriter;
- (17) **Change in Shareholdings:** other than as contemplated by the Prospectus, there is a material change in the major or controlling shareholdings of the Company or any subsidiary or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to the Company or any subsidiary;
- (18) **Timetable:** there is a delay in any specified date in the timetable as agreed between the Underwriter and the Company which is greater than 3 Business Days;
- (19) **Force Majeure:** a force majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;
- (20) **Certain Resolutions Passed:** the Company or any subsidiary passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- (21) **Capital Structure:** the Company or any subsidiary alters its capital structure in any manner not contemplated by the Prospectus;
- (22) **Investigation:** any person is appointed under any legislation in respect of companies to investigate the affairs of the Company or any subsidiary;
- (23) **Market Conditions:** a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America, Chile, Argentina or other international financial markets; or

# Prospectus

- (24) **Suspension:** the Company is removed from the Official List or the Shares become suspended from Official Quotation and that suspension is not lifted within 24 hours following such suspension.

The Underwriter may not exercise its rights under paragraph (r) above unless, in the reasonable opinion of the Underwriter reached in good faith, the occurrence of a termination event has or is likely to have, or two or more termination events together have or are likely to have (**Relevant Termination Event**):

- (a) a material adverse effect; or
- (b) could give rise to a liability of the Underwriter under the Corporations Act or otherwise; and
- (c) the Underwriter has afforded the Company not less than 5 business days to remedy the Relevant Termination Events (if all Relevant Termination Events are capable of remedy) and all of the Relevant Termination Events have not been remedied.

## 7.12 Sub-underwriting Agreement

The Underwriter has entered into a Sub-underwriting Agreement with the Sub-underwriter.

Under the terms of the Sub-underwriting Agreement, the Sub-underwriter is required (and entitled) to subscribe for up to the first 22,005,543 New Shares (representing \$770,194.02) (and 11,002,771 New Options) comprising the Shortfall after the close of the Offer after allowing for successful applications for Additional New Shares (**Priority Sub-underwriting Commitment**).

The Sub-underwriter will be paid a sub-underwriting fee of 3% of the Priority Sub-underwriting Commitment that the Sub-underwriter has committed to under the Sub-underwriting Agreement. This fee is payable by the Underwriter.

The Sub-underwriter is not permitted to (in whole or in part) assign, transfer, lay-off, sub-syndicate or in any other manner, deal with its entitlement to the sub-underwritten shares, or its rights or obligations arising under the acceptance of the sub-underwriting offer, without the prior written consent of the Underwriter.

In the event of a shortfall (as defined in the Sub-underwriting Agreement), the Sub-underwriter is required to subscribe for (or procure subscriptions for) New Shares in accordance with a specified formula which takes into consideration the amount underwritten by the Underwriter and the Priority Sub-underwritten Commitment.

The Sub-underwriter has no right to terminate the Sub-Underwriting Agreement. The Sub-underwriting Agreement will terminate if the Offer does not proceed or the Underwriting Agreement is terminated.

## 7.13 Interests of Experts and Advisers

This section applies to persons named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, promoters of the Company and stockbrokers or arrangers (but not sub-underwriters) to the Offer (collectively **Prescribed Persons**).

Other than as set out below or elsewhere in this Prospectus, no Prescribed Person has, or has had in the last two years, any interest in:

- (a) the formation or promotion of the Company;

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- (b) any property acquired or proposed to be acquired in connection with the formation or promotion of the Company or the Offer; or
- (c) the Offer of New Shares and New Options under this Prospectus.

Other than that as set out below or elsewhere in this Prospectus, no benefit has been given or agreed to be given to any Prescribed Person for services provided by a Prescribed Person in connection with the:

- (a) formation or promotion of the Company; or
- (b) offer of New Shares and New Options under this Prospectus.

Patersons Securities Limited is the Lead Manager and Underwriter to the Offer, in respect of which it is entitled to receive fees and commission under the Underwriting Agreement as set out in Section 7.11 above.

