



Annual Report 2012

Corporate Directory

Directors and Company Secretaries

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)

Head Office and Registered Office

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Chairman's Letter

Dear Shareholder,

Your Company is pleased to report significant progress over the last year, advancing our projects in Argentina, and acquiring and commencing exploration on two new projects in Chile.

The primary focus during the first half of the year was on the Manantiales project in Argentina. Further encouraging drilling results from the Phase II and Phase II Extended drilling programs were reported, but more drilling is required to define the extent of our first high-grade gold-silver vein discovery at Manantial. There are a number of other targets at Manantiales including Manantial Este and Norte, and Juliette Norte that appear to warrant future drilling.

The Company also made considerable progress advancing its Santo Domingo project in Argentina. This is a complex play, with multiple mineralisation types, but indications are that it has excellent potential.

The Company remains committed to advancing and/or realising value from its projects in Argentina either through sale or joint ventures. Early stage discussions are underway with a number of parties interested in the assets.

In February 2012, the Company announced it had acquired two new projects in Chile, Mercedes and Tamaya.

At Mercedes, the Company has completed a number of phases of mapping and sampling, airborne magnetometry and induced polarisation surveys. Whilst the early exploration activities produced very encouraging results, the induced polarisation survey ruled out the porphyry potential. Exploration activities were put on hold whilst the Company compiled all its results and assessed the best way forward for the project.

First phase exploration activities commenced at Tamaya in March and the early results have been very encouraging with evidence that copper is wide-spread across the project area. Geophysical survey programs and on-going sampling and mapping continue, with a view to drilling a number of prospective targets identified later in 2012.

Whilst the trading environment for junior explorers remains very difficult, the Company remains focused on delivering its strategy. Plans are well underway to consolidate the portfolio and drill the Company's most prospective assets.

Sincerely,

A handwritten signature in dark ink, appearing to read "a. anthony mclellan", with a long horizontal line extending from the end of the signature.

A. Anthony McLellan
Chairman

Corporate Strategy

Elementos Limited ("Elementos" or the "Company") is an Australian based, Australian Stock Exchange traded, 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.

The Company will achieve this objective by selecting a portfolio of carefully chosen projects at various stages - thereby balancing the risk - based on the following criteria:

- World class minerals provinces - near major operating mines and deposits;
- Established infrastructure - facilitating exploration and development;
- Attractive investment climate - pro-mining jurisdictions, stable politically;
- Prospective commodities – metals in demand with strong price outlooks;
- Excellent working conditions – low altitudes, moderate climate, subdued topography; and
- Utilise expertise - leverage in-house expertise and experience in epithermal, iron-oxide-copper-gold and porphyry geological environments.

The Company believes it is strongly positioned to achieve its strategic objectives and build the foundations of a world class exploration company. The strategic focus during 2013 will be to realise this value based on the following three foundations:

1. Exploring world-class mineral districts

World class ground positions close to established infrastructure - 1,100 km² in Chile, Argentina and Australia – in some of the world's most significant base and precious metal 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, Gualcamayo and Casposo; and
- ▶ Australia - Mt Isa, Ernest Henry, Cannington, Rocklands, Roseby, Osborne and Merlin.

2. Realising value from its portfolio

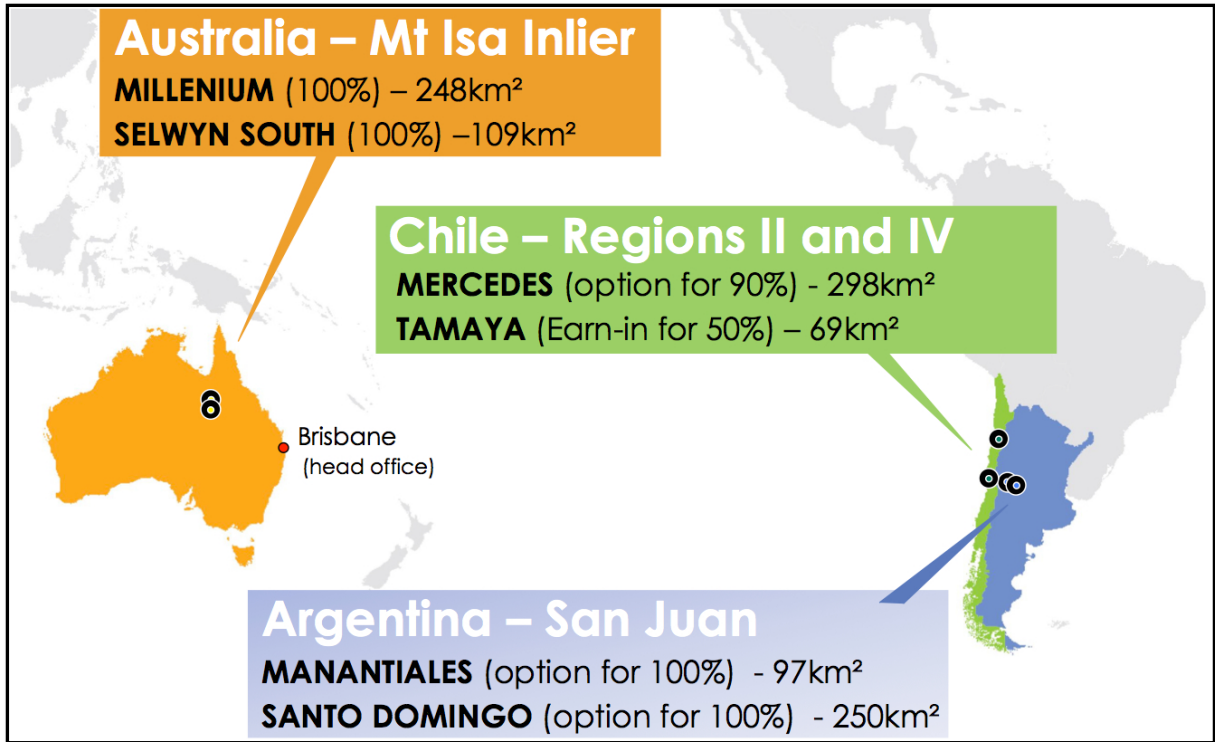
Focus on the advanced exploration projects with the geological potential to host economic resources, and divest non-core assets. The priority activities at the Company's key projects during 2013 will include:

- ▶ Tamaya – geophysics and up to 5,000 metres of drilling;
- ▶ Santo Domingo – joint venture discussions to fund porphyry drilling; and
- ▶ Manantiales – evaluation of resources and new targets.

3. Leverage its South America expertise

Elementos has assembled a world class team of geologists and consultants with a proven, extensive and broad-based pool of experience in copper and gold exploration. This includes significant geological experience and expertise in the Andes, including mineral environments hosting epithermal, porphyry and IOCG style deposits. Elementos seeks to leverage the collective experience and technical capability to explore and develop world class deposits in the Andes and Australia.

The Directors and management have previously been involved in the acquisition, exploration and development of several important Argentinean and Chilean projects including the Cerro Negro Epithermal Project (Andean Resources), Olaroz Lithium-Potash project, Cerro Moro, Caspiche and Don Sixto (Exeter Resources), and Pascua Lama and Veladero (Barrick).



Review of Projects

Tamaya, Chile

Tamaya is located 330 kilometres north of the Chilean capital, Santiago, and 80 kilometres south of La Serena and Coquimbo, the 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.

The Tamaya project covers the majority of the Cerrillo Tamaya 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%.

Since the announcement of the earn-in joint venture at Tamaya, the Company has completed early phase exploration activities including:

- Mapping - of known structures and identifying new structures. Three major north-south trends have been identified and that 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 and 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 have been identified including, Central, Lecaros, Tortolas, Norte and Este.

The on-going exploration activities at Tamaya will test a variety of oxide and sulphide targets identified during the early phase of exploration, 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;
- Remnants of the high-grade sulphide vein down to the historical mining levels, up to 700 metres below the Tamaya ridge, and beneath the historical mining levels; and
- A potential intrusive target in the eastern sector of the property as indicated by the alteration and mineralisation styles, and the ground-magnetometry survey.

A diamond drilling program, planned for the last half of calendar 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 an earn-in 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.

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.

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.

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

Since acquiring the project in February 2012, the Company has completed a number of phases of mapping and sampling, and airborne magnetometry and induced polarisation surveys. Two targets including the Elvira porphyry and a number of copper oxide targets were identified during the first phase exploration activities.

At the Elvira porphyry anomaly, the induced polarisation geophysical survey highlighted a low-level chargeability anomaly (potential presence of sulphide mineralisation), located at depths considered uneconomic.

When exploring the Elvira porphyry system, Elementos identified a number of near surface high-grade copper oxide targets including Mecha I, II, 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.

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. Additionally, there is potential for transition to sulphide mineralisation at depth.

Prior to commencing any further exploration activities at Mercedes, the Company began negotiations with the vendor on new commercial terms for the Mercedes joint venture, given the diminished porphyry potential.

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 7,850 metres have been completed on the Manantial, Julieta and La Puerta veins, including the Phase II and II Extended programs during the financial year.

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.

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 and along strike, 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 Julieta 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, which required subsequent deeper drilling to encounter the high-grade Manantial vein; and
- Julieta 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 Julieta satellite deposit, which contains a defined gold and silver resource.

The Company is now in the process of compiling all the explorations results produced to date, for future drill planning purposes and possible delineation of a 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 further exploration, joint venture or divestment.

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 induced polarisation geophysics, 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. Elementos has therefore 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.

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 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% copper¹.

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.

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.

Cathedral Rocks, Australia

Cathedral Rocks is a gold and base metals target 50 kilometres east of Armidale in northern New South Wales.

During the year, the Company completed its first geological mapping and sampling programs at the School Gully Creek, Yaroona and Styx River prospects. The results have returned geochemical signatures which appear to confirm an intrusive related gold style mineralisation in some parts of the property. However, the assay results were quite low-grade.

Given the Company's focus on South America, it is likely the Company will relinquish the property if a joint venture partner cannot be found.

¹ Based on non-JORC compliant historic published reports.

Competent Persons Statements

The information in this Report 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 Report 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 this Annual Report of the matters based on his information in the form and context in which it appears.



**ELEMENTOS LIMITED
AND
CONTROLLED ENTITIES**

ABN 49 138 468 756

**CONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2012**

DIRECTORS' REPORT

Your directors submit their report, together with the financial statements of the consolidated Group, being the Company and its controlled entities, for the year ended 30 June 2012.

Directors

The directors of the Company at any time during or since the end of the financial year are listed below. During the year there were four meetings of the full board of directors. The meetings attended by each director were:

Directors	Board		Audit Committee		Remuneration Committee	
	Meetings	Attend	Meetings	Attend	Meetings	Attend
A. A. McLellan	4	4	2	2	1	1
C. Nolan	4	4	-	-	-	-
N. F. Stuart (resigned 17/11/11)	2	1	1	1	-	-
M.D. McCauley	4	3	2	2	1	1
J.D. Calaway	4	3	-	-	-	-

The directors have been in office since the start of the financial year to the date of this report unless otherwise indicated.

Company Secretary

Paul Crawford held the position of (Joint) Company Secretary at the end of the financial year. Mr Crawford is a CPA and holds accounting, company secretarial and business law qualifications. Mr Crawford has been Company Secretary of the Company since its incorporation.

Linda Scott, the Company's Chief Financial Officer, was appointed (Joint) Company Secretary on 18 May 2012. Ms Scott is a chartered accountant and holds a bachelor of commerce degree.

Principal Activities

The principal activity of the Elementos Group during the course of the year was mineral exploration in Australia, Chile and Argentina. The Company's strategy is to explore for copper and gold 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.

During the year, activities focused on asset assessment and acquisition, and exploration including geophysics and drilling. There was no change in the principal activity during the year.

Review of Operations

During the year the Company has been active in pursuing its exploration and development activities, and the acquisition of two new exploration projects in

DIRECTORS' REPORT

Chile, Tamaya and Mercedes. The new Chilean acquisitions provide the Company with a diversified portfolio of projects in the Andes region of South America. Elementos has assembled a substantial position with more than 1,000 km² in Australia, Chile and Argentina. The focus has been on copper and gold commodities with attractive demand and supply fundamentals. The objective is to have a number of projects at various stages, improving the prospects of identifying a project capable of development.

Exploration and development activities at the Company's projects during the year, included:

At **Tamaya in Chile**, the Company has carried out the following exploration activities:

- Mapping programs including the identification of three major north-south structures which correlate strongly with copper and gold from the sampling programs;
- More than 480 reconnaissance samples from outcrops, historic workings or from waste piles close to the old mines. Wide-spread copper mineralisation with copper up to 7.91% and gold up to 9.51g/t have been identified;
- Geophysics including a 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 and planning activities for a proposed program during late calendar 2012.

