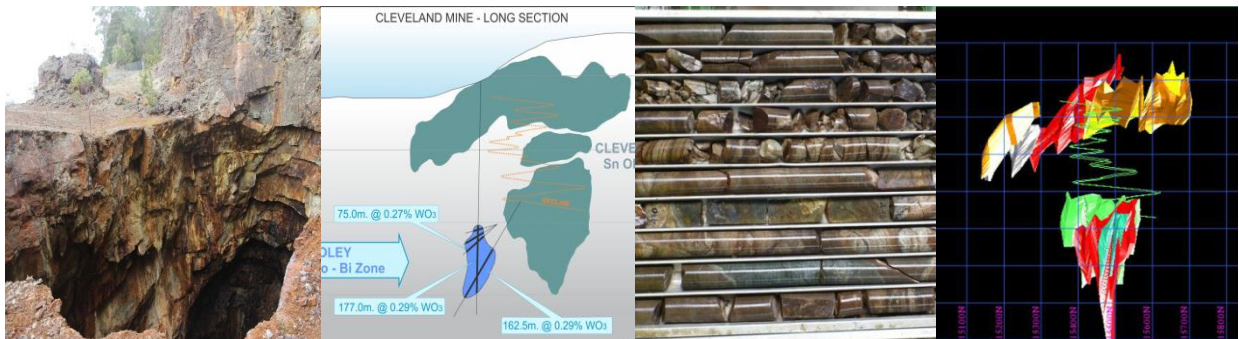




## Annual Report 2013

## Corporate Directory

### Directors and Company Secretaries

Mr A. Anthony McLellan (Non-executive Chairman)  
Mr Corey Nolan (Managing Director)  
Mr James Calaway (Non-executive Director)  
Mr Paul Crawford (Joint Company Secretary)  
Ms Linda Scott (Joint Company Secretary)

### Head Office and Registered Office

Elementos Limited  
Level 8, 26 Wharf Street  
Brisbane QLD 4000  
Tel: +61 7 3221 7770  
Fax: +61 7 3221 7773  
[www.elementos.com.au](http://www.elementos.com.au)

### Auditors

BDO Audit Pty Ltd  
Level 10, 12 Creek Street  
Brisbane QLD 4000  
Tel: +61 7 3237 5999  
Fax: +61 7 3221 9227  
[www.bdo.com.au](http://www.bdo.com.au)

### Share Registry

Boardroom Pty Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000  
Tel: 1300 737 760  
Fax: 1300 653 459  
[www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

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## Chairman's Letter

Dear Shareholder,

The Company is pleased to report significant progress over the last year, advancing our projects in Chile and Argentina, arranging a joint venture of our project in Queensland, investigating a number of new opportunities, and negotiating the acquisition of a new project in Tasmania.

In late calendar 2012, the Board of Elementos decided to shift its corporate strategy to pursuing an advanced project, in response to the extremely difficult environment for raising capital to fund further green-field exploration. The plan was to identify more advanced or brown-field assets on which the Company believed it had a better chance to secure new funding.

A number of opportunities were considered, including the advanced Cleveland tin project, which the Company was able to acquire by agreeing to issue stock to the owners of Rockwell Minerals Limited ("Rockwell"), which controlled the project. In April 2013, the Company signed a conditional Term Sheet for the merger of Elementos and Rockwell. Subject to the approval of the shareholders, the merger is expected to be completed by mid-October, and will provide a sound basis for the continued growth of Elementos.

During the year Mr Mark McCauley, a friend and colleague for many years, left the board of Elementos. I thank Mr McCauley for his great contributions to the Company, including his assistance with the negotiation of the Rockwell acquisition.

Following completion of the merger, Mr James Calaway will also be stepping down. As our major shareholder, and a director, Mr Calaway has made an enormous contribution to the Company and has been unrelenting in his support—both financially and intellectually. It has been a joy working with him.

I welcome the pending appointment of Mr Calvin Treacy, the Executive Chairman of Rockwell to the board, together with Mr Richard Seville, a vastly experienced engineer with specific experience mining tin in Tasmania. Mr Calvin Treacy is designated to become the Company Managing Director, following completion of the merger.

I would like to thank the entire Elementos team for their loyalty and commitment during the changes that have and are about to occur. Our Chief Financial Officer, Linda Scott, has been quite exceptional with her allegiance and hard work. Our Managing Director, Corey Nolan, has borne the brunt of the responsibility for executing the major changes to our Company. He has done that with professionalism, with dedication, and with grace—often sacrificing his personal interests for the benefit of the Company. As C.J. Dennis famously said in *The Sentimental Bloke*, "I dips me lid," to this fine young man.

Finally, I will also be stepping down as your Chairman in the coming weeks. It has been both a pleasure and an honour to have led our Company through a difficult period in the market and to have now established a new platform for growth.

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's main strategic objectives during 2013 have included exploration, acquisition, and divestment.

### Exploration

The Company's primary exploration focus has been at its Tamaya Joint Venture in Chile. During 2012/13 the Company completed a number of phases of exploration including mapping, sampling, geophysics and drilling. The results of the first year of exploration at Tamaya are being analysed and subsequent activities will be planned following the review.

### Divestment and Joint Venture

The Company remains committed to advancing and/or realising value from its Millenium, Manantiales and Santo Domingo projects through sale or joint ventures.

Exploration has been put on hold at all the Company's other properties.

### Acquisition

The Company has been actively pursuing new project opportunities. Given the extremely difficult environment for raising capital to fund green-field exploration, the focus has been on identifying more advanced or brown-field assets which the Company believes have a better chance of securing new funding.

In April 2013, the Company announced that it has signed a term sheet to acquire the Cleveland tin project through a merger with Rockwell. The merger will create a diversified metals company, including the Cleveland Project, advanced tin-copper and tungsten deposits in Tasmania, and a number of early stage prospective gold and copper assets in South America and Australia.

Elementos believes the Merger will accelerate growth of shareholder value in the combined company and deliver a number of strategic advantages including:

- Positions Elementos with a more advanced asset, reducing the Company's exposure to greenfield exploration;
- Secures a new advanced stage project with near term development potential, and significant exploration upside;
- Provides a potential valuation up-lift from relatively short-term work programs;
- Enables a significant exposure to tin, which the board believes has attractive supply and demand fundamentals; and
- Bestows a management team and board with the expertise and experience to move advanced assets through financing and into development.

A conditional Merger Implementation Deed was signed on the 6 June 2013. Subsequent to the end of the reporting period, Elementos issued Rockwell shareholders with a Bidders Statement and secured more than 90% share acceptances. The merger has now been approved by Elementos shareholders at an Extraordinary General Meeting held on the 8 October 2013, and is expected to close on the 14 October 2013.

On completion of the Merger, the Company's primary focus will be advancing the Cleveland Project. The board will establish a detailed work program and budget for the

project on completion of the merger. The merged Company will need to raise new equity to achieve its objectives in relation to the Cleveland project, including acquiring the remaining 50% interest in EL7/2005, and to fund corporate overhead costs and general working capital.

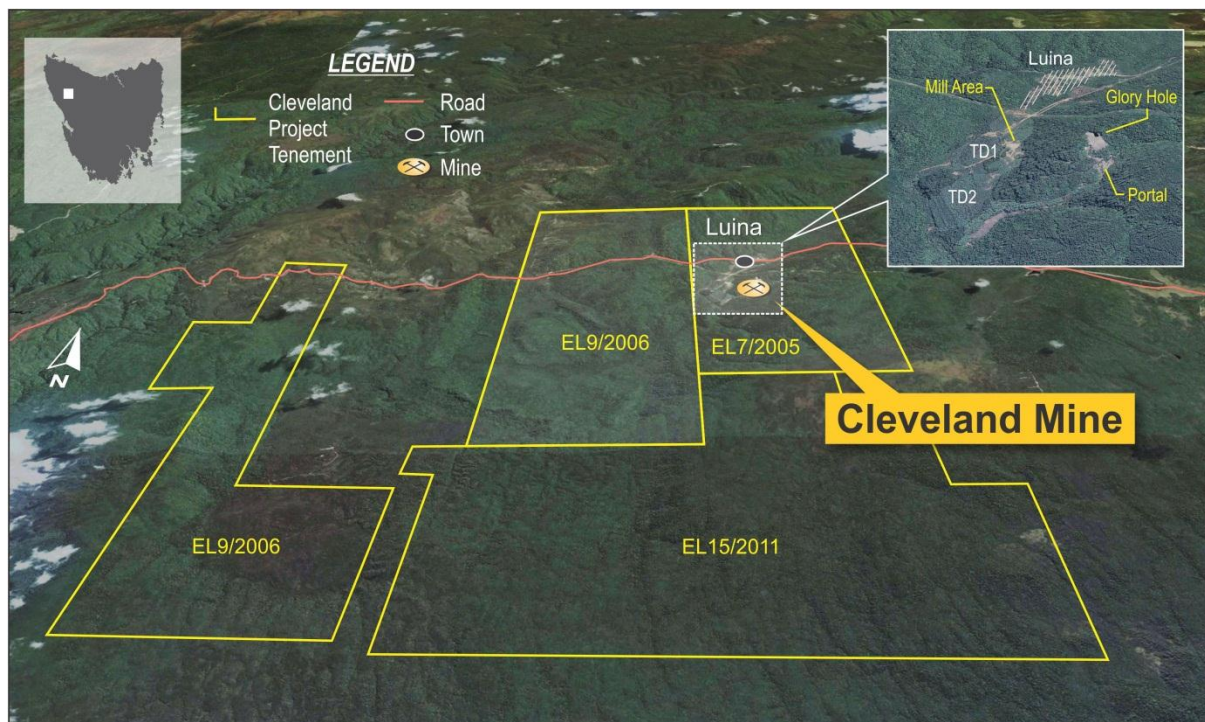
## Rockwell Minerals Limited

Rockwell is an Australian unlisted public company that controls the Cleveland Project, incorporating three tenements, covering ninety-six square kilometres, located in north-west Tasmania:

- Exploration Licence 7/2005 – currently entitled to 50% with an option to acquire 100% for a further payment of \$700,000, payable by 31 December 2013;
- Exploration Licence 9/2006 – currently entitled to 100%; and
- Exploration Licence 15/2011 – currently entitled to 100%.

The Cleveland Project incorporates a number of assets including:

- Cleveland mine - a relatively shallow, hard-rock tin-copper Mineral Resource of 47,000 tonnes of tin equivalent metal;
- Tungsten Mineral Resource - containing 12,000 tonnes of WO<sub>3</sub>;
- Cleveland tailings - a low-grade tin and copper tailings Mineral Resource of 13,000 tonnes of contained tin equivalent metal; and
- A significant package of exploration properties prospective surrounding the historical Cleveland tin-copper mine.



### Cleveland Mine

The Cleveland mine is a historical underground tin mine operated by Aberfoyle Limited between 1968 and 1986. The mine produced 5,645,035 tonnes of tin and copper ore grading 0.68% and 0.28% respectively, producing 23,519 tonnes of tin and 9,691 tonnes of copper in concentrates. The mine closed due to the low tin prices in the late 1980s. Aberfoyle was a major operator in the tin and tungsten mining industry with four operating tin and tungsten mines in Australia.



The mine was operated successfully with good ground conditions conducive to low-cost, long-hole, open-stoping methods. Mine development extended down to approximately 400 metres below the surface. The underground decline and stopes are still available for access to the known deposits of tin-copper and tungsten. There is a four kilometre decline and approximately eleven kilometres of underground development in place, although mine access will be restricted until dewatering and rehabilitation is completed.

Adequate geological records have survived from the time of the Aberfoyle operations to allow for the estimation of Mineral Resources and reporting of the Mineral Resources in accordance with the JORC Code.

In addition, 111 samples from 87 Aberfoyle drill cores were re-split and re-assayed to confirm the reliability of the historical tin and copper sampling and assaying methods, producing excellent reconciliations.

Aberfoyle drilled 2,040 diamond holes into the deposits for a total drilled length of about 130,000 metres, and has more than 75,000 assay points for tin-copper, tungsten and selected other metals. Certain historical data has been digitised which includes diamond drill hole collar locations, drill hole surveys, and assays, lode intercepts and mined out parameters from mine closure resource reports, surface contours of the mine, and the location of the Cleveland decline.

The JORC Resource for the Cleveland mine, independently prepared by Mining One Consultants, is summarised below.

| <b>Cleveland Mine Mineral Resource Estimate #<br/>Cut-off grade 0.35% Sn</b> |                      |                          |                                 |                             |                       |                                      |
|------------------------------------------------------------------------------|----------------------|--------------------------|---------------------------------|-----------------------------|-----------------------|--------------------------------------|
| <b>Category</b>                                                              | <b>Tonnes<br/>kt</b> | <b>Tin grade<br/>%Sn</b> | <b>Copper<br/>grade<br/>%Cu</b> | <b>Tin _