HopgoodGanim Lawyers are acting as solicitors to the Offer and have performed work in relation to the Prospectus. In doing so, HopgoodGanim Lawyers have placed reasonable reliance upon information provided to them by the Company. HopgoodGanim Lawyers does not make any statement in this Prospectus. In respect of this work, the Company estimates that it will pay approximately \$25,000 (excluding disbursements and GST) to HopgoodGanim Lawyers. Further amounts may be paid to HopgoodGanim Lawyers in accordance with its normal time based charges.

BDO Audit Pty Ltd is acting as accountant and auditor to the Offer and has performed work in relation to the Prospectus. In doing so, BDO Audit Pty Ltd has placed reasonable reliance upon information provided to it by the Company BDO Audit Pty Ltd does not make any statement in this Prospectus. In respect of this work, the Company estimates that it will pay approximately \$3,500 (excluding disbursements and GST) to BDO Audit Pty Ltd. Further amounts may be paid to BDO Audit Pty Ltd in accordance with its normal time based charges.

Boardroom Pty Limited is acting as Share Registry to the Offer and has performed work in relation to the Prospectus. In doing so, Boardroom Pty Limited has placed reasonable reliance upon information provided to it by the Company. Boardroom Pty Limited does not make any statement in this Prospectus. In respect of this work, the Company estimates that it will pay approximately \$17,000 (excluding disbursements and GST) to Boardroom Pty Limited.

## 7.14 Limitation on Foreign Ownership

The only limitations under Australian law on the rights of non-Australian residents to hold or vote the Shares of an Australian company are in the Foreign Acquisitions and Takeovers Act (the **FATA**). The FATA regulates acquisitions giving rise to ownership of substantial amounts of a company's shares.

The FATA prohibits:

- any natural person not ordinarily resident in Australia; or
- any corporation in which either a natural person not ordinarily resident in Australia or a foreign corporation (as defined in the FATA) holds a controlling interest; or
- two or more such persons or corporations,

from acquiring or entering into an agreement to acquire an interests in an existing Australian corporation if after the acquisition such person or corporation would hold a substantial interest in a corporation, or where two or more persons or corporations would hold an aggregate substantial interest (defined below), without first applying in the prescribed form for approval by

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the Australian Treasurer and receiving such approval or receiving no response in the 40 days after such application was made.

Acquisitions of interests may include the acquisition of shares, options or any other instrument which may be converted to shares, as well as any other type of arrangement which results in control of the corporation.

A holder will be deemed to hold a substantial interest in a corporation if the holder alone or together with any associates (as defined in the FATA) is in a position to control not less than 15% of the voting power in the corporation or holds interests in not less than 15% of the issued shares in that corporation. Two or more holders hold an aggregate substantial interest in a corporation if they, together with any associates (as so defined), are in a position to control not less than 40% of the voting power in that corporation or hold not less than 40% of the issued Shares in that corporation. The Constitution of the Company contains no limitations on a non resident's right to hold or vote the Company's Shares.

The Constitution of the Company contains no limitations on a non-resident's right to hold or vote the Company's Shares.

## 7.15 Subsequent Events

There has not arisen, at the date of this Prospectus any item, transaction or event of a material or unusual nature not already disclosed in this Prospectus which is likely, in the opinion of the Directors of the Company to affect substantially:

- (a) the operations of the Company,
- (b) the results of those operations; or
- (c) the state of affairs of the Company.

## 7.16 Taxation

It is the responsibility of all Applicants to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers before investing in the New Shares and New Options. Taxation consequences will depend on particular circumstances.

Neither the Company nor any of its officers accept any liability or responsibility in respect of the taxation consequences of the matters referred to above or any other taxation consequences connected with an investment in the New Shares and New Options in the Company or dealing with an Entitlement under the Offer.

## 7.17 Litigation

The Company is not engaged in any litigation which has or would be likely to have a material adverse effect on either the Company or its business.

## 7.18 Privacy

By submitting an Entitlement and Acceptance Form for shares you are providing to the Company personal information about yourself. If you do not provide complete and accurate personal information, your application may not be able to be processed.

The Company maintains the register of members of the Company through Boardroom Pty Limited, an external service provider. The Company requires Boardroom Pty Limited to comply with the National Privacy Principles with performing these services. The Company's register is required under the Corporations Act to contain certain personal information about

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you such as your name and address and number of shares and options held. In addition the Company collects personal information from members such as, but not limited to, contact details, bank accounts and membership details and tax file numbers.