At **Mercedes in Chile**, the Company completed the following exploration activities:

- A number of phases of mapping and sampling, 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; and
- Prior to commencing any further exploration activities at Mercedes, the Company decided to negotiate new commercial terms for the Mercedes joint venture, given the diminished porphyry potential. Should new terms not be agreed, the Company will allow the option to purchase to lapse. By way of abundant caution, the Company has decided to expense fully its investment in Mercedes.

At **Manantiales in Argentina**, the Company has carried out the following advanced exploration activities:

- Approximately 2,890 metres of drilling in two separate drilling programs, including 2,284 metres to complete the Phase II program and 606 metres at the Phase II Extended program during the period. Drilling has intersected a high-grade gold-silver zone at the Manantial prospect;
- On-going target generation exploration including the identification of new vein systems including Colorado;

DIRECTORS' REPORT

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- Due to the onset of winter and significant short-term exploration commitments in Chile, the Company has decided to defer the on-ground exploration activities at Manantiales until later in calendar year 2012. A key focus will be 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.

At **Santo Domingo in Argentina**, exploration and development activities included:

- An Induced Polarisation geophysical survey at the Divisoria porphyry prospect. The survey highlighted that the porphyry system was potentially very large and deep; and
- Identifying 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.

In the **Mt Isa district of Australia**, development activities were focused on:

- Acquiring strategic tenements in the Mt Isa district, in geologically prospective areas, situated near major mines and deposits. This included applying for 109 km² of new exploration permits at a new prospect south of Cloncurry called Selwyn South. Selwyn South is located in close proximity to the copper, gold, molybdenum deposits and mines; and
- 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 are not expected to commence until 2013, and are subject to the Company securing additional financing or entering into joint ventures on the tenements.

At the **Northern New South Wales tenement areas**, the Company did not undertake any exploration activities, and has decided to fully provide for its investment in these tenements.

DIRECTORS' REPORT

Significant Changes in State of Affairs

The Group's operating loss for the financial year, after applicable income tax was \$2,726,183 (2011: \$3,174,516). Exploration and evaluation expenditure during the year totalled \$5,126,993 (2011: \$2,921,400).

During the year, there were no shares issued by the Company (see note 11 in financial statements). At 30 June 2012, the Group's net assets totalled \$9,277,214 (2011: \$12,382,544) which included cash assets of \$2,012,552 (2011: \$9,316,709). In addition, US\$500,000 is held as a bank guarantee deposit, which will be released on the completion within the first twelve months of 5,000 metres of drilling at the Tamaya project, Chile.

The Company is currently undertaking a non-renounceable rights issue to raise \$2,306,739 before costs, from the issue of 65,906,821 shares, and 32,953,410 options exercisable at 6 cents prior to 9 April 2014.

Following completion of the rights issue, the Company intends to advance the Tamaya copper project, for which it has adequate resources. 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.

Information on Directors

The board has a strong combination of technical, managerial and capital markets experience. Expertise and experience includes operating and mineral exploration in Australia, Chile and Argentina. The names and qualifications of the current directors are summarised as follows:

A. Anthony McLellan

Non-executive Chairman

Mr McLellan has over fifty years business experience in Australia and overseas as Chief Executive Officer of major international companies, including the predecessor of Barrick Gold. Mr McLellan has experience in a range of industries and been instrumental in the acquisition, operation, and divestment of a number of major Australian resources companies.

Mr McLellan is active in the not-for-profit sector as a director of the Menzies Research Centre and Chairman of the Australian Christian Lobby.

Directorships held in other ASX listed companies in the last three years: Norton Gold Fields Limited (Non-executive Director and Chairman to June 2010).

Corey Nolan

Managing Director

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. He has held specialist roles as an equities analyst in the mining and natural resources sector of stock broking firms

DIRECTORS' REPORT

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.

Directorships held in other ASX listed companies in the last three years: Nil.

Mark D. McCauley

Non-executive Director

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

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.

Directorships held in other ASX listed companies in the last three years: Norton Gold Fields Limited to September 2010.

James D. Calaway

Non-executive Director

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.

Directorships in other ASX listed companies in the last three years: Orocobre Limited.

DIRECTORS' REPORT

The relevant interest of each director held directly or indirectly in shares and options issued by the Company at the date of this report is as follows:-

Directors	Shares	Options
A A McLellan	-	2,000,000
C Nolan	146,786	2,500,000
M D McCauley	-	500,000
J D Calaway	11,937,291	1,000,000

Remuneration Report (Audited)

This report details the nature and amount of remuneration for each director and other key management personnel.

The Company's remuneration policy seeks to align director and executive objectives with those of shareholders and business, while at the same time, recognising the early development stage of the Company and the criticality of funds being utilised to achieve development objectives. The board believes the current policy has been appropriate and effective in achieving a balance of these objectives.

The remuneration structure for executives is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Group.

The Company's policy for determining the nature and amount of remuneration of board members and key executives is as follows.

The remuneration policy, setting the terms and conditions for the executives was developed and approved by the Remuneration Committee acting on behalf of the non-executive directors. The executives receive payments provided for under an employment agreement, which may include cash, superannuation, short-term incentives and equity based performance remuneration.

Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. Individuals may elect to salary sacrifice part of their fees as increased payments towards superannuation. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is not linked to the performance of the Company. However, to align directors' interests with shareholder interests, directors are encouraged to hold equity interests in the Company. The maximum aggregate amount of fees that can be paid to non-executive directors approved by shareholders is currently \$250,000. One-third, by number, of non-executive directors retires by rotation at the Company's Annual General Meeting.

The Company's remuneration policy provides for long-term incentives to be offered through a director and employee share option plan. Options were granted under these plans during the prior financial year to align directors', executives', employees' and shareholders' interests. The Company does not remunerate any key management personnel with securities that are not performance based.

DIRECTORS' REPORT

The board of directors is responsible for determining and reviewing the Company's Remuneration Policy, remuneration levels and performance of both executive and non-executive directors. In accordance with the board's governance policies, the Remuneration Committee has been established to carry out this function. Independent external advice will be sought when required. No independent external advice was sought during the current year.

The board is presently reassessing the Remuneration Policy to ensure it incorporates appropriate elements given the Group's status and planned activities. Through this review process, the directors aim to provide clearer and more manageable performance criteria for remuneration incentives including the issue of employee and executive options, while also securing greater loyalty from key employees and executives, reducing administration costs and the regulatory burden on the Company.

Performance-Based Remuneration

Performance-based remuneration includes both short-term and long-term incentives and is designed to reward key management personnel for reaching or exceeding specific objectives or as recognition for strong individual performance. Short-term incentives are available to eligible staff of the Group and are comprised of cash bonuses, determined on a discretionary basis by the chief executive officer and the board. No short-term incentives were made available during the year.

Long-term incentives are comprised of share options, which are granted from time-to-time to encourage sustained strong performance in the realisation of strategic outcomes and growth in shareholder value.

The exercise price of the options is determined after taking into account the underlying share price performance in the period leading up to the date of grant and if applicable, performance conditions attached to the share options. Subject to specific vesting conditions, each option is convertible into one ordinary share.

ELEMENTOS LIMITED
ABN 49 138 468 756

DIRECTORS' REPORT

Employment Details of Key Management Personnel

The key management personnel of Elementos Limited are the directors as listed previously and the Exploration and Development Manager (Mr A Grahame). The remuneration of each director and key officer of the Group during the year was as follows:

Year Ended 30 June 2012

Key Management Personnel	Short Term Benefits			Equity Settled Options	Post Employment Super-annuation	Total
	Salary and Fees	Bonuses	Non-Cash Benefits			
A A McLellan	\$75,000	-	-	-	\$6,750	\$81,750
C Nolan	\$238,179	-	-	-	\$21,436	\$259,615
N F Stuart (retired 17/11/11)	\$15,222	-	-	-	\$1,370	\$16,592
M D McCauley	\$40,000	-	-	-	\$3,600	\$43,600
J D Calaway	\$40,000	-	-	-	-	\$40,000
A Grahame	\$160,551	-	-	-	\$14,450	\$175,001
	\$568,952	-	-	-	\$47,606	\$616,558

Year Ended 30 June 2011

Key Management Personnel	Short Term Benefits			Equity Settled Options	Post Employment Super-annuation	Total
	Salary & Fees	Bonuses	Non-Cash Benefits			
A A McLellan	\$68,500	-	-	\$177,179	\$6,165	\$251,844
C Nolan	\$207,308	\$25,000	-	\$221,474	\$18,658	\$472,440
N F Stuart	\$35,000	-	-	\$88,590	\$3,150	\$126,740
M D McCauley	\$29,247	-	-	\$93,900	\$2,632	\$125,779
J D Calaway	\$18,172	-	-	\$186,000	-	\$204,172
A Grahame	\$150,000	-	-	\$38,885	\$13,500	\$202,385
	\$508,227	\$25,000	-	\$806,028	\$44,105	\$1,383,360

ELEMENTOS LIMITED
ABN 49 138 468 756

DIRECTORS' REPORT

Following are employment details of persons who were key management personnel of the Group during the financial year:

Key Management Personnel	Position Held at 30 June 2012 and Changes During Year	Contract Details	Proportion of Remuneration:			Total
			Related to Performance	Not Related to Performance		
			Cash Based	Equity Based	Salary and Wages	
A A McLellan	Non-executive Chairman No change	No fixed term, termination as provided by Corporations Act	0.0%	0.0%	100%	100%
C Nolan	Managing Director No change	No fixed term, 3 months notice to terminate	0.0%	0.0%	100%	100%
N F Stuart	Non-executive Director Resigned 17/11/11	No fixed term, termination as provided by Corporations Act	0.0%	0.0%	100%	100%
M D McCauley	Non-executive Director No change	No fixed term, termination as provided by Corporations Act	0.0%	0.0%	100%	100%
J D Calaway	Non-executive Director No change	No fixed term, termination as provided by Corporations Act	0.0%	0.0%	100%	100%
A Grahame	Exploration and Development Manager	No fixed term, 1 months notice to terminate	0.0%	0.0%	100%	100%

Options Granted as Remuneration

There were no options granted during the year. Mr Neil Stuart's 1,000,000 options lapsed during the year following his resignation. The options had vested in the prior year. The value of these options at the date they lapsed was \$nil. There have not been any alterations to the terms and conditions of any options since grant date.

Employment Contract of Executives

The contract for service between the Company and the managing director was executed in December 2009. It does not provide for a fixed term of employment but provides for annual review of the compensation value. Total remuneration value (excluding statutory entitlements, short term and equity incentives) is \$238,179 per annum. The Company may terminate the managing director's contract without cause by giving three months' notice.

The contract for service between the Company and the exploration and development manager was executed in February 2010. It does not provide for a fixed term of employment but provides for annual review of the compensation value. Total remuneration value (excluding statutory entitlements, short term and equity incentives) is \$160,551 per annum. The Company may terminate the managing director's contract without cause by giving one month's notice.

DIRECTORS' REPORT

In the case of serious misconduct the Company can terminate employment of any executive at any time. The terms of this agreement are not expected to change in the immediate future.

The terms of appointment of the non-executive directors provide for the payment of fixed directors' fees and consulting fees for services provided in addition to their commitment as directors.

Company Performance, Shareholder Wealth and Director and Executive Remuneration

As outlined above, the Company's remuneration policy seeks to align directors' and executives' objectives with shareholders and business, whilst recognising the developmental stage of the Company.

The following table shows some key performance data of the Company since incorporation in 2009, together with the share price at the end of the respective financial years.

	Year to 30 June 2012	Year to 30 June 2011	Period to 30 June 2010
Exploration expenditure (\$)	5,126,993	2,921,400	1,640,211
Net assets (\$)	9,277,214	12,382,544	8,032,224
Share Price at Year-end (\$)	.079	0.225	0.130
Dividends Paid (\$)	Nil	Nil	Nil

This is the end of the Remuneration Report.

Dividends

No dividend has been proposed or paid since the start of the financial year.

Options

At the date of this report, the unissued ordinary shares of the Company under options are as follows:

Grant Date	Expiry Date	Exercise Price	No. Under Option
23 October 2009	23 October 2015	\$0.233(i)	4,500,000
17 December 2009	17 December 2013	\$0.300	1,500,000
7 September 2010	7 September 2015	\$0.233(i)	1,200,000
30 November 2010	29 November 2015	\$0.233(i)	500,000
28 March 2011	18 January 2017	\$0.333(i)	1,000,000

- (i) The Trust Deeds relating to the grant of these options provides for a reduction in the option exercise price where the Company undertakes a pro-rata issue of securities. The Company completed a 1 for 4.48 rights issue in March 2011. The reduction in exercise price is calculated in accordance with the formula provided in the ASX Listing Rules.

