



## **ELEMENTOS LIMITED**

**ABN 49 138 468 756**

### **Notice of Annual General Meeting and Explanatory Statement**

Annual General Meeting to be held at Level 7, Waterfront Place, 1 Eagle Street, Brisbane QLD on Friday, 23 November 2012 commencing at 9:00am **(AEST)**.

This Notice of Annual General Meeting and Explanatory Statement should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

**Directors**  
Mr A. Anthony McLellan (Chairman)  
Mr Corey Nolan (Managing Director)  
Mr Mark McCauley (Non-executive Director)  
Mr James D Calaway(Non-executive Director)

**Joint Company Secretaries** Ms Linda Scott and Mr Paul Crawford

**Registered Office**  
Level 8  
26 Wharf Street  
BRISBANE QLD 4000  
AUSTRALIA  
Ph: (+617) 3221 7770  
Fax: (+617) 3221 7773  
Email: admin@elementos.com.au  
Website: www.elementos.com.au

**Auditors**  
BDO Audit (QLD) Pty Ltd  
Level 18  
300 Queen Street  
BRISBANE QLD 4000  
AUSTRALIA

**Legal Advisers**  
HopgoodGanim  
Level 8  
Waterfront Place  
1 Eagle Street  
BRISBANE QLD 4000  
AUSTRALIA

**Share Registry**  
Boardroom Pty Limited  
Level 7  
207 Kent Street  
SYDNEY NSW 2000  
AUSTRALIA

## NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the 2012 Annual General Meeting of Shareholders of Elementos Limited (ABN 49 138 468 756) (**Company**) will be held at Level 7, Waterfront Place, 1 Eagle Street, Brisbane QLD on Friday, 23 November 2012 at 9:00am (**AEST**).

### ORDINARY BUSINESS

#### Financial Reports

To receive and consider the Company's Annual Report comprising the Directors' Report and Auditor's Report, Directors' Declaration, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to and forming part of the accounts for the Company and its controlled entities for the financial year ended 30 June 2012.

#### 1. Remuneration Report

To consider, and if thought fit, pass the following advisory Resolution, without amendment:

*"That the Remuneration Report for the year ended 30 June 2012 (as set out in the Directors' Report) be adopted."*

Terms used in this Notice of Meeting are defined in the "Interpretation" section of the accompanying Explanatory Statement.

The vote on this Resolution 1 is advisory only and does not bind the Directors of the Company.

#### **Voting restriction pursuant to section 250R(4) of the Corporations Act**

A vote on this Resolution 1 must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report;
- (b) a Closely Related Party of such a member.

However, the above persons may cast a vote on Resolution 1 if:

- (a) the person does so as a proxy; and
- (b) the vote is not cast on behalf of a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report or a Closely Related Party of such a member; and
- (c) either:
  - (i) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
  - (ii) the voter is the chair of the meeting and the appointment of the chair as proxy:
    - (1) does not specify the way the proxy is to vote on the resolution; and
    - (2) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

## 2. Re-election of Mr Mark McCauley as a Director

To consider and, if thought fit, pass the following Resolution, as an Ordinary Resolution, without amendment:

*"That Mr Mark McCauley, who retires in accordance with Clause 8.3 of the Company's Constitution and, being eligible for re-election offers himself for re-election, be re-elected as a Director of the Company."*

## 3. Approval to issue securities under Employee and Officer Share Option Plan

To consider and, if thought fit, pass the following Resolution, as an Ordinary Resolution, without amendment:

*"That, for the purposes of Exception 9 of Listing Rule 7.2 and for all other purposes, the Company is authorised to issue securities under the Employee and Officer Share Option Plan (**ESOP**) as an exception to Listing Rules 7.1 and 7.1A, on the terms and conditions described in the Explanatory Statement."*

### Voting exclusion statement

The Company will disregard any votes cast on this Resolution 3 by:

- (a) a Director of the Company; and
- (b) any associate of a Director.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

## SPECIAL BUSINESS

### 4. Approval to issue an additional 10% of the issued capital of the Company over a 12 month period pursuant to Listing Rule 7.1A

To consider and, if thought fit, pass the following Resolution, as a Special Resolution, without amendment:

*"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2, over a 12 month period from the date of the Meeting, at a price not less than that determined pursuant to Listing Rule 7.1A.3, and otherwise on the terms and conditions described in the Explanatory Statement (**Placement Securities**)."*

### Voting exclusion statement

The Company will disregard any votes cast on this Resolution 4 by:

- (a) any person who may participate in the proposed issue of the Placement Securities and any person who might obtain a benefit, except a benefit solely in the capacity as a holder of Shares, if this Resolution 4 is passed; and
- (b) any associate of such persons.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

**Important note**

The proposed allottees of any Placement Securities are not as yet known or identified. In these circumstances (and in accordance with the note set out in Listing Rule 14.11.1 relating to Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of the Placement Securities), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted and there is no reason to exclude their votes.

**GENERAL BUSINESS**

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

By Order of the Board



**Linda Scott**  
**Joint Company Secretary**

Dated: 23 October 2012

## EXPLANATORY STATEMENT

### INTRODUCTION

This Explanatory Statement is provided to Shareholders of Elementos Limited ACN 138 468 756 (**Company** or **Elementos**) to explain the Resolutions to be put to Shareholders at the Annual General Meeting to be held at Level 7, Waterfront Place, 1 Eagle Street, Brisbane QLD on Friday, 23 November 2012 at 9:00am (**AEST**).

The Directors recommend Shareholders read the accompanying Notice of Meeting and this Explanatory Statement in full before making any decision in relation to the Resolutions.

### CONSIDER THE COMPANY'S ANNUAL REPORT

The Company's Annual Report comprising the Directors' Report and Auditor's Report, Directors' Declaration, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to and forming part of the accounts for the Company and its controlled entities for the financial year ended 30 June 2012 was released to ASX on 23 October 2012. The Company's Annual Report is placed before Shareholders for discussion. No voting is required for this item.

Time will be allowed during the Meeting for consideration of and questions from Shareholders in relation to the Annual Report.

### RESOLUTION 1 – REMUNERATION REPORT

In accordance with section 250R of the Corporations Act, the Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding advisory Resolution.

The Remuneration Report is set out in the Directors' Report section of the Annual Report. The Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive directors and senior executives of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and the most highly remunerated senior executives of the Company; and
- details and explains any performance conditions applicable to the remuneration of executive directors and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting.

A vote on this Resolution 1 must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report;
- (b) a Closely Related Party of such a member.

However, the above persons may cast a vote on Resolution 1 if:

- (a) the person does so as a proxy; and

- (b) the vote is not cast on behalf of a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report or a Closely Related Party of such a member; and
- (c) either:
  - (1) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
  - (2) the voter is the chair of the Meeting and the appointment of the chair as proxy:
    - (i) does not specify the way the proxy is to vote on the Resolution; and
    - (ii) expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

Shareholders should be aware that any undirected proxies given to the Chairman will be cast by the Chairman and counted in favour of the Resolutions the subject of this Meeting, including this Resolution 1, subject to compliance with the Corporations Act.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report. A vote on this Resolution 1 is advisory only and does not bind the Directors of the Company.

#### **RESOLUTION 2 – RE-ELECTION OF MR MARK MCCAULEY AS A DIRECTOR**

In accordance with Clause 8.3 of the Company's Constitution, Mr Mark McCauley will retire by rotation at the Annual General Meeting, and will stand for re-election.

Mr McCauley was appointed to the Board of Directors on 8 October, 2010 as a Non-executive Director. Mr McCauley is currently the Managing Director of RMM Capital, a Queensland based private equity firm specialising in resource investments.

In 2010, 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 Alumbrera 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.

The Directors (excluding Mr McCauley) recommend that you vote in favour of this Ordinary Resolution.

#### **RESOLUTION 3 – APPROVAL TO ISSUE SECURITIES UNDER EMPLOYEE AND OFFICER SHARE OPTION PLAN**

##### **Introduction**

The Company has established an Employee and Officer Share Option Plan (**ESOP**) to enable the issue of Shares or Options to eligible employees and officers as incentives to assist in the attraction, retention and motivation of employees and officers.

The ESOP was approved by Shareholders at a general meeting held on 23 October 2009 in accordance with Exception 9 of Listing Rule 7.2, in anticipation of the Company's imminent listing on the ASX. The notice of meeting included a summary of the terms of the ESOP, the number of securities issued under the ESOP since the date of the last approval and a voting exclusion statement.

The Directors have resolved to re-adopt the ESOP on the same terms and conditions. The ESOP is again designed to assist in the attraction, retention and motivation of employees and officers. A summary of the terms and conditions of the ESOP is contained in Annexure 1 to this Explanatory Statement. Under Resolution 3, the Company is seeking Shareholder approval to issue securities in the future under the ESOP as an exception to Listing Rules 7.1 and 7.1A.

### **Listing Rules 7.1 and 7.1A**

Listing Rule 7.1, also known as the "15% rule", limits the capacity of a company to issue Equity Securities without the prior approval of its shareholders. In broad terms, Listing Rule 7.1 provides that a company may not, in any 12 month period, issue Equity Securities equal to more than 15% of the total number of ordinary securities on issue at the beginning of the 12 month period unless the issue is first approved by a majority of disinterested shareholders or the issue otherwise comes within one of the exceptions to Listing Rule 7.1 (**15% Capacity**).

Additionally, as described in greater detail in the Explanatory Statement for Resolution 4, under Listing Rule 7.1A, Eligible Entities are able to issue up to a further 10% of their capital in certain circumstances (**Listing Rule 7.1A Capacity**).

### **Exception 9 of Listing Rule 7.2**

An exception to Listing Rules 7.1 and 7.1A exists for issues under employee incentive schemes such as the ESOP. If the exception applies, then Shares and Options issued under the ESOP will not count towards the Equity Securities that the Company may issue as part of its 15% Capacity or, if applicable, the Listing Rule 7.1A Capacity.

Pursuant to Exception 9 of Listing Rule 7.2, Shares and Options issued under the ESOP will not fall within 15% Capacity or Listing Rule 7.1A Capacity (if applicable) if Shareholders have approved the employee incentive scheme within the last 3 years and the Notice of Meeting contains:

- a summary of the terms of the scheme;
- the number of securities issued under the scheme since the date of the last approval; and
- a voting exclusion statement.

Accordingly, Shareholder approval of the ESOP is sought under Exception 9 of Listing Rule 7.2 so that any issue of securities under the ESOP over the next 3 years is disregarded when determining the 15% Capacity and Listing Rule 7.1A Capacity (if applicable). For this purpose, in accordance with Exception 9 of Listing Rule 7.2, the Company advises that:

- a summary of the terms and conditions of the ESOP is contained in Annexure 1 to this Explanatory Statement;
- the number of Options issued under the ESOP since the date of the last approval (ie 23 October 2009) is 4,800,000;
- because Directors are eligible to participate in the ESOP, a voting exclusion statement is included in the Notice of Meeting in relation to Directors and their associates.

### **Participation of Directors**

Whilst under the provisions of the ESOP Directors are eligible to participate in the plan, no Options will be issued to Directors (or their nominees) unless further specific approval for the issue of those Options is obtained pursuant to the provisions of Listing Rule 10.11.

Due to a potential interest in the outcome of this Resolution 3, the Directors make no recommendation as to how you should vote on this Ordinary Resolution.

#### **RESOLUTION 4 – APPROVAL TO ISSUE AN ADDITIONAL 10% OF THE ISSUED CAPITAL OF THE COMPANY OVER A 12 MONTH PERIOD PURSUANT TO LISTING RULE 7.1A**

##### **Introduction**

Pursuant to Resolution 4, the Company is seeking Shareholder approval to issue an additional 10% of issued capital over a 12 month period pursuant to Listing Rule 7.1A. If passed, this Resolution will allow the Company to allot and issue up to the number of new Equity Securities calculated in accordance with Listing Rule 7.1A.2 (**Placement Securities**) each at an issue price of at least 75% of the volume weighted average price (**VWAP**) for the Company's Equity Securities in that class (calculated over the last 15 days on which trades in the Equity Securities are recorded immediately before the date on which the price at which the Placement Securities are to be issued is agreed, or if the Placement Securities are not issued within 5 trading days of that date, the date on which the Placement Securities are issued) (**Issue Price**).

This approval is sought pursuant to Listing Rule 7.1A, which recently came into effect. Under Listing Rule 7.1A, small and mid cap listed entities that meet the eligibility threshold and have obtained the approval of their ordinary shareholders by special resolution at the annual general meeting, are permitted to issue an additional 10% of issued capital over a 12 month period from the date of the annual general meeting (**Additional 10% Placement**).

The Additional 10% Placement under Listing Rule 7.1A is in addition to the ability of the Company to issue 15% of its issued capital without shareholder approval over a 12 month period pursuant to Listing Rule 7.1. The Company may issue the Placement Securities to raise funds for the Company and for non-cash consideration (further details of which are set out below). Funds raised from the issue of Placement Securities, if undertaken, would be applied towards acquisitions of new assets or investments (including expenses associated with such acquisitions), funding capital expenditure associated with the Company's exploration programs, expenses associated with the issue of Placement Securities and/or general working capital.

The Directors of the Company unanimously recommend that Shareholders vote in favour of Resolution 4.

##### **Listing Rule 7.1A**

###### **(a) General**

###### **(1) Eligibility**

An entity is eligible to undertake an Additional 10% Placement if at the time of its annual general meeting it has a market capitalisation of \$300 million or less and it is not included in the S&P/ASX300 Index.

For illustrative purposes only, on 15 October 2012 the Company's market capitalisation was approximately \$6,228,195 based on the Closing Trading Price on that date. The calculation of market capitalisation will be based on the Closing Price of the Shares, on the last Trading Day on which trades in the Shares were recorded before the date of the Annual General Meeting, multiplied by the number of Shares on issue (excluding restricted securities and securities quoted on a deferred settlement basis).

The Company is also not included in the S&P/ASX300 Index as at the time of this Annual General Meeting, however, it should be noted that the S&P/ASX300 Index is rebalanced twice a year in March and September.

The Company is therefore an Eligible Entity and able to undertake an Additional 10% Placement under Listing Rule 7.1A.

In the event that the Company for any reason ceases to be an Eligible Entity after the Company has already obtained Shareholders' approval pursuant to this Resolution 4, the approval obtained will not lapse and the Company will still be entitled to issue the Placement Securities.

(2) Special Resolution

Listing Rule 7.1A requires this Resolution 4 to be passed as a Special Resolution, which means that it must be passed by at least 75% of the votes cast by members entitled to vote on the Resolution. Pursuant to Listing Rule 7.1A, no Placement Securities will be issued until and unless this Special Resolution is passed at the Meeting.

(3) Shareholder approval

The ability to issue the Placement Securities is conditional upon the Company obtaining Shareholder approval by way of a Special Resolution at the Meeting.

(4) Formula for calculating Additional 10% Placement

Listing Rule 7.1A.2 provides that Eligible Entities that have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

**(A x D) – E**

Where:

**A** is the number of ordinary securities on issue 12 months before the date of issue or agreement:

- (1) plus the number of fully paid ordinary securities issued in the 12 months under an exception in Listing Rule 7.2;
- (2) plus the number of partly paid ordinary securities that became fully paid in the 12 months;
- (3) plus the number of fully paid ordinary securities issued in the 12 months with approval of holders of ordinary securities under Listing Rules 7.1 or 7.4 (but note that this does not include an issue of fully paid ordinary securities under the entity's 15% placement capacity without shareholder approval); and
- (4) less the number of fully paid ordinary securities cancelled in the 12 months.

Note that "A" has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

**D** is 10%.

**E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rules 7.1 or 7.4.

**(b) Listing Rules 7.1 and 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice of Meeting, the Company has on issue 148,290,347 Shares. The Company will have the capacity to issue the following Equity Securities on the date of the Meeting:

- (1) 22,243,552 Equity Securities under Listing Rule 7.1; and
- (2) subject to Shareholder approval being obtained under Resolution 4, 14,829,034 Placement Securities under Listing Rule 7.1A.

The actual number of Placement Securities that the Company will have the capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Placement Securities in accordance with the formula prescribed in Listing Rule 7.1A.2.

**Specific information required by Listing Rule 7.3A**

**(a) Minimum price of securities issued under Listing Rule 7.1A – Listing Rule 7.3A.1**

Pursuant to and in accordance with Listing Rule 7.1A.3, the Placement Securities issued pursuant to approval under Listing Rule 7.1A must have an issue price of not less than 75% of the VWAP for the Equity Securities over the 15 Trading Days immediately before:

- (1) the date on which the price at which the Placement Securities are to be issued is agreed; or
- (2) if the Placement Securities are not issued within 5 Trading Days of the date in paragraph (1) above, the date on which the Placement Securities are issued.

The Company will disclose to the ASX the issue price on the date of issue of the Placement Securities.

**(b) Risk of economic and voting dilution – Listing Rule 7.3A.2**

As provided by Listing Rule 7.3A.2, if Resolution 4 is passed and the Company issues the Placement Securities, there is a risk of economic and voting dilution to the existing Shareholders. The Company currently has on issue 148,290,347 Shares. The Company could issue 14,829,034 Placement Securities on the date of the

Meeting under Listing Rule 7.1A in addition to the Equity Securities that may be issued under Listing Rule 7.1 (however, it is important to note that the exact number of Placement Securities which may be issued will be calculated in accordance with the formula contained in Listing Rule 7.1A.2). Any issue of Placement Securities will have a dilutionary effect on existing Shareholders.

There is a specific risk that:

- (1) the Market Price for the Company's Equity Securities may be significantly lower on the date of the issue of any Placement Securities than it is on the date of the Meeting; and
- (2) the Placement Securities may be issued at a price that is at a discount to the Market Price for the Company's Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue or the value of the Placement Securities.

As required by Listing Rule 7.3A.2, Table 1 below shows the potential economic and voting dilution effect, in circumstances where the issued capital has doubled and the Market Price of the Shares has halved. Table 1 also shows additional scenarios in which the number of issued Shares has increased and the Market Price of the Shares has decreased.

**Table 1**

Issued Share Capital	50% decrease in Market Price \$0.022		Current Market Price \$0.044		100% increase in Market Price \$0.088	
	10% Voting Dilution	Capital Raised	10% Voting Dilution	Capital Raised	10% Voting Dilution	Capital Raised
<b>Present Issued Share Capital =</b> 148,290,347 Shares	14,829,034	\$326,239	14,829,034	\$652,478	14,829,034	\$1,304,955
<b>50% Increase in Share Capital =</b> 222,435,521 Shares	22,243,552	\$489,358	22,243,552	\$978,716	22,243,552	\$1,957,433
<b>100% Increase in Share Capital =</b> 296,580,694 Shares	29,658,069	\$652,478	29,658,069	\$1,304,955	29,658,069	\$2,609,910

**Assumptions and explanations**

- *The Market Price is \$0.044, based on the closing price of the Shares on ASX on 12 October 2012.*
- *The above table only shows the dilutionary effect based on the issue of the Placement Securities and not any Shares issued under the 15% under Listing Rule 7.1.*
- *The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue.*
- *The Company issues the maximum number of Placement Securities.*
- *The Issued Share Capital has been calculated in accordance with the formula in Listing Rule 7.1A(2) as at 12 October 2012.*
- *The issue price of the Placement Securities used in the table is the same as the Market Price and does not take into account the discount to the Market Price (if any).*

**(c) Final date for issue – Listing Rule 7.3A.3**

As required by Listing Rule 7.3A.3, the Company will only issue and allot the Placement Securities during the 12 months after the date of this Meeting which the Company anticipates will end on 23 November 2013. The approval under Resolution 4 for the issue of the Placement Securities will cease to be valid in the

event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities of the Company) or Listing Rule 11.2 (the disposal of the main undertaking of the Company) before the anniversary of the Annual General Meeting.

**(d) Purpose – Listing Rule 7.3A.4**

As noted above, the purpose for which the Placement Securities may be issued include to raise funds for the Company and for non-cash consideration (further details of which are set out below). Funds raised from the issue of Placement Securities, if undertaken, would be applied towards acquisitions of new assets or investments (including expenses associated with such acquisitions), funding capital expenditure associated with the Company's exploration programs, expenses associated with the issue of Placement Securities and/or general working capital.

**(e) Shares Issued for non-cash consideration – Listing Rule 7.3A.4**

The Company may issue Placement Securities for non-cash consideration, such as the acquisition of new assets or investments. If the Company issues Placement Securities for non-cash consideration, the Company will release to the market a valuation of the non-cash consideration that demonstrates that the issue price of the Placement Securities complies with Listing Rule 7.1A.3.

**(f) Company's allocation policy – Listing Rule 7.3A.5**

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue of the Placement Securities. The identity of the allottees of Placement Securities will be determined on a case-by-case basis having regard to a number of factors including but not limited to the following:

- (1) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing Shareholders can participate;
- (2) the effect of the issue of the Placement Securities on the control of the Company;
- (3) the financial situation and solvency of the Company; and
- (4) advice from corporate, financial and broking advisers (if applicable).

The allottees of the Placement Securities have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new assets or investments for which Placement Securities are issued as consideration, it is likely that the allottees of some of the Placement Securities will be the vendors of the new assets or investments.

**(g) Company has not previously obtained Shareholder approval under Listing Rule 7.1A**

The Company has not previously obtained Shareholder approval under Listing Rule 7.1A.

**Voting exclusion statement**

A voting exclusion statement is included in the Notice of Meeting. At the date of the Notice of Meeting, the proposed allottees of any Placement Securities are not as yet known or identified. In these circumstances (and in accordance with the note set out in Listing Rule 14.11.1 relating to Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of the Placement Securities), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted and there is no reason to exclude their votes.

## VOTING ENTITLEMENT

For the purposes of determining voting entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 7:00pm on Wednesday, 21 November 2012 (**AEDT**). Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

## INTERPRETATION

**Annual General Meeting** or **Meeting** means the annual general meeting of the Company to be held on 23 November 2012.

**ASX** means ASX Limited ACN 008 624 691 or Australian Securities Exchange (as applicable).

**ASIC** means the Australian Securities and Investments Commission.

**Board** means the board of Directors of the Company.

**Closely Related Party** (as defined in the Corporations Act) of a member of the Key Management Personnel for an entity means:

- (a) a spouse or child of the member; or
- (b) a child of the member's spouse; or
- (c) a dependent of the member or the member's spouse; or
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
- (e) a company the member controls; or
- (f) a person prescribed by the regulations for the purposes of this paragraph.

**Company** or **Elementos** means Elementos Limited ACN 138 468 756.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the directors of the Company.

**Eligible Entity** has the meaning given to that term in the Listing Rules.

**Equity Securities** has the meaning given to that term in the Listing Rules.

**ESOP** means the Employee and Officer Share Option Plan established by the Company (and the subject of Resolution 3) to enable the issue of Shares or Options to eligible employees and officers as incentives to assist in the attraction, retention and motivation of employees and officers.

**Explanatory Statement** means this explanatory statement accompanying the Notice of Meeting.

**Key Management Personnel** has the definition given in the accounting standards as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of that entity.

**Listing Rules** means the Listing Rules of ASX.

**Market Price** has the meaning given to that term in the Listing Rules.

**Notice of Meeting** means the Notice of Annual General Meeting.

**Options** means options to acquire Shares in the capital of the Company.

**Ordinary Resolution** means a resolution passed by more than 50% of the votes cast by members entitled to vote on the Resolution.

**Placement Securities** means the Equity Securities that may be issued if Resolution 4 is passed, representing up to 10% of the issued capital of the Company (at the time of issue) and calculated in accordance with the formula prescribed in Listing Rule 7.1A.2, over a 12 month period from the date of the Meeting, at a price not less than that determined pursuant to Listing Rule 7.1A.3, and otherwise on the terms and conditions described in the Explanatory Statement.

**Resolutions** means the resolutions proposed to be put to Shareholders at the Annual General Meeting and **Resolution** shall have a corresponding meaning.

**Shareholder** means a holder of ordinary shares in the Company.

**Shares** means ordinary fully paid shares in the issued capital of the Company.

**Special Resolution** means a resolution:

- (a) of which notice has been given as set out in paragraph 249L(1)(c) of the Corporations Act; and
- (b) passed by at least 75% of the votes cast by members entitled to vote on the Resolution.

**Trading Day** has the meaning given to that term in the Listing Rules.

## **ANNEXURE 1 – SUMMARY OF TERMS AND CONDITIONS OF EMPLOYEE AND OFFICER SHARE OPTION PLAN**

A summary of the rules of the Employee and Officer Share Option Plan (**Plan**) is as follows:

1. All Directors, officers, employees and senior consultants (whether full- or part-time) will be eligible to participate in the Plan after a qualifying period of 12 months employment by the Company or its subsidiaries (or, in the case of a senior consultant, having provided consulting services to the Company or its subsidiaries on a continuous basis for at least 12 months), although the Board may waive this requirement.
2. The allocation of options under the Plan (**Plan Options**) is at the discretion of the Board.
3. If permitted by the Board, Plan Options may be issued to a nominee of a Director, officer, employee or senior consultant (for example, to a spouse or family company).
4. Each Plan Option allows the option holder to subscribe for one fully paid ordinary share in the Company and will expire 5 years after the date of issue of the Plan Option, or such other date as the Board determines in its discretion with respect to the Plan Option at the time of issue of the Plan Option.
5. Plan Options will be issued for no consideration.
6. The Plan Options may be exercised at any time after their issue.
7. The Plan Options may be exercised wholly or in part by notice in writing to the Company received at any time during the exercise period together with a cheque for the exercise price and the Plan Option certificate (if any).
8. The exercise price of Plan Options will be determined by the Board at the time the Board resolves to issue the Plan Options.
9. The total number of shares the subject of Plan Options issued under the Plan, when aggregated with other Plan Options issued under the Plan during the previous 5 years (subject to certain exceptions), must not exceed 5% of the Company's issued share capital at the time.
10. If, prior to the expiry date of the Plan Options, a person ceases to be a Director, officer, employee or senior consultant to the Company for any reason other than retirement from the workforce, permanent disability or death, the Plan Options held by that person (or their nominee) must be exercised within 30 days thereafter or they will automatically lapse (subject to the Board's discretion to extend this period to up to 6 months in respect of some or all of the Plan Options).
11. If a person dies, the Plan Options held by that person will be exercisable by that person's legal representative. Plan Options cannot be transferred other than to the legal personal representative of a deceased option holder.
12. The Company will not apply for official quotation of any Plan Options.
13. Shares issued as a result of the exercise of Plan Options will rank equally with the Company's issued shares at the time.
14. Option holders may only participate in new issues of securities by first exercising their Plan Options.
15. If there is a bonus issue to the holders of shares, the number of shares over which a Plan Option is exercisable will be increased by the number of shares which the option holder would have received if the Plan Option had been exercised before the record date for the bonus issue.

16. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:

(a) the number of Plan Options, the exercise price of the Plan Options, or both will be reconstructed (as appropriate) in a manner consistent with the Listing Rules, but with the intention that such reconstruction will not result in any benefits being conferred on the holders of the Plan Options which are not conferred on shareholders; and

(b) 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 Plan Options will remain unchanged.

17. If, during the life of any Plan Option, there is a pro rata issue to shareholders (except a bonus issue), the exercise price of any Plan Option may be reduced according to the following formula:

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

Where:

O<sup>1</sup> = the new exercise price of the Option

O = the old exercise price of the Option

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

P = the average market price per security (weighted by reference to volume) of the underlying securities during the five (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 = the dividend due but not yet paid on 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

18. The terms of the Plan 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 Plan Options shall not be changed to reduce the exercise price, increase the number of Plan Options or change any period for exercise of the Plan Options.

**FOR ALL ENQUIRIES CALL:**  
(within Australia) 1300 737 760 (outside Australia)  
+61 2 9290 9600

**FACSIMILE**  
+61 2 9290 9655

**ALL CORRESPONDENCE TO:**  
Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001  
Australia

**Your Address**  
This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction on the form. Securityholders sponsored by a broker should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

## YOUR VOTE IS IMPORTANT

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 9:00am (AEST)  
WEDNESDAY 21<sup>st</sup> NOVEMBER 2012

## TO VOTE ONLINE

### Reference Number:

Please note it is important you keep this confidential



- STEP 1 : VISIT** [www.boardroomlimited.com.au/vote/elementosagm2012](http://www.boardroomlimited.com.au/vote/elementosagm2012)  
**STEP 2: Enter your holding/Investment type**  
**STEP 3: Enter your Reference Number and VAC:**

## TO VOTE BY COMPLETING THE PROXY FORM

### STEP 1 Appointment of Proxy

Indicate here who you want to appoint as your Proxy  
If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

#### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

### STEP 2 Voting Directions to your Proxy

You can tell your Proxy how to vote

To direct your proxy how to vote, place a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses (subject to compliance with the Corporations Act, the Listing Rules and the appointment directions overleaf). If you mark more than one box on an item your vote on that item will be invalid.

### STEP 3 Sign the Form

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, all the securityholders must sign.

**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. **Please indicate the office held by signing in the appropriate place.**

### STEP 4 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 48 hours before the commencement of the meeting at **9:00 am (AEST) on Friday, 23<sup>rd</sup> November 2012**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

**Proxies may be lodged using the reply paid envelope or:**

**BY MAIL -** Share Registry – Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001 Australia

**BY FAX -** + 61 2 9290 9655

**IN PERSON -** Share Registry – Boardroom Pty Limited, Level 7, 207 Kent Street, Sydney NSW 2000 Australia

**Vote online at:**

**[www.boardroomlimited.com.au/vote/elementosagm2012](http://www.boardroomlimited.com.au/vote/elementosagm2012)**  
**or turnover to complete the Form →**

### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

# Elementos Limited

## STEP 1 - Appointment of Proxy

I/We being a member/s of **Elementos Limited** and entitled to attend and vote hereby appoint

the Chairman of the Meeting (mark with an 'X') **OR**

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the **Annual General Meeting of Elementos Limited to be held at Waterfront Place, Level 7, 1 Eagle Street, Brisbane QLD 4000 on Friday the 23<sup>rd</sup> November 2012 at 9:00am (AEST)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

### Important information for Resolutions 1 and 3 – if the Chairman of the Meeting is your proxy or is appointed as your proxy by default

#### Resolution 1 – Remuneration Report

If the Chairman of the Meeting is your proxy or is appointed as your proxy by default, unless you indicate otherwise by marking one of the “for”, “against” or “abstain” boxes in relation to Resolution 1 (see Step 2 below), you expressly authorise the Chairman to exercise your proxy and vote in accordance with the Chairman’s voting intentions on Resolution 1 even if Resolution 1 is connected directly or indirectly with the remuneration of a member of Key Management Personnel. The Chairman intends to vote all undirected proxies in favour of each item of business, including Resolution 1.

#### Resolution 3 – Approval to issue securities under Employee and Officer Share Option Plan

If the Chairman of the Meeting is appointed as your proxy or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of Resolution 3, please mark this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of Resolution 3 and that votes cast by the Chairman of the Meeting for Resolution 3, other than as proxy holder, will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Resolution 3 and your votes will not be counted in calculating the required majority if a poll is called on the Resolution. By marking this box I/we acknowledge the Chairman of the Meeting can exercise my/our proxy even though he has an interest in the outcome of the resolution and unless a specific voting direction has been specified below, the Chairman of the Meeting is directed to vote in accordance with his voting intention as set out below.

The Chair intends to vote all undirected proxies in favour of each item of business, including Resolution 3.

## STEP 2 - Voting directions to your Proxy – please mark to indicate your directions

Ordinary Business		For	Against	Abstain*
Resolution 1	Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr Mark McCauley as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval to issue securities under Employee and Officer Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Business				
Resolution 4	Approval to issue an additional 10% of the issued capital of the Company over a 12 month period pursuant to Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In addition to the intentions advised above, the Chairman of the Meeting intends to vote all undirected proxies in favour of each of the items of business.

\*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

## STEP 3 - PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name .....

Contact Daytime Telephone ..... Date / / 2012