This information is used to carry out registry functions such as payment of dividends, sending annual and half yearly reports, notices of meetings, newsletters and notifications to the Australian Taxation Office. In addition, contact information will be used from time to time to inform members of new initiatives concerning the Company.

The Company understands how important it is to keep your personal information private. The Company will only disclose personal information we have about you:

- (a) when you agree to the disclosure;
- (b) when used for the purposes for which it was collected;
- (c) when disclosure is required or authorised by law;
- (d) to other members in the Elementos group of companies;
- (e) to your broker; or
- (f) to external service suppliers who supply services in connection with the administration of the Company's register such as mailing houses and printers, Australia Post and financial institutions.

You have the right to access, update and correct your personal information held by the Company and Boardroom Pty Limited, except in limited circumstances. If you wish to access, update or correct your personal information held by Boardroom Pty Limited or by the Company please contact our respective offices.

If you have any questions concerning how the Company handles your personal information, please contact the Company.

## 7.19 Expenses of the Offer

All expenses connected with the Offer are being borne by the Company. Total expenses of the Offer are estimated to be in the order of \$186,972.32.

## 7.20 Consents and Disclaimers

Written consents to the issue of this Prospectus have been given and at the time of this Prospectus have not been withdrawn by the following parties:

Boardroom Pty Limited has given and has not withdrawn its consent to be named in this Prospectus as the Share Registry of the Company in the form and context in which it is named. It takes no responsibility for any part of the Prospectus other than the references to its name.

Patersons Securities Limited has given and has not withdrawn its consent to be named in this Prospectus as the Lead Manager and Underwriter to the Offer in the form and context in which it is named. It takes no responsibility for any part of the Prospectus other than references to its name.

HopgoodGanim Lawyers has given and has not withdrawn its consent to be named in this Prospectus as solicitors to the Offer in the form and context in which it is named. It takes no responsibility for any part of the Prospectus other than references to its name.

# Prospectus

BDO Audit Pty Ltd has given and has not withdrawn its consent to be named in this Prospectus as accountant and auditor to the Offer in the form and context in which it is named. It takes no responsibility for any part of the Prospectus other than references to its name.

## 7.21 Directors' Statement

This Prospectus is issued by Elementos Limited. Each Director has consented to the lodgement of the Prospectus with ASIC.

Signed on the date of this Prospectus on behalf of Elementos Limited by

A handwritten signature in black ink, appearing to read "Corey Nolan", is written over a light blue rectangular background.

Corey Nolan  
Managing Director

# Prospectus

## 8. Definitions and Glossary

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Terms and abbreviations used in this Prospectus have the following meaning:

<b>Acceptance</b>	An acceptance of Entitlements
<b>Additional New Shares</b>	Those New Shares which Eligible Shareholders may apply for under this Prospectus in excess of their Entitlement, in the event that there is a Shortfall
<b>AEST</b>	Australian Eastern Standard Time
<b>Applicant</b>	A person who submits an Entitlement and Acceptance Form
<b>Application Monies</b>	The Offer Price multiplied by the number of New Shares applied for
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited ABN 98 008 624 691 or the Australian Securities Exchange (as applicable)
<b>ASX Settlement Operating Rules</b>	The official settlement operating rules of the ASX
<b>Board</b>	The Board of Directors of the Company
<b>Business Day</b>	A day, other than a Saturday or Sunday, on which banks are open for general banking business in Brisbane
<b>Closing Date</b>	The date by which valid acceptances must be received by the Share Registry being 5:00pm (AEST) on 28 September 2012 or such other date determined by the Board and the Underwriter
<b>Company or Elementos</b>	Elementos Limited ACN 138 468 756
<b>Constitution</b>	The Constitution of the Company
<b>Corporate Governance Principles and Recommendations</b>	Corporate Governance Principles and Recommendations 2nd Edition released by the ASX Corporate Governance Council in August 2007 (as amended)
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>Directors</b>	The Directors of the Company from time to time