DIRECTORS' REPORT

There have been no unissued shares or interests under option of any controlled entity within the economic entity during or since reporting date. Option holders do not have any rights to participate in any share issue or other interests in the Company or any other entity.

No options have been exercised during the year ended 30 June 2012.

Subsequent Events

On 28 August 2012, Elementos filed a Prospectus for a non-renounceable rights issue.

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**), on the basis of four New Shares for every five shares registered in the shareholder's name as at 7:00pm on 6 September 2012 (**Offer**).

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. The Offer is underwritten up to \$1,513,222. In addition, the Company had received pre-commitments from existing shareholders totalling \$793,516, representing the balance of the Offer totalling \$2,306,738. Details of the Offer are contained in the Prospectus.

No other matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the Elementos Group, the results of those operations, or the state of affairs of the Group in future financial years.

Environmental Issues

The Group is subject to significant environmental regulations under the laws of the Commonwealth of Australia and states of Australia in which the Group operates. The Group is also subject to environmental regulation in relation to its exploration activities in Chile and Argentina.

The directors monitor the Group's compliance with environmental obligations. The directors are not aware of any compliance breach arising during the year and up to the date of this report.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Elementos Limited support and, where practicable or appropriate, have adhered to the ASX Principles of Corporate Governance. The Company's corporate governance statement is contained within this annual report.

DIRECTORS' REPORT

Indemnifying Directors and Auditors

The Company has entered into a Deed with each of the directors whereby the Company has agreed to provide certain indemnities to each director to the extent permitted by the Corporations Act and to use its best endeavours to obtain and maintain directors' and officers' indemnity insurance, subject to such insurance being available at reasonable commercial terms.

The economic entity has paid premiums to insure each of the directors of the Company against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The contracts include a prohibition on disclosure of the premium paid and nature of the liabilities covered under the policy.

The Company has not given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums in respect of any person who is or has been an auditor of the Company or a related entity during the year and up to the date of this report.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Non-Audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- (a) all non-audit services are reviewed and approved by the audit committee to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- (b) the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to the auditors for non-audit services provided during the financial year:

Paid to lead auditor for tax advice and compliance	<u>\$16,000</u>
Paid to network firms of BDO for other services	<u>\$3,873</u>

DIRECTORS' REPORT

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is included in this financial report.

Signed in accordance with a resolution of the board of directors.



A A McLellan
Chairman

Dated this 6th September 2012
Brisbane, Queensland



DECLARATION OF INDEPENDENCE BY A J WHYTE TO THE DIRECTORS OF ELEMENTOS LIMITED

As lead auditor of Elementos Limits for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect Elementos Limited and the entities it controlled during the period.

A J Whyte

Director



BDO Audit Pty Ltd

Brisbane: 6 September 2012

CORPORATE GOVERNANCE STATEMENT

ASX Corporate Governance Principles and Recommendations

Elementos Limited ("Elementos" or the "Company") is committed to implementing sound corporate governance practices. In order to set appropriate corporate governance standards, the Company has used the reporting recommendations set out by the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles and Recommendations). These have been categorised into eight core principles.

While seeking to implement sound corporate governance practices, the Company recognises that not all the recommendations are applicable to the Company due to its current size, the nature of its operations, and its stage of development. Where the Company has not fully adopted the relevant recommendation, the reasons are set out below.

PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Pursuant to Principle 1, the Company has established the functions reserved to the board and established the functions delegated to the managing director. The board's role is to govern the Company rather than to manage it, representing the interests of all shareholders. In governing the Company, the directors are required to act in the best interests of the Company as a whole. It is the role of the managing director to manage the Company in accordance with the direction and delegations of the board and it is the responsibility of the board to oversee the activities of the managing director in carrying out these delegated duties.

1.1 Companies should establish the functions reserved for the board and those delegated to the senior executives and disclose those functions.

The Company has developed a Statement of matters reserved for the board which sets out the role and responsibilities of the board, a summary of which is as follows:

- provide leadership to the Company;
- oversee the development and implementation of an appropriate strategy;
- oversee planning activities including the development and approval of strategic plans, annual corporate budgets and long-term budgets including operating budgets, capital expenditure budgets and cash flow forecasts;
- review the progress and performance of the Company in meeting these plans and corporate objectives, including reporting the outcome of such reviews on at least an annual basis;
- ensure corporate accountability to the shareholders, primarily through effective shareholder communications;
- oversee the control and accountability systems to ensure the Company is progressing towards the goals set by the board and in line with the Company's purpose, the agreed corporate strategy, legislative requirements and community expectations;
- ensure that robust and effective risk management, compliance and control systems (including legal compliance) are in place and operating effectively;
- appoint the managing director and review the delegation to, and performance of, the Company's senior executives; and
- make all decisions outside the scope of powers delegated to senior management.

In general, the board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company, which includes supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed.

CORPORATE GOVERNANCE STATEMENT

The board convenes regular meetings with such frequency sufficient to discharge its responsibilities appropriately.

The board has delegated powers to the managing director necessary to carry out the business of the Company effectively and efficiently.

Newly appointed directors are provided with formal appointment letters setting out the key terms and conditions regarding their appointment. Similarly, senior executives (including the managing director) are provided with formal appointment letters making clear their responsibilities, remuneration, appointment term, and entitlements on termination.

1.2 Companies should disclose the process for evaluating the performance of senior executives

The remuneration structure for executive officers is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of Elementos.

Senior executives' performance is reviewed against a range of quantitative and qualitative measures and past performance of Elementos as well as of the individual, and market practice with respect to comparable positions are taken into account.

The non-executive directors are responsible for evaluating regularly the managing director's performance. This evaluation is based on the Company's business performance and whether strategic objectives are being achieved. The managing director reviews other executives' and staff performance. Performance pay components of executives' packages are dependent on the outcome of the evaluations. The results of the managing director's annual performance reviews of senior executives and staff are reported to the board for information.

1.3 Reporting on Principle 1

Details of the functions reserved for the board and delegated to the managing director are outlined in the Company's Board Governance Protocols, and available on the Company's website at www.elementos.com.au.

PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

Pursuant to Principle 2, the board should be of a size, composition and have the level of commitment to adequately discharge its responsibilities and duties. To add value to the Company, given the size and operations of the Company, the board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties.

The Elementos board is comprised of four directors (as at the date of this Annual Report) that have wide-ranging experience in the mineral exploration and mining sector and a diverse skill set which is detailed in the Directors' Report in this Annual Report along with details of the directors, period of office, their qualifications and experience.

2.1 A majority of the board should be independent directors

The Company has an equal split between independent and non-independent directors. As at the date of this report, the board comprises one Executive Director, Mr Corey Nolan, who is the Managing Director and is not independent because he is employed in an executive capacity. There are three Non-executive Directors: Mr A. Anthony McLellan (Chairman), Mr Mark McCauley and Mr James Calaway. The Non-executive Directors, with the exception of Mr James Callaway, meet the criteria for independence proposed by the ASX Principles and Recommendations.

While determining the independent status of directors, the board has considered whether the director:

CORPORATE GOVERNANCE STATEMENT

- holds less than five percent of the voting shares of the Company (in conjunction with their associates); or is an officer of the Company, or otherwise associated directly with a shareholder of more than five percent of the voting shares of the Company;
- has within the last three years, been employed in an executive capacity by the Company or another group member;
- has within the last three years been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided. In this context, the relationship with the professional adviser or consultant shall be deemed to be material if payments from the Company exceed 10% of the Company's annual expenditure to all professionals and consultants or exceed 10% of the recipient's annual revenue for advisory or consultancy services;
- is a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer. In this context, the relationship with the supplier or customer shall be deemed to be material if annual payments to or from that supplier or customer exceed 10% of the annual consolidated gross revenue of either the Company or that supplier or customer; and,
- has a material contractual relationship with the Company or other group member other than as a director of the Company.

2.2 The chairperson should be an independent director

The Company complies with this recommendation as the Chairman, Mr McLellan, is independent.

2.3 The roles of the Chairperson and Chief Executive Officer should not be exercised by the same person

The managing director, Mr Corey Nolan, is for all practical purposes the Chief Executive Officer of Elementos and as mentioned above, Mr A. Anthony McLellan is the Chairman of the Board. This makes Elementos compliant with this recommendation.

2.4 The board should establish a nomination committee

Elementos has not established a nomination committee as the role of the nomination committee has been undertaken by the board. The size and nature of the Company's activities do not justify the establishment a separate committee at this time. The board regularly reviews the composition, skill base and effectiveness of the board and its members.

Candidates for the board will be considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, independence and ability to meet the board's expectation as set out in the Board Governance Protocols. Directors will be initially appointed by the full board, subject to election by shareholders at the next general meeting. Directors are required to retire and be subject to re-election by shareholders at least once every three years.

2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors

The board considers the evaluation of its directors and senior executive performance as fundamental to establishing a culture of performance and accountability. The chairman undertakes a review of the board and individual director's performance at least once a year at a meeting of the board. The board evaluated its performance and the directors' individual performance in relation to goals set at the time of the board's annual strategic planning session.

The chairman provides each non-executive director with confidential feedback on his or her performance. The board does not endorse the re-appointment of a director who is not performing the role satisfactorily.

CORPORATE GOVERNANCE STATEMENT

Induction and Education

New directors will undergo an induction process in which they will be given a full briefing on the Company. Where possible, this will include meetings with key executives, a tour of the premises, an induction package and presentations. Information conveyed to new directors will include:

- details of the roles and responsibilities of directors;
- formal policies on director appointment;
- outline of all relevant legal requirements including:
 - o Corporations Act;
 - o Tax Office requirements; and
 - o other major statutory bodies;
- a copy of the Board Governance Protocols;
- guidelines on board processes;
- details of past, recent and likely future developments relating to the board, including anticipated regulatory changes;
- background information on and contact information for key people in the organisation including an outline of their roles and capabilities;
- an analysis of the Company including:
 - o core competencies of the Company;
 - o an industry background briefing;
 - o a recent competitor analysis;
 - o details of past financial performance;
 - o current financial structure; and
 - o any other important operating information;
- a synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget;
- a copy of the Constitution of the Company; and
- Director's Deed of Indemnity and Right of Access to Documents, if applicable.

In order to achieve continuing improvement in board performance, all directors are encouraged to undergo continual professional development.

Access to information and Independent Professional Advice

Each director has the right of access to all Company information and to the Company's executives. Further, the board collectively and each director, subject to the approval of the Chairman, has the right to seek independent professional advice from a suitably qualified advisor, at the Company's expense, to assist them to carry out their responsibilities. A copy of this advice is to be made available to all other members of the board.

2.6 Reporting on Principle 2

The board assesses the necessary competencies of the board, reviews board succession plans, and develops policies and processes for evaluation of the Board and the nomination, appointment and re-election of directors. These responsibilities, as set out in the board Governance Protocols, are carried out by the board rather than a separate nomination committee.

The Company's Constitution provides that directors are subject to retirement by rotation, by order of length of appointment. Retiring directors are eligible for re-election by shareholders at the annual general meeting of the Company.

PRINCIPLE 3 - PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Principle 3 is to actively promote ethical and responsible decision-making.

CORPORATE GOVERNANCE STATEMENT

3.1 Companies should establish a code of conduct and disclose the code or a summary of the code

The Company acknowledges that the community expects businesses to be aware of their wider social obligations and to promote practices to maintain confidence in the Company's integrity. The Elementos board requires high standards of conduct and responsibility from directors, senior executives and employees at all times. As part of its commitment to recognising the expectations of their stakeholders, the Company has established a Code of Ethics and Conduct for directors and employees within its board Governance Protocols to guide compliance with legal and other obligations to stakeholders, which include employees, clients, customers, government authorities, creditors and the community. Directors are required to adhere to industry standards in conduct and dealings and promote a culture of honesty, fairness and ethical behaviour into its internal compliance policy and procedures as well as dealing with stakeholders.

The board also requires the Company's employees and consultants, to have similar high standards who are expected to adhere to industry standards in their conduct and dealings, including trading in securities. The Elementos board has built the promotion of a culture of honesty, fairness and ethical behaviour into its internal compliance policy and procedures.

A copy of the Code of Ethics and Conduct is given to contractors and relevant personnel, including directors and each individual is accountable for such compliance. Any breach of applicable laws, accepted ethical commercial practices or other aspects of the Code of Ethics and Conduct will result in disciplinary action.

Depending on the severity of the breach, such disciplinary action may include reprimand, formal warning, demotion or termination of employment/engagement (as the case may be). Similar disciplinary action may be taken against any manager who directly approves of such action or has knowledge of the action and does not take appropriate remedial action.

Breach of applicable laws or regulations may also result in prosecution by the appropriate authorities.

The Company will not pay, directly or indirectly, any penalties imposed on personnel as a result of a breach of law or regulation.

Personnel are expected to report any instances of suspected non-compliance and investigate reports of unethical practices. These instances will be investigated fairly. Individuals who report suspected non-compliance in good faith will be appropriately protected.

Company Securities Trading Policy

The Company has a Securities Trading Policy pursuant to ASX Listing Rule 12.9. According to this policy, all directors, senior executives, employees, contractors and consultants, whilst in possession of material, non-public, market price sensitive information, are subject to three restrictions:

- they must not deal in securities where they are in possession of inside information;
- they must not cause or procure anyone else to deal in those securities; and
- they must not communicate the information to any person if they know or ought to know that the other person will use the information, directly or indirectly, for dealings in securities.

Directors, senior executives, employees, contractors and consultants are required to advise the chairman and company secretary of their intentions prior to undertaking any transaction in the Company's securities. If a director, senior executive, employee, contractor or consultant is considered to possess material, non-public, market price sensitive information, they will be precluded from making a security transaction until after the time of public release of that information.

CORPORATE GOVERNANCE STATEMENT

The Securities Trading Policy is available on the Company's website.

3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy

The Company has implemented a Diversity Policy which is available on its website. The Diversity Policy is a commitment by the Company to actively seek to maintain a diverse workforce to create a workplace that is fair and inclusive, applies fair and equitable employment practices and provides a working environment that will allow all employees to reach their full potential.

3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the Diversity Policy and progress towards achieving them

The Company is of the view that any measurable statistical objectives on a diverse workforce must be fit for purpose, in line with the Company strategic objectives and ensure the Company is in compliance with all relevant legislative requirements. As at the date of this Annual Report, the Company is of the opinion that measurable objectives are not appropriate at its present stage of development, however, the Company will consider implementation of measurable objectives in future.

3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board

Due to the size and scale of operations of the Company, the board believes that a longer term gender diversity objective is more appropriate.

As at the date of this Annual Report, 0% of board, 29% of employees and 30% of senior executives are women.

3.5 Reporting on Principle 3

The Code of Ethics and Conduct is available on the Company's website. The Securities Trading Policies, incorporated in the Board Governance Protocols manual, is also available on the Company's website under Corporate Governance.

PRINCIPLE 4 - SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Principle 4 is to have a structure of review and authorisation in place which independently verifies and safeguards the integrity of the Company's financial reports. The compilation and timely disclosure of accurate and true and fair information about the Company's financial position and performance is vital for the integrity of the market in the Company's securities.

Elementos has established a structure of reporting and oversight to achieve these objectives.

4.1 The board should establish an audit committee

Elementos has established an Audit and Risk Management Committee comprised of independent Non-executive Directors, with Mark McCauley as independent Chairman of the Committee.

4.2 The structure of the audit committee

The Audit and Risk Management Committee consists of at least two and no more than three independent directors.

4.3 The audit committee has a formal charter

The Audit Committee's Charter is available on the Company's website under Corporate Governance.

CORPORATE GOVERNANCE STATEMENT

4.4 Reporting on Principle 4

The Audit and Risk Management Committee is required to report its findings and recommendations to the board after each Committee meeting, and to circulate minutes of its meetings to all board members. The members of the Audit and Risk Management Committee and their attendance at Committee meetings is set out in the Directors Report section of this Annual Report.

PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE

Pursuant to Principle, 5 listed companies should make timely and balanced disclosure to the ASX of all material information concerning the Company.

The Elementos board has adopted a policy and rules to ensure the Company complies with its obligations under the ASX Listing Rules on continuous disclosure and ensures accountability at a senior executive level for that compliance. The board has designated the managing director as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX.

In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's shares; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose the Company's shares.

Such matters are advised to the ASX immediately they are identified as being material. Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on its website under the Investors section and then Announcements.

Elementos has established Continuous Disclosure Policies.

5.2 Reporting on Principle 5

A summary of the Company's policy for media contact and external communications is outlined in the Board Governance Protocols manual.

In addition, the Company's Continuous Disclosure Policies are incorporated in the Board Governance Protocols, which is available on the Company's website under Corporate Governance.

PRINCIPLE 6 - RESPECT THE RIGHTS OF SHAREHOLDERS

Pursuant to Principle 6, companies should design a communications policy to promote effective communication with shareholders.

6.1 Communications policy

The Elementos board respects the rights of its shareholders, and to facilitate the effective exercise of those rights it has adopted a policy on communication with shareholders, and implemented a set of processes to ensure timely and effective communication with shareholders and the wider investment community. The Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the Company's website, information mailed to shareholders, and the general meetings of the Company;

CORPORATE GOVERNANCE STATEMENT

- giving shareholders ready access to balanced and understandable information about the Company and its corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company and ask questions regarding the conduct of audit and about the functioning of the Company generally; and
- making it possible for shareholders to receive communication by electronic means.

6.2 Reporting on Principle 6

A summary of the Company's policy for media contact and external communications is outlined in the Board Governance Protocols manual, available on the Company's website under Corporate Governance.

PRINCIPLE 7 - RECOGNISE AND MANAGE RISK

Principle 7 provides that companies should establish a sound system of risk oversight and effective management and internal control.

7.1 Risk Management and Internal Control System

The primary objectives of the risk management and internal control system at the Company are to ensure:

- all major sources of potential, opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately;
- business decisions throughout the Company appropriately balance the risk and reward trade off;
- regulatory compliance and integrity in reporting is achieved; and
- the board, senior executives and investors understand the risk profile of the Company.

The system covers:

- operations risk;
- financial reporting; and
- compliance.

Any matters of significance to the Company or materially relevant to its assets, liabilities or profits are signed off by the board after discussion and evaluation of submissions made by the managing director or other party.

Some of the Company's key assets are located outside Australia. Control over the operations is exercised by the managing director. Specific control measures have been implemented to manage the distribution of funds in Chile and Argentina in relation to activities undertaken there.

Identifying Significant Business Risks

The board regularly monitors the operational and financial performance of the Company's activities. The Audit and Risk Management Committee, monitors and receives advice on areas of operation and financial risk and considers strategies for appropriate risk management. All operational and financial strategies adopted are aimed at improving the value of the Company. However, the directors recognise that mineral exploration and evaluation is inherently risky.

CORPORATE GOVERNANCE STATEMENT

7.2 Report on risk management and internal control system

The board has required the managing director to design and implement the risk management and internal control systems to manage the Company's material business risks. As required by the board, the managing director has reported to the board that the Company's material business risks have been managed effectively.

The managing director reviews risk in response to changing business conditions and regulations. Regular reviews of risk and a regular update of the risk profile is undertaken by the board. This normally occurs in conjunction with the strategic planning process. The Audit and Risk Management Committee oversees the internal audit process that analyses and provides an appraisal of the adequacy and effectiveness of the Company's risk management and internal control system. The internal audit function is independent of the external auditor.

7.3 Attestation by chief executive officer (or equivalent) and chief financial officer (or equivalent)

The managing director/CEO and the chief financial officer provide a written assurance that the risk management system is effective, efficient and accurately reflected in the Company's financial statements and that:

- the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control ; and
- the Company's risk management and internal control system is operating effectively in all material respects in relation to financial reporting risks.

7.4 Reporting on Principle 7

The Company's risk management, internal compliance, and control system policies that have been established to manage material business risks are discussed with the Audit and Risk Management Committee, senior executives, management and other employees. The Company envisages disclosing a summary of these policies on its website in future.

PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY

Principle 8 provides that companies should ensure the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined. Elementos is committed to remunerating its directors and officers in a manner that is market competitive, consistent with best practice, and in the interests of shareholders.

8.1 The board should establish a remuneration committee

Elementos has established a Remuneration Committee, and the Committee's Charter is available on the Company's website under Corporate Governance. The Committee is comprised of independent Non-executive Directors, with Mark McCauley as independent Chairman of the Remuneration Committee.

The members of the Remuneration Committee and their attendance at Committee meetings are set out in the Directors Report section of this Annual Report.

8.2 Structure of Non-executive and Executive Director Remuneration

The remuneration structure for executives, including the managing director, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The remuneration policy, setting the terms and conditions for the managing director was developed and approved by non-executive directors. The managing director, and other senior executives receive a base salary, superannuation, fringe benefits and equity-based performance remuneration. Superannuation payments consist of the 9% superannuation guarantee contribution. Individuals may elect to salary sacrifice part of their salary to increased payments towards superannuation. No other form of retirement benefit is paid.

CORPORATE GOVERNANCE STATEMENT

The board's policy is to remunerate non-executive directors at market rates for comparable companies, having regard to the time commitment and responsibilities. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders, and is not linked to the performance of the Company. However, to align director's interests with shareholder interests, directors are encouraged to hold equity interests in the Company. The maximum aggregate amount of fees that can be paid to non-executive directors approved by shareholders is currently \$250,000.

The Company's remuneration policy provides for long-term incentives through participation in the Company's Employee and Officers Share Option Plan. Any equity based remuneration proposed to be granted to the managing director will only be granted with shareholder approval.

The Company has prohibited the entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration.

8.3 Reporting on Principle 8

Details of the Company's remuneration policy are outlined in the Remuneration Report section of the Directors' Report.

ELEMENTOS LIMITED and CONTROLLED ENTITIES
ABN 49 138 468 756

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	30 June 2012	30 June 2011
		\$	\$
Revenue	2	285,739	312,948
Less expenses:			
Corporate and administrative		(1,836,479)	(3,104,521)
Exploration and evaluation expenditure		(1,172,321)	(382,943)
Loss before income tax expense		(2,723,061)	(3,174,516)
Income tax expense	4	(3,122)	-
Loss for the period attributable to members of the parent entity	3	(2,726,183)	(3,174,516)
Other comprehensive income			
Foreign currency translation gain/(loss)		(379,147)	(599,983)
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income for the period net of tax		(379,147)	(599,983)
Total comprehensive income attributable to members of the parent entity		(3,105,330)	(3,774,499)
Basic and diluted earnings per share (cents per share)	14	(3.3)	(5.0)

The accompanying notes form part of these financial statements.

ELEMENTOS LIMITED and CONTROLLED ENTITIES
ABN 49 138 468 756

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	30 June 2012	30 June 2011
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	5	2,012,552	9,316,709
Other receivables	6	122,917	217,995
Other current assets	7	511,980	5,728
TOTAL CURRENT ASSETS		<u>2,647,449</u>	<u>9,540,432</u>
NON-CURRENT ASSETS			
Exploration and evaluation assets	8	7,321,698	3,662,498
Plant and equipment	9	86,434	35,244
TOTAL NON-CURRENT ASSETS		<u>7,408,132</u>	<u>3,697,742</u>
TOTAL ASSETS		<u>10,055,581</u>	<u>13,238,174</u>
CURRENT LIABILITIES			
Trade and other payables	10	778,367	855,630
TOTAL CURRENT LIABILITIES		<u>778,367</u>	<u>855,630</u>
TOTAL LIABILITIES		778,367	855,630
NET ASSETS		<u>9,277,214</u>	<u>12,382,544</u>
EQUITY			
Issued capital	11	15,919,925	15,919,925
Reserves	12	71,320	450,467
Accumulated losses		(6,714,031)	(3,987,848)
TOTAL EQUITY		<u>9,277,214</u>	<u>12,382,544</u>

The accompanying notes form part of these financial statements.

ELEMENTOS LIMITED and CONTROLLED ENTITIES
ABN 49 138 468 756

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Issued Capital	Accumulated Losses	Option Reserve	Foreign Currency Translation Reserve	Total
		\$	\$	\$	\$	\$
Balance at 1 July 2010		8,600,139	(813,332)	192,444	52,973	8,032,224
Loss for the period		-	(3,174,516)	-	-	(3,174,516)
Other comprehensive income for the period	12	-	-	-	(599,983)	(599,983)
Total comprehensive income		-	(3,174,516)	-	(599,983)	(3,774,499)
Shares issued during the period	11	7,365,547	-	-	-	7,365,547
Transaction costs	11	(99,781)	-	-	-	(99,781)
Equity settled compensation	11	-	-	859,053	-	859,053
Share options exercised	11	54,020	-	(54,020)	-	-
Balance at 30 June 2011		15,919,925	(3,987,848)	997,477	(547,010)	12,382,544
Loss for the period		-	(2,726,183)	-	-	(2,726,183)
Other comprehensive income for the period	12	-	-	-	(379,147)	(379,147)
Total comprehensive income		-	(2,726,183)	-	(379,147)	(3,105,330)
Balance at 30 June 2012		15,919,925	(6,714,031)	997,477	(926,157)	9,277,214

The accompanying notes form part of these financial statements.

ELEMENTOS LIMITED and CONTROLLED ENTITIES
ABN 49 138 468 756

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	30 June 2012	30 June 2011
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Other receipts		10,000	-
Payments to suppliers and employees		(2,084,236)	(2,875,722)
Interest received		275,739	312,948
Net cash provided by (used in) operating activities	13	<u>(1,798,497)</u>	<u>(2,562,774)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure		(4,903,114)	(1,962,015)
Payments for deposits		(494,787)	-
Purchase of property, plant and equipment		(94,038)	(11,583)
Net cash provided by (used in) investing activities		<u>(5,491,939)</u>	<u>(1,973,598)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	7,365,547
Costs associated with share issue		-	(99,781)
Net cash provided by (used in) financing activities		<u>-</u>	<u>7,265,766</u>
Net increase/(decrease) in Cash Held		(7,290,436)	2,729,394
Cash at Beginning of Year		9,316,709	6,567,437
Effect of exchange rates on cash holdings in foreign currencies		(13,721)	19,878
Cash at End of Year	5	<u>2,012,552</u>	<u>9,316,709</u>

The accompanying notes form part of these financial statements.

ELEMENTOS LIMITED and CONTROLLED ENTITIES
ABN 49 138 468 756
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are general purpose financial statements that have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board. Elementos Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial statements are for the economic entity consisting of Elementos Limited and Controlled Entities. Elementos Limited is a public Company, incorporated and domiciled in Australia. The financial statements have been prepared on an accruals basis and are based on historical cost modified by the measurement at fair value of selected non-current assets, financial assets and liabilities. The financial report was authorised for issue on 6 September 2012 by the directors of the Company.

Separate financial statements for Elementos Limited as an individual entity are no longer presented following a change to the Corporations Act 2001. However, financial information required for Elementos Limited as an individual entity is included in note 24.

Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

Going Concern

The financial statements have 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 Group has not generated significant revenues from operations. As such, the Group's ability to continue to adopt the going concern assumption will depend upon a number of matters including subsequent successful raising in the future of necessary funding and the successful exploration and subsequent exploitation of the Group's tenements. In the absence of these matters being successful, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern with the result that the Group may have to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts different from those stated in the financial statements. No adjustments for such circumstances have been made in the financial statements.

The Group is currently undertaking a rights issue, in order to raise funds to finance further exploration and drilling at the Tamaya project, Chile. Further funds will be required within six months to cover continued exploration and administration costs for the Group.

ELEMENTOS LIMITED and CONTROLLED ENTITIES
ABN 49 138 468 756
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Elementos Limited ('Company' or 'parent entity') as at 30 June 2012 and the results of all subsidiaries for the year then ended. Elementos Limited and its subsidiaries together are referred to in these financial statements as the Group or the economic entity.

The names of the subsidiaries are contained in Note 17 (c). All subsidiaries have a 30 June financial year-end and are accounted for by the parent entity at cost.

Subsidiaries are all entities over which the economic entity has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the economic entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership interests

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in the carrying amount recognised in the profit or loss.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

ELEMENTOS LIMITED and CONTROLLED ENTITIES
ABN 49 138 468 756
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

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

ELEMENTOS LIMITED and CONTROLLED ENTITIES
ABN 49 138 468 756
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

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.

A regular review has been undertaken 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 assets 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.

Restoration Costs

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the exploration and mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

The economic entity currently has no obligation for any restoration costs in relation to discontinued operations, nor is it currently liable for any future restoration costs in relation to current areas of interest. Consequently, no provision for restoration has been deemed necessary.

ELEMENTOS LIMITED and CONTROLLED ENTITIES
ABN 49 138 468 756
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Impairment of Assets

At each reporting date, the economic entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (d) less any reduction for impairment.

ELEMENTOS LIMITED and CONTROLLED ENTITIES
ABN 49 138 468 756
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Financial Instruments (cont)

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The economic entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At each reporting date, the economic entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit or loss.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of less than 3 months.

Issued Capital

Ordinary shares are classified as equity. Transaction costs (net of tax where the deduction can be utilised) arising on the issue of ordinary shares are recognised in equity as a reduction of the share proceeds received.

ELEMENTOS LIMITED and CONTROLLED ENTITIES
ABN 49 138 468 756
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Share Based Payments

The economic entity makes equity-settled share based payments to directors, employees and other parties for services provided or the acquisition of exploration assets. The fair value of the equity is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a binomial lattice pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Issued capital also includes amounts received from the exercise of options and the transfer from Options Reserve of any balance relating to the options exercised.

Where the fair market value of services rendered by other parties can be reliably determined, this is used to measure the equity-settled payment.

Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Employee Benefits

Provision is made for the economic entity's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits expected to be settled within one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by the entity to employee superannuation funds and are charged as expenses when incurred.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST (or overseas VAT), except where the amount of GST incurred is not recoverable. In these circumstances the GST (or overseas VAT) is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis except for the GST component of investing and financing activities which are disclosed as operating cash flows.

Foreign Currency Transactions and Balances

Functional and presentation currency:

The economic entity's financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

ELEMENTOS LIMITED and CONTROLLED ENTITIES
ABN 49 138 468 756
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Foreign Currency Transactions and Balances (cont)

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Group Companies:

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

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are recognised in other comprehensive income.

Earnings Per Share (EPS)

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period adjusted for any bonus elements in ordinary shares issued during the period.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the economic entity.

ELEMENTOS LIMITED and CONTROLLED ENTITIES
ABN 49 138 468 756
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Critical Accounting Estimates and Judgements (cont)

Key judgements – Exploration and Evaluation Assets

The economic entity performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These reviews are based on detailed surveys and analysis of drilling results performed to reporting date.

The directors have assessed that for the exploration and evaluation assets recognised at 30 June 2012, the facts and circumstances do not suggest that the carrying amount of an asset may exceed its recoverable amount. In considering this, the directors have had regard to the facts and circumstances that indicate a need for impairment as noted in Accounting Standard AASB 6 "Exploration for and Evaluation of Mineral Resources". The exploration expenses relating to the Cathedral Rocks and Mercedes Projects were written-off during the year, being \$191,532 and \$576,489 respectively.

Exploration and evaluation assets at 30 June 2012 were \$7,321,698 (2011: \$3,662,498).

New and Amended Standards and Interpretations

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any period prior and are not likely to affect future periods.

New Accounting Standards for Application in Future Periods

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements, except for the following:

(i) AASB 9 Financial Instruments (effective from 1 January 2015)

The AASB aims to replace AASB 139 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard is being issued in phases. To date, the parts dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These parts are effective for annual periods beginning 1 January 2015. Further parts dealing with impairment and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements. However, they do not expect to implement the amendments until all parts of AASB 9 have been released and they can comprehensively assess the impact of all changes.

(ii) Consolidation Standards

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. Management have yet to assess the impact of these new and revised standards on the financial statements.

ELEMENTOS LIMITED and CONTROLLED ENTITIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

New Accounting Standards for Application in Future Periods (cont)

AASB 10 Consolidated Financial Statements

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements and Interpretation 112 Consolidation – Special Purpose Entities. It revises the definition of control and provides guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

AASB 11 Joint Arrangements

AASB 11 supersedes AASB 131 Interests in Joint Ventures. It requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for these rights and obligations in accordance with the type of joint arrangement. For a joint operation an entity will recognise its share of relevant assets and liabilities. For a joint venture an entity will account for its investment using the equity method. The accounting will be dependent upon an assessment by the investor of its rights and obligations not merely the legal structure of the arrangements.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 introduces new disclosure requirements. It requires an entity to disclose information about the nature of, and risks associated with, its interest in other entities.

Consequential amendments to AASB 127 and AASB 128 Investments in Associates and Joint Ventures. AASB 127 now only deals with separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

(iii) AASB 13 Fair Value Measurement

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. Management believes this won't have significant impact on the financial statements.

(iv) Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine (effective from 1 January 2013)

Interpretation 20 clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 *Inventories* if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met. The Group does not currently operate a surface mine.

ELEMENTOS LIMITED and CONTROLLED ENTITIES

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

	30 June 2012	30 June 2011
	\$	\$
NOTE 2: REVENUE AND OTHER INCOME		
Revenue from operating activities:		
Option payments	10,000	-
Interest received from other persons	275,739	312,948
	285,739	312,948
NOTE 3: EXPENSES		
Included in expenses are the following items:		
Exploration and evaluation expenditure comprises:		
Expenditure expensed during the year	404,300	280,446
Capitalised expenditure written off	768,021	102,497
	1,172,321	382,943
Depreciation and amortisation	42,348	15,995
Foreign currency translation loss	9,491	-
Employee benefits expense comprises:		
Salaries and wages	1,919,518	1,293,393
Contributions to defined contribution plans	68,842	55,976
Equity settled option amortisation	-	859,053
Less capitalised as exploration expenditure	(1,022,092)	(380,585)
	966,268	1,827,837
NOTE 4: INCOME TAX EXPENSE		
The prima facie tax on the operating loss is reconciled to income tax expense as follows:		
Prima facie tax payable/(benefit) on loss from ordinary	(816,918)	(952,355)
Adjust for tax effect of:		
Non-deductible amounts	55,804	463,471
Tax losses and temporary differences not brought to account	764,237	488,884
Income tax expense/(benefit) attributable to entity	3,122	-

ELEMENTOS LIMITED and CONTROLLED ENTITIES

ABN 49 138 468 756

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

	30 June 2012	30 June 2011
	\$	\$
NOTE 4: INCOME TAX EXPENSE (CONT)		
Deferred tax assets and liabilities not brought to account, the net benefit of which will only be realised if the conditions for deductibility set out in note 1 occur:		
Temporary differences (comprising exploration expenditure, provisions and other items)	2,766	36,350
Tax losses	1,383,316	734,903
Net unbooked deferred tax asset	1,386,082	771,253

The Group has carry forward losses of \$ 3,847,390 in Australia and \$763,663 in foreign losses.

As set out in note 1, the availability of these losses is dependent upon compliance with income tax legislation in Australia, Argentina and Chile. The foreign tax losses can be carried forward for five years after they have been incurred.

NOTE 5: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	950,772	890,282
Short term deposits	1,061,780	8,426,427
	2,012,552	9,316,709

NOTE 6: OTHER RECEIVABLES

Current:

Other receivables	122,917	217,995
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There are no balances within other receivables that contain assets that are impaired or are past due. It is expected these balances will be received when due. Impaired assets are provided for in full. There are no balances with terms that have been renegotiated, but which would otherwise be past due or impaired.

These amounts are non-interest bearing and generally on 30 day terms. No collateral is held over receivables.

ELEMENTOS LIMITED and CONTROLLED ENTITIES

ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

	30 June 2012	30 June 2011
	\$	\$
NOTE 7: OTHER CURRENT ASSETS		
Current:		
Bank guarantee deposit	496,115	-
Other deposits	790	-
Prepayments	15,075	5,728
	511,980	5,728

The bank guarantee deposit will be released upon completion of 5,000 metres drilling at the Tamaya project, Chile. This drilling program must be completed by the 17 May 2013 for the Company to be eligible for the return of the bank guarantee deposit.

NOTE 8: EXPLORATION AND EVALUATION ASSET

Exploration and evaluation expenditure carried forward in respect of areas of interest are:

Exploration and evaluation phase - at cost	7,321,698	3,662,498
Movement in exploration and evaluation asset:		
Opening balance - at cost	3,662,498	1,544,751
Capitalised exploration expenditure	4,722,693	2,640,954
Capitalised expenditure written off	(768,021)	(102,497)
Foreign currency translation movement	(295,472)	(420,710)
Carrying amount at the end of the year	7,321,698	3,662,498

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and development of projects, or alternatively through the sale of the areas of interest.

ELEMENTOS LIMITED and CONTROLLED ENTITIES

ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

	30 June 2012	30 June 2011
	\$	\$
NOTE 9: PLANT AND EQUIPMENT		
Plant and Equipment		
At cost	148,272	54,985
Accumulated depreciation	(61,838)	(19,741)
Total plant and equipment	<u>86,434</u>	<u>35,244</u>

Reconciliation of the carrying amounts for property, plant and equipment is set out below:

Balance at the beginning of year	35,244	40,165
Additions	94,038	11,583
Disposals	-	-
Depreciation expense	(42,348)	(15,995)
Foreign currency translation movement	(500)	(509)
Carrying amount at the end of year	<u>86,434</u>	<u>35,244</u>

NOTE 10: TRADE AND OTHER PAYABLES

Current:

Trade payables and accrued expenses (a)	711,993	821,070
Short term employee benefits	66,374	34,560
Total payables (unsecured)	<u>778,367</u>	<u>855,630</u>

(a) Includes \$11,584 (2011: \$12,335) payable to related parties.

The average credit period on purchases of goods and services is 30 days. No interest is paid on trade payables.

ELEMENTOS LIMITED and CONTROLLED ENTITIES

ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 11: ISSUED CAPITAL

Fully paid ordinary shares	30 June 2012		30 June 2011	
	No. of Shares	\$	No. of Shares	\$
Balance at the beginning of the reporting period	82,383,526	15,919,925	54,000,001	9,500,001
Shares issued during the year:				
18 January 2011			8,100,000	2,106,000
25 January 2011			100,000	25,000
03 March 2011			13,883,525	3,609,717
18 March 2011			500,000	116,830
28 March 2011			5,800,000	1,508,000
Total	82,383,526	15,919,925	82,383,526	16,865,548
Options expensed to equity		-		54,020
Total transaction costs associated with share issues		-		(999,643)
Net issued capital		<u>15,919,925</u>		<u>15,919,925</u>

Ordinary shareholders are entitled to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amount paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll. Ordinary shares have no par value.

ELEMENTOS LIMITED and CONTROLLED ENTITIES

ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 11: ISSUED CAPITAL (CONT)

		30 June 2012	30 June 2011
Options		No. of Options	No. of Options
Unlisted Share Options		8,700,000	9,700,000
Balance at the beginning of the reporting period		9,700,000	7,000,000
Options issued during the period:			
Issued to directors	(a)	-	2,000,000
Issued to staff	(b)	-	1,300,000
Exercised by directors		-	(500,000)
Exercised by staff		-	(100,000)
Lapsed by directors	(c)	(1,000,000)	-
Balance at Reporting Date		8,700,000	9,700,000

(a) Issued to directors pursuant to shareholder approval

(b) Issued to staff pursuant to the Employee Share Option Plan

(c) Options lapsed by Neil Stuart, who retired as a director during the year.

The weighted average fair value of options granted in the year was \$nil (2011: 11.24 cents). The fair values of options were calculated using a binomial lattice pricing model. Volatility was based on historical share price as it is assumed this is indicative of future movements.

ELEMENTOS LIMITED and CONTROLLED ENTITIES

ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 11: ISSUED CAPITAL (CONT)

The inputs used for the option pricing model for options granted during the year ended 30 June 2011 were:

	Director Options	Director Options	Staff Options
Number of options granted	1,000,000	1,000,000	1,300,000
Date of grant and vesting of options	30/11/2010	28/03/2011	7/09/2010
Option expiry date	30/11/2015	18/01/2017	7/09/2015
The fair value of share options and assumptions for the period ended 30 June 2011:			
Fair value at grant date	9.4 cents	18.6 cents	7.0 cents
Share price	20.0 cents	33.0 cents	17.0 cents
Exercise price	23.3 cents	33.3 cents	25.0 cents
Expected volatility	65%	74%	65%
Option life	5 years	5.8 years	5 years
Expected dividends	nil	nil	nil
Risk-free interest rate	5.25%	5.75%	5.25%
Target share price	30/35 cents	40/45 cents	30/35 cents

ELEMENTOS LIMITED and CONTROLLED ENTITIES
ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 11: ISSUED CAPITAL (CONT)

The amount of the expense during the year in relation to options is \$nil (2011: \$859,053). This amount has been credited to the Option Reserve.

Capital Management

Exploration companies such as Elementos Limited are funded almost exclusively by share capital. The Group has no debt. The Group's capital comprises equity, as disclosed in the statement of financial position.

Management controls the capital of the Group to ensure it can fund its operations and continue as a going concern. Capital management policy is to fund its exploration activities by way of equity. No dividend will be paid while the Group is in exploration stage. There are no externally imposed capital requirements.

There have been no changes to the capital management policies during the period.

ELEMENTOS LIMITED and CONTROLLED ENTITIES

ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

	30 June 2012	30 June 2011
	\$	\$
NOTE 12: RESERVES		
Foreign currency translation reserve	(926,157)	(547,010)
The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.		
Options reserve	997,477	997,477
The options reserve records amounts recognised on valuation of share options granted for services provided.		

NOTE 13: CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Loss after Income Tax:

Loss from ordinary activities after income tax	(2,726,183)	(3,174,516)
Non-cash flows in loss from ordinary activities:		
Depreciation	42,348	15,995
Share based payment expense	-	859,053
Exploration expenditure written off	768,021	102,497
Changes in assets and liabilities:		
(Increase)/Decrease in receivables	(148,873)	(171,241)
(Increase)/Decrease in prepayments and other assets	141,197	61,190
(Decrease)/Increase in payables	124,993	(255,752)
Cash flows from operations	(1,798,497)	(2,562,774)

ELEMENTOS LIMITED and CONTROLLED ENTITIES**ABN 49 138 468 756****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2012**

	30 June 2012	30 June 2011
	\$	\$
NOTE 14: EARNINGS PER SHARE		
Net loss used in the calculation of basic and diluted EPS	(2,726,183)	(3,174,516)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	82,383,526	63,822,575

Options are considered potential ordinary shares. Options issued are not presently dilutive and were not included in the determination of diluted earnings per share for the period.

NOTE 15: COMMITMENTS**Exploration Commitments**

The economic entity must meet minimum expenditure commitments in relation to option agreements over exploration tenements and to maintain those tenements in good standing.

The following commitments exist at reporting date but have not been brought to account. If the relevant option to acquire a mineral tenement is relinquished the expenditure commitment also ceases.

Not later than 1 year	2,708,224	226,266
Later than 1 year but not later than 5 years	7,697,128	2,043,002
Total commitment	10,405,352	2,269,268

The minimum expenditure commitment for the Tamaya project, being US\$7 million over three years with 15,000 metres of drilling, has been included in the note above, less expenditure already incurred at the end of the reporting period.

NOTE 16: CONTINGENT LIABILITIES

There were no contingent liabilities at the end of the reporting period.

NOTE 17: RELATED PARTY TRANSACTIONS

The economic entity undertakes transactions with related parties in the normal course of business. Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

ELEMENTOS LIMITED and CONTROLLED ENTITIES**ABN 49 138 468 756****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012****NOTE 17: RELATED PARTY TRANSACTIONS (CONT)**

Related party transactions in the period were:

(a) The Company was a party to an office services arrangement with Orocobre Limited (a Company of which Mr Calaway is a Director and Mr Crawford a Company Secretary). A total of \$48,934 (2011: \$195,211) was paid under the arrangement and the balance outstanding at year end is \$nil (2011: \$10,172). The arrangement covered occupancy, accounting and administration services. During the year, the Company ceased this arrangement with Orocobre Limited.

(b) During the year the Company did not enter into any new transactions with key management personnel.

Key Management Personnel:

Messrs A McLellan, C Nolan, M McCauley, J Calaway continued in their roles as Directors of the Company.

Mr N Stuart retired as a Director on 17 November 2011.

Details of key management personnel compensation and equity interests are set out in Note 20.

Mr Stuart also has a separate consultancy agreement with the Company to provide geological consulting services as requested by the Company subject to a maximum remuneration of \$25,000pa. No costs were incurred under this agreement during the reporting period (2011: \$nil).

(c) During the year, the Company controlled the following entities within the Group:

- Element Minerals Australia Pty Ltd, 100% owned, incorporated in Australia;
- Elementos Minerales S.A., 100% owned, incorporated in Argentina; and
- Elementos Chile Ltda, 100% owned, incorporated in Chile.

NOTE 18: SHARE BASED PAYMENTS

	30 June 2012	30 June 2011
	\$	\$
Share based payment expense recognised during the year:		
Options issued under employee share option plan	-	91,910
Options issued under director share option plan	-	767,143
	-	859,053

(a) The following share-based payment arrangements existed at 30 June 2012:

(i) On 7 September 2010 1,300,000 share options were issued to staff under the Elementos Limited Employee Share Option Plan, to take up ordinary shares at an exercise price of 25 cents. Vesting conditions of the options were 50% when the share price reached 30 cents and 50% when the share price reached 35 cents. These options are exercisable on or before 7 September 2015. The options hold no voting or dividend rights and are not transferable. These options vested during the 2011 year. 100,000 options were exercised during 2011. 1,200,000 options were outstanding at year end (2011: 1,200,000) and 1,200,000 options were exercisable (2011: 1,200,000).

ELEMENTOS LIMITED and CONTROLLED ENTITIES

ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 18: SHARE BASED PAYMENTS (CONT)

(ii) On 30 November 2010 1,000,000 share options were issued to Mark McCauley, under the Directors' Share Option Plan, to take up ordinary shares at an exercise price of 23.3 cents. Vesting conditions of the options were 50% when the share price reached 30 cents and 50% when the share price reached 35 cents. These options are exercisable on or before 30 November 2015. The options hold no voting or dividend rights and are not transferable. These options vested during the 2011 year and Mr McCauley exercised 500,000 options. 500,000 options were outstanding at year end (2011: 500,000) and 500,000 options were exercisable (2011: 500,000).

(iii) On 28 March 2011 1,000,000 share options were issued to James Calaway, under the Directors' Share Option Plan, to take up ordinary shares at an exercise price of 33.3 cents. Vesting conditions of the options were 50% when the share price reached 40 cents and 50% when the share price reached 45 cents. These options are exercisable on or before 18 January 2017. The options hold no voting or dividend rights and are not transferable. These options have not vested. 1,000,000 options were outstanding at year end (2011: 1,000,000) and nil options were exercisable (2011: nil).

(iv) On 23 October 2009, 5,500,000 share options were issued to Directors, under the Directors' Share Option Plan, to take up ordinary shares at an exercise price of 23.3 cents. Vesting conditions of the options were 50% when the share price reached 30 cents and 50% when the share price reached 35 cents. These options are exercisable on or before 23 October 2015. The options hold no voting or dividend rights and are not transferable. These options vested during the 2011 year. 1,000,000 options lapsed during the year. 4,500,000 options were outstanding at year end (2011: 5,500,000) and 4,500,000 options were exercisable (2011: 5,500,000).

(v) On 17 December 2009, 1,500,000 share options were issued to Martin Place Securities Pty Ltd, as part of the IPO, to take up ordinary shares at an exercise price of 30 cents. Vesting conditions were admittance of the Company to the ASX. These options are exercisable on or before 17 December 2013. The options hold no voting or dividend rights and are not transferable. 1,500,000 options were outstanding at year end (2011: 1,500,000) and 1,500,000 options were exercisable (2011: 1,500,000).

- (b) At reporting date, the options granted to key management personnel under the Share Option Plan are:

Granted 23 October 2009	4,500,000
Granted 7 September 2010	550,000
Granted 30 November 2010	500,000
Granted 28 March 2011	1,000,000
	<u>6,550,000</u>

ELEMENTOS LIMITED and CONTROLLED ENTITIES

ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 18: SHARE BASED PAYMENTS (CONT)

(c) All options granted are over ordinary shares in Elementos Limited, which confer a right of one ordinary share per option. The options hold no voting or dividend rights and are not transferrable. These options are summarised as:

	2012		2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	No.	\$	No.	\$
Outstanding at the beginning of the year	9,700,000	0.268	7,000,000	0.261
Granted	-	-	3,300,000	0.283
Forfeited	(1,000,000)	0.233	-	-
Exercised	-	-	(600,000)	0.238
Expired	-	-	-	-
Outstanding at year-end	8,700,000	0.258	9,700,000	0.268
Exercisable and vested at year-end	7,700,000	0.292	8,700,000	0.258

There are no options subject to escrow at the end of the year.

The options outstanding at 30 June 2012 had a weighted average exercise price of 25.8 cents (2011: 26.8 cents) and a weighted average remaining contractual life of 3.12 years (2011: 4.11 years). At the date of exercise, the weighted average share price of options exercised during the year was nil cents (2011: 34.64 cents). The exercise price of options outstanding at year end ranges from 23.3 cents to 33.3 cents (2011: 23.3 cents to 35.0 cents). The weighted average fair value of options granted during the year was nil cents (2011: 28.3 cents). Refer to Note 11 regarding assessment of fair value of options granted during the year.

ELEMENTOS LIMITED and CONTROLLED ENTITIES

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

	30 June 2012	30 June 2011
	\$	\$
NOTE 19: AUDITORS' REMUNERATION		
Remuneration of the auditor of the parent entity:		
BDO Audit Pty Ltd		
- auditing or reviewing the financial reports	22,014	-
- other services (tax advice and compliance)	16,000	-
Hayes Knight Audit Pty Ltd		
- auditing or reviewing the financial reports	-	24,400
- other services	-	1,500
	<u>38,014</u>	<u>25,900</u>
Remuneration of other auditors of subsidiaries:		
Network firms of BDO		
- auditing or reviewing the financial reports	34,091	-
- other services	3,873	-
Other firms		
- auditing or reviewing the financial reports	8,103	6,451
	<u>46,067</u>	<u>6,451</u>

Due to an alignment of financial years for the Group, the Argentinian entity incurred two full year-end audits in one six month period.

ELEMENTOS LIMITED and CONTROLLED ENTITIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 20: KEY MANAGEMENT PERSONNEL COMPENSATION AND EQUITY

The names of key management personnel of the entity who have held office during the financial year are:

(a) Key Management Person	Position
Mr. A McLellan	Chairman - Non-executive
Mr. C Nolan	Managing Director - Executive
Mr. N Stuart	Director - Non-executive (resigned 17 November 2011)
Mr. M McCauley	Director - Non-executive
Mr. J Calaway	Director - Non-executive
Mr. A Grahame	Exploration and Development Manager

	30 June 2012	30 June 2011
	\$	\$
(b) Key Management Personnel Compensation		
Short-term employee benefits	568,952	533,227
Post-employment benefits	47,606	44,105
Share-based payments	-	806,028
	616,558	1,383,360

Detailed disclosures on compensation for key management personnel are set out in the Remuneration Report included in the Directors' Report.

ELEMENTOS LIMITED and CONTROLLED ENTITIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 20: KEY MANAGEMENT PERSONNEL COMPENSATION AND EQUITY (CONT)

(c) Number of Shares held by Key Management Personnel (i)

2012	Opening Balance	Compensation (ii)	Options Exercised	Purchased / (Sold)	Net Other Changes (iii)	Balance 30 June 2012
Mr. A McLellan	-	-	-	-	-	-
Mr. C Nolan	146,786	-	-	-	-	146,786
Mr. N Stuart	2,367,185	-	-	-	(2,367,185)	-
Mr. M McCauley	-	-	-	-	-	-
Mr. J Calaway	11,937,291	-	-	-	-	11,937,291
Mr. A Grahame	146,784	-	-	-	-	146,784
Total	14,598,046	-	-	-	(2,367,185)	12,230,861

(i) Represents shares held directly, indirectly or beneficially.

(ii) The Company does not issue shares as a form of remuneration.

(iii) Includes shares held upon resignation or appointment.

2011	Opening Balance	Compensation (ii)	Options Exercised	Purchased / (Sold)	Net Other Changes (iii)	Balance 30 June 2011
Mr. A McLellan	-	-	-	-	-	-
Mr. C Nolan	120,000	-	-	26,786	-	146,786
Mr. N Stuart	1,935,222	-	-	431,963	-	2,367,185
Mr. M McCauley	-	-	500,000	(500,000)	-	-
Mr. J Calaway	-	-	-	11,937,291	-	11,937,291
Mr. A Grahame	146,784	-	-	-	-	146,784
Total	2,202,006	-	500,000	11,896,040	-	14,598,046

(i) Represents shares held directly, indirectly or beneficially.

(ii) The Company does not issue shares as a form of remuneration.

(iii) Includes shares held upon resignation or appointment.

ELEMENTOS LIMITED and CONTROLLED ENTITIES
ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 20: KEY MANAGEMENT PERSONNEL COMPENSATION AND EQUITY (CONT)

(d) Number of Options held by Key Management Personnel

2012	Opening Balance	Compen- sation (e)	Options Acquired	Options Exercised	Net Other Changes (i)	Balance 30 June 2012	Total Vested	Total Exercisable
Mr. A McLellan	2,000,000	-	-	-	-	2,000,000	2,000,000	2,000,000
Mr. C Nolan	2,500,000	-	-	-	-	2,500,000	2,500,000	2,500,000
Mr. N Stuart	1,000,000	-	-	-	(1,000,000)	-	-	-
Mr. M McCauley	500,000	-	-	-	-	500,000	500,000	500,000
Mr. J Calaway	1,000,000	-	-	-	-	1,000,000	-	-
Mr. A Grahame	550,000	-	-	-	-	550,000	550,000	550,000
Total	7,550,000	-	-	-	(1,000,000)	6,550,000	5,550,000	5,550,000

(i) Includes options held upon resignation or retirement

2011	Opening Balance	Compen- sation (e)	Options Acquired	Options Exercised	Net Other Changes (i)	Balance 30 June 2011	Total Vested	Total Exercisable	
Mr. A McLellan	2,000,000	-	-	-	-	2,000,000	2,000,000	2,000,000	(ii)
Mr. C Nolan	2,500,000	-	-	-	-	2,500,000	2,500,000	2,500,000	(ii)
Mr. N Stuart	1,000,000	-	-	-	-	1,000,000	1,000,000	1,000,000	(ii)
Mr. M McCauley	-	1,000,000	-	(500,000)	-	500,000	500,000	500,000	
Mr. J Calaway	-	1,000,000	-	-	-	1,000,000	-	-	
Mr. A Grahame	-	550,000	-	-	-	550,000	550,000	550,000	
Total	5,500,000	2,550,000	-	(500,000)	-	7,550,000	6,550,000	6,550,000	

(ii) In escrow due to ASX regulations.

(e) Compensation Options

There were no options given to Key Management Personnel during the year (2011: 2,550,000).

ELEMENTOS LIMITED and CONTROLLED ENTITIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 21: FINANCIAL INSTRUMENTS

(a) Financial Risk Management Policies

The Elementos Group's financial instruments comprises cash balances, receivables and payables. The main purpose of these financial instruments is to provide finance for Group operations.

Treasury Risk Management

Key executives of the Company meet on a regular basis to analyse exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management is responsible for developing and monitoring the risk management policies and reports to the board.

Financial Risks

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. These risks are managed through monitoring of forecast cash flows, interest rates, economic conditions and ensuring adequate funds are available.

Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's cash flows credit value will fluctuate as a result of changes in market interest rates, arises in relation to the economic entity's bank balances.

This risk is managed through the use of variable rate bank accounts.

Liquidity Risk

Liquidity risk is the risk that the economic entity will not be able meet its financial obligations as they fall due. This risk is managed by ensuring, to the extent possible, that there is sufficient liquidity to meet liabilities when due, without incurring unacceptable losses or risking damage to the economic entity's reputation.

The economic entity's activities are funded from equity sources.

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is their carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk arises from exposures to deposits with financial institutions and sundry receivables.

Credit risk is managed and reviewed regularly by key executives. The key executives monitor credit risk by actively assessing the rating quality and liquidity of counter parties:

- only banks and financial institutions with an 'A' rating are utilised; and
- all other entities are rated for credit worthiness taking into account their size, market position and financial standing.

ELEMENTOS LIMITED and CONTROLLED ENTITIES
ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 21: FINANCIAL INSTRUMENTS (CONT)

At 30 June 2012, there was no concentration of credit risk, other than bank balances and on geographical basis with most financial assets in Australia.

Foreign Currency Risk

The economic entity is exposed to fluctuations in foreign currencies arising from the purchase of goods and services in currencies other than the economic entity's functional currency.

Financial assets and liabilities exist for the economic entity's Argentine operations, and thus there is exposure to the Argentine Peso. As this risk is minor, it is not hedged. At reporting date, the net foreign currency risk (stated in \$AUD) was \$10,206 (2011: \$26,854).

Financial assets and liabilities exist for the economic entity's Chilean operations, and thus there is exposure to the Chilean Peso. As this risk is minor, it is not hedged. At reporting date, the net foreign currency risk (stated in \$AUD) was \$59,061 (2011: \$nil).

(b) Financial Instrument Composition and Contractual Maturity Analysis

	30 June 2012	30 June 2011
	\$	\$
Financial assets:		
Within 6 months		
- cash & cash equivalents (i)	2,012,552	9,316,709
- receivables (ii)	122,917	217,995
	<u>2,135,469</u>	<u>9,534,704</u>
Financial liabilities:		
Within 6 months		
- payables (ii)	<u>(778,367)</u>	<u>(855,630)</u>

(i) Floating interest rates, with weighted average effective interest rate 3.26%, with an average maturity of 13 days.

(ii) Non-interest bearing. The contractual cash flows do not differ to the carrying amount.

(c) Net Fair Values

Fair values of financial assets and financial liabilities are materially in line with carrying values.

(d) Sensitivity Analysis

The Company has performed sensitivity analysis relating to its exposure to interest rate risk. At year end, the effect on profit and equity as a result of a 1% change in the interest rate, with all other variables remaining constant would be +/- \$20,125 (2011: +/- \$93,167).

The group has performed sensitivity analysis relating to its exposure to foreign exchange risk. At year end, the effect on profit and equity as a result of a 10% change in the Argentine Peso, with all other variables remaining constant would be +/- \$1,021 (2011: +/- \$2,685).

The group has performed sensitivity analysis relating to its exposure to foreign exchange risk. At year end, the effect on profit and equity as a result of a 10% change in the Chilean Peso, with all other variables remaining constant would be +/- \$5,906 (2011: +/- \$nil).

ELEMENTOS LIMITED and CONTROLLED ENTITIES**ABN 49 138 468 756****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012****NOTE 22: SEGMENT REPORTING****Description of Segments**

Operating segments have been determined on the basis of reports reviewed by the chief operating decision maker. The Managing Director (the "MD") is considered to be the chief operating decision maker of the group. The MD assesses and reviews activities based on each area of interest. Each area of interest is aggregated on a geographic basis to form a reportable segment. The Group's exploration activities in each area of interest are primarily centered around gold and copper. The Group's reportable segments are Australia, Chile and Argentina.

Information provided to the Managing Director

Segment information provided to the managing director for the year ended 30 June 2012 is as follows:

2012	Australia \$	Chile \$	Argentina \$	Total \$
Segment Profit or Loss Before Tax	(205,909)	(792,560)	(477,023)	(1,475,492)
Included in segment profit or loss before tax are the following items:				
Depreciation and amortisation	160	-	2,152	2,312
Impairment of capitalised exploration expenditure	191,532	573,195	-	764,727
Other exploration and evaluation expenditure expensed	-	189,467	218,127	407,594
Segment Assets and Liabilities				
Segment assets	111,789	1,104,635	7,138,733	8,355,157
Segment liabilities	-	188,143	279,387	467,530
Additions to capitalised exploration expenditure	111,835	951,430	3,659,428	4,722,693

ELEMENTOS LIMITED and CONTROLLED ENTITIES

ABN 49 138 468 756

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 22: SEGMENT REPORTING (CONT)

Segment information provided to the managing director for the year ended 30 June 2011 is as follows:

2011	Australia	Chile	Argentina	Total
	\$	\$	\$	\$
Segment Profit or Loss Before Tax	(139,562)	-	(745,401)	(884,963)
Included in segment profit or loss before tax are the following items:				
Depreciation and amortisation	-	-	699	699
Impairment of capitalised exploration expenditure	102,497	-	-	102,497
Other exploration and evaluation expenditure expensed	-	-	280,446	280,446
Segment Assets and Liabilities				
Segment assets	185,046	-	4,161,805	4,346,851
Segment liabilities	1,280	-	641,677	642,957
Additions to capitalised exploration expenditure	138,751	-	2,502,203	2,640,954

Other Segment Information

Segment profit or loss before tax excludes corporate revenue and expenses. Segment profit or loss before tax reconciles to total profit or loss before tax as follows:

	30 June 2012	30 June 2011
	\$	\$
Segment profit or loss before tax	(1,475,492)	(884,963)
Interest received from other persons	275,739	312,948
Other revenue	10,000	0
Corporate and other expenses	(1,533,308)	(2,602,501)
Profit or loss before tax	(2,723,061)	(3,174,516)

Segment assets excludes corporate assets. Segment assets reconciles to total assets as follows:

	30 June 2012	30 June 2011
	\$	\$
Segment assets	8,355,157	4,346,851
Cash	1,622,214	8,841,805
Plant and equipment	74,794	30,971
Other corporate assets	3,433	18,547
Total assets	10,055,598	13,238,174

Segment liabilities excludes corporate liabilities. Segment liabilities reconciles to total liabilities as follows:

	30 June 2012	30 June 2011
	\$	\$
Segment liabilities	467,530	642,957
Trade and other payables	310,837	212,673
Total liabilities	778,367	855,630

ELEMENTOS LIMITED and CONTROLLED ENTITIES**ABN 49 138 468 756****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012****NOTE 23: SUBSEQUENT EVENTS**

On 28 August 2012, Elementos filed a Prospectus for a non-renounceable rights issue.

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**), on the basis of four New Shares for every five shares registered in the shareholder's name as at 7:00pm on 6 September 2012 (**Offer**).

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. The Offer is underwritten up to \$1,513,222. In addition, the Company had received pre-commitments from existing shareholders totalling \$793,516, representing the balance of the Offer totalling \$2,306,738. Details of the Offer are contained in the Prospectus.

No other matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the Elementos Group, the results of those operations, or the state of affairs of the Group in future financial years.

NOTE 24: PARENT ENTITY INFORMATION

The following information relates to the parent entity, Elementos Limited at 30 June 2012. This information has been prepared using consistent accounting policies as presented in Note 1.

	30 June 2012	30 June 2011
	\$	\$
Current assets	1,643,287	8,874,990
Non-current assets	10,945,929	4,919,642
Total assets	12,589,216	13,794,632
Current liabilities	325,476	227,311
Non-current liabilities	-	-
Total liabilities	325,476	227,311
Contributed equity	15,919,925	15,919,925
Reserves	997,477	997,477
Accumulated losses	(4,653,662)	(3,350,081)
Total equity	12,263,740	13,567,321
Loss for the period	(1,303,581)	(2,742,332)
Other comprehensive income for the period	-	-
Total comprehensive income for the period	(1,303,581)	(2,742,332)

The Company has no contingent liabilities, nor has it entered into any guarantees in relation to the debts of its subsidiaries.

The Company has not entered into any contractual commitments for the acquisition of property, plant and equipment.

The Company and its Australian 100% owned controlled entities have formed a tax consolidated group.

Members of the Group entered into a tax sharing arrangement. The agreement provides for the allocation of income tax liabilities between the entities in proportion to their contribution to the Group's taxable income. The head entity of the tax consolidated Group is Elementos Ltd.

NOTE 25: COMPANY DETAILS

The registered office and principal place of business is:

Level 8, 26 Wharf Street

Brisbane, Queensland, 4000 Australia

ELEMENTOS LIMITED AND CONTROLLED ENTITIES

ABN 49 138 468 756

30 JUNE 2012

DECLARATION BY DIRECTORS

The directors of the company declare that:

1. The financial statements, comprising the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - b) give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in pages 6 to 10 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2012, comply with section 300A of the *Corporations Act 2001*.
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



A A McLellan
Chairman

Dated this 6th September 2012
Brisbane, Queensland

INDEPENDENT AUDITOR'S REPORT

To the members of Elementos Limited

Report on the Financial Report

We have audited the accompanying financial report of Elementos Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Elementos Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Elementos Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter on Going Concern

Without qualification to the opinion expressed above, we draw attention to the matters set out in Note 1. As detailed, the financial statements have 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 Group has not generated significant revenues from operations. As such, the Group's ability to continue to adopt the going concern assumption will depend upon a number of matters including subsequent successful raising in the future of necessary funding and the successful exploration and subsequent exploitation of the Group's tenements. In the absence of these matters being successful, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern with the result that the Group may have to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts different from those stated in the financial statements.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Elementos Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd



A J Whyte

Director

Brisbane: 6 September 2012

ASX INFORMATION

Following is additional information required by the Australian Securities Exchange Limited and not disclosed elsewhere in this report.

1. Equity:

The following information is provided as at 19 October 2012

Shareholding:

Distribution of Shareholders Number

Category Number (Size of Holding)	Ordinary Shares (Number)
1 - 1,000	56
1,001 - 5,000	101
5,001 - 10,000	105
10,001 - 100,000	394
100,001 - and over	172
	828

The number of shareholdings held in less than marketable parcels is 45.

Twenty Largest Holders - Ordinary Shares:

	Shareholder	Number of Shares Held	% of Total Issued Capital
1	ANDES INVESTORS LLC	39,840,006	26.87
2	BELMONT PARK INVESTMENT PTY LTD	7,615,386	5.14
3	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	6,459,820	4.36
4	RICHARD SEVILLE & ASSOCIATES PTY LTD <THE SEVILLE SUPER FUND A/C>	4,403,569	2.97
5	HINTON FAMILY HOLDINGS PTY LTD	3,439,688	2.32
6	MR DENIS GRENVILLE HINTON & MRS ROSLYN SUSANNA HINTON <HINTON FAMILY SUPER A/C>	2,835,796	1.91
7	PANORAMA RIDGE PTY LTD	2,824,614	1.91
8	CITICORP NOMINEES PTY LIMITED	2,542,809	1.72
9	FAIRGROUND PTY LTD	2,455,348	1.66
10	THOSNUNN PTY LTD <SUPER FUND A/C>	2,250,000	1.52
11	LITHIUM INVESTORS LLC	2,029,256	1.37
12	MR YI WENG & MS NING LI	1,794,836	1.21
13	MR PAUL ANTHONY CRAWFORD & MRS ROBYN LYNELLE CRAWFORD <KURATYN SUPERANNUATION A/C>	1,664,978	1.12
14	MR IAN LINDSAY CAMPBELL	1,651,790	1.11
15	MACBETH GENEALOGICAL SERVICES PTY LTD <MACBETH SUPER FUND A/C>	1,280,000	0.86
16	MR RICHARD GEOFFREY AUSTIN & MRS PAMELA MARGARET AUSTIN <AUSTIN SUPER FUND A/C>	1,223,214	0.83
17	OROCOBRE LIMITED	1,223,214	0.83
18	MR DENNIS GRENVILLE HINTON & MRS ROSLYN SUSANNA HINTON	1,177,648	0.79
19	MR NEIL FRANCIS STUART	1,018,338	0.69
20	BROADCOOLA NOMINEES PTY LTD <SPYGLASS SUPER FUND A/C>	1,010,654	0.68

ELEMENTOS LIMITED

ABN 49 138 468 756

ASX INFORMATION

The substantial shareholders listed in the Company's register as at 19 October 2012 are:

Shareholder	Number of Shares Held
Andes Investors LLC	39,840,006
Belmont Park Investments Pty Ltd	7,615,386

Listed Optionholders:

Distribution of Listed Optionholders Number

Category Number (Size of Holding)	Options (Number)
1 - 1,000	6
1,001 - 5,000	51
5,001 - 10,000	36
10,001 - 100,000	131
100,001 - and over	37
	261

The number of listed option holdings held in less than marketable parcels is 3.

Twenty Largest Holders – Listed Options:

	Optionholder	Number of Options Held	% of Total Issued Options
1	ANDES INVESTORS LLC	14,965,986	45.42
2	BELMONT PARK INVESTMENT PTY LTD	1,692,308	5.14
3	RICHARD SEVILLE & ASSOCIATES PTY LTD <THE SEVILLE SUPER FUND A/C>	978,571	2.97
4	HINTON FAMILY HOLDINGS PTY LTD	764,375	2.32
5	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	735,670	2.23
6	MR DENIS GRENVILLE HINTON & MRS ROSLYN SUSANNA HINTON <HINTON FAMILY SUPER A/C>	630,177	1.91
7	PANORAMA RIDGE PTY LTD	627,692	1.91
8	CITICORP NOMINEES PTY LIMITED	572,350	1.74
9	FAIRGROUND PTY LTD	545,633	1.66
10	MR YI WENG & MS NING LI	398,853	1.21
11	BROADCOOLA NOMINEES PTY LTD <SPYGLASS SUPER FUND A/C>	385,195	1.17
12	MR RICHARD EWAN MEWS	373,876	1.14
13	MR PAUL ANTHONY CRAWFORD & MRS ROBYN LYNELLE CRAWFORD <KURATYN SUPERANNUATION A/C>	369,995	1.12
14	MACBETH GENEALOGICAL SERVICES PTY LTD <MACBETH SUPER FUND A/C>	284,114	0.86
15	MR ROBERT JAMES CANNING-URE	281,869	0.86
16	MRS SARAH KAY DALY	281,869	0.86
17	MR MICHAEL JOHN MACHIN	281,869	0.86
18	MR RICHARD EWAN MEWS & MRS WEE KHOON MEWS <RE & WK MEWS S/F A/C>	270,628	0.82
19	MR DENNIS GRENVILLE HINTON & MRS ROSLYN SUSANNA HINTON	261,700	0.79
20	MR JOHN ROBYN ADAMSON & MS FAY JYNETTE NGATAUA <ADAMSON NGATAUA S/F A/C>	241,066	0.73

ELEMENTOS LIMITED

ABN 49 138 468 756

ASX INFORMATION

The substantial listed Optionholders listed in the Company's register as at 19 October 2012 are:

Optionholder	Number of Options Held
Andes Investors LLC	14,965,986
Belmont Park Investments Pty Ltd	1,692,308

Unlisted Equity Securities:

The following unlisted securities were on issue as at 19 October 2012.

Security	Number	No. of Holders
Options exercisable at 23.3 cents on or before 23 October 2015	4,500,000	3
Options exercisable at 30 cents on or before 17 December 2013	1,500,000	1
Options exercisable at 23.3 cents on or before 7 September 2015	1,200,000	3
Options exercisable at 23.3 cents on or before 30 November 2015	500,000	1
Options exercisable at 33.3 cents on or before 18 January 2017	1,000,000	1

Voting Rights:

Each ordinary share is entitled to one vote when a poll is called. Otherwise each member present at a meeting has one vote on a show of hands.

There are no voting rights attaching to either the listed or unlisted Options, but voting rights as detailed above will attach to the ordinary shares issued when the Options are exercised.

2. Registers of securities are held at the following address:

Boardroom Pty Ltd
Level 7
207 Kent Street
Sydney NSW 2000 Australia

ASX INFORMATION

3. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited, other than those classified as restricted securities and detailed below.

4. Restricted Securities

The Company has no restricted securities

5. Use of Cash and Convertible assets

During the year, the Company has used cash and assets readily convertible to cash in a manner consistent with its business activities. The Company is involved in mineral exploration in Australia, Chile and Argentina.

ELEMENTOS LIMITED

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ASX INFORMATION

6. Schedule of Tenements

Tenement Name	Tenement Number	Area (Hectares)	Elementos Interest	Location of Tenements
Santo Domingo	1124-493-G-07	497	Nil - earning	Argentina
	1124-094-G-09	511	Nil - earning	Argentina
	1124-133-G-09	1458	Nil - earning	Argentina
	1124-454-G-09	500	Nil - earning	Argentina
	1124-643-G-10	1940	Nil - earning	Argentina
	1124-368-G-06	2158	Nil - earning	Argentina
	1124-385-G-06	4995	Nil - earning	Argentina
	1124-494-G-07	900	Nil - earning(i)	Argentina
	1124-495-G-07	1338	Nil - earning(i)	Argentina
	1124-496-G-07	900	Nil - earning(i)	Argentina
	1124-497-G-07	900	Nil - earning(i)	Argentina
	1124-498-G-07	900	Nil - earning(i)	Argentina
	1124-499-G-07	900	Nil - earning(i)	Argentina
	1124-500-G-07	900	Nil - earning(i)	Argentina
	1124-265-G-08	2616	Nil - earning(i)	Argentina
	1124-336-G-08	368	Nil - earning(i)	Argentina
	1124-633-G-10	1179	Nil - earning(i)	Argentina
	1124-022-G-11	1500	Nil - earning(i)	Argentina
	1124-131-O-09	4953	Nil - earning(i)	Argentina
	1124-132-O-09	9203	Nil - earning(i)	Argentina
Manantiales	520-120-M-97	3126	Nil - earning	Argentina
	520-121-M-97	3069	Nil - earning	Argentina
	520-122-M-97	3062	Nil - earning	Argentina
Millenium	ML 2512	4	Nil - earning	Queensland
	ML 2761	20	Nil - earning	Queensland
	ML 2762	16	Nil - earning	Queensland
	ML 7506	50	Nil - earning	Queensland
	ML 7507	45	Nil - earning	Queensland
	EPM 18402	5146	Nil - earning	Queensland
	EPM 18773	3859	Nil - earning	Queensland
	EPM 18793	2251	Nil - earning	Queensland
	EPM 18982	4184	Nil - earning	Queensland
	EPM 19014	6111	Nil - earning	Queensland
	EPM 19036	3216	Nil - earning	Queensland
	EPM 19555	7399	Nil - earning(ii)	Queensland
Selwyn South	EPM 19371	3860	Nil - earning(i)	Queensland
	EPM 19375	6433	Nil - earning(i)	Queensland
	EPM 19426	643	Nil - earning(i)	Queensland

(i) Tenements/Cateos in process of being granted/transferred

(ii) Contested Application