# Prospectus

<b>Eligible Shareholder</b>	A Shareholder of the Company that holds Shares in the Company on the Record Date and has been determined by the Company to be eligible to participate in the Offer
<b>Entitlement and Acceptance Form or Form</b>	An entitlement and acceptance form in the form accompanying this Prospectus
<b>Entitlement</b>	The entitlement to accept New Shares and New Options under this Prospectus
<b>Existing Optionholders</b>	Holders of Options as at the date of this Prospectus
<b>Existing Options</b>	The Options on issue as at the date of this Prospectus
<b>Listing Rules</b>	The official listing rules of the ASX
<b>New Options</b>	The Options offered under this Prospectus on the basis of one free New Option for every two New Shares subscribed for
<b>New Shares</b>	The Shares offered under this Prospectus
<b>Offer</b>	The offer and issue of New Shares and New Options in accordance with this Prospectus
<b>Offer Price</b>	\$0.035 for each New Share applied for
<b>Official List</b>	The official list of entities that ASX has admitted and not removed
<b>Official Quotation</b>	The grant by ASX of "Official Quotation" (as that term is used in the Listing Rules) of all of the New Shares and New Options when allotted which, in the case of the New Shares, if conditional may only be conditional on the allotment of the Rights Shares
<b>Opening Date</b>	9:00am (AEST) on 10 September 2012
<b>Optionholders</b>	The holders of Options from time to time
<b>Options</b>	Options on issue in the Company from time to time
<b>Prospectus</b>	This Prospectus as modified or varied by any supplementary prospectus made by the Company and lodged with ASIC from time to time and any electronic copy of this prospectus and supplementary prospectus
<b>Record Date</b>	7:00pm (AEST) on 6 September 2012
<b>Register</b>	Company Register of Elementos

# Prospectus

<b>SCH</b>	Means a securities clearing house approved by ASIC
<b>SCH Business Rules</b>	The business rules of the SCH
<b>Share Registry</b>	Boardroom Pty Limited ACN 003 209 836
<b>Shares</b>	The ordinary shares on issue in the Company from time to time
<b>Shareholders</b>	The holders of Shares from time to time
<b>Shortfall</b>	Those New Shares and New Options for which the Entitlement lapses
<b>Sub-underwriter</b>	Andes Investors LLC, an entity associated with James Calaway
<b>Sub-underwriting Agreement</b>	The sub-underwriting agreement between the Underwriter and the Sub-underwriter, summarised in Section 7.12
<b>Underwriter or Lead Manager</b>	Patersons Securities Limited ACN 008 896 311
<b>Underwriting Agreement</b>	The underwriting agreement between the Company and the Underwriter, summarised in Section 7.11

# Prospectus

## Corporate Directory

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<b>Directors and Company Secretary</b>	<b>Solicitors to the Offer</b>
Mr A. Anthony McLellan (Non-executive Chairman) Mr Corey Nolan (Managing Director) Mr Mark McCauley (Non-executive Director) Mr James Calaway (Non-executive Director) Mr Paul Crawford (Joint Company Secretary) Ms Linda Scott (Joint Company Secretary)	HopgoodGanim Lawyers Level 8, Waterfront Place 1 Eagle Street Brisbane QLD 4000 Tel: +61 7 3024 0000 Fax: +61 7 3024 0300 www.hopgoodganim.com.au
<b>Administration and Registered Office</b>	<b>Share Registry</b>
Elementos Limited Level 8 26 Wharf Street Brisbane QLD 4000 Tel: +61 7 3221 7770 Fax: +61 7 3221 7773 www.elementos.com.au	Boardroom Pty Limited Level 7 207 Kent Street Sydney NSW 2000 Tel: 1300 737 760 Fax: 1300 653 459 www.boardroomlimited.com.au
<b>Accountant and Auditor</b>	<b>Lead Manager and Underwriter</b>
BDO Audit Pty Ltd Level 18 300 Queen Street Brisbane QLD 4000 Tel: +61 7 3237 5999 Fax: +61 7 3221 9227 www.bdo.com.au	Patersons Securities Limited Level 48, 264 George Street Sydney NSW 2000 Tel: +61 2 8238 6222 Fax: +61 2 8238 6266 www.psl.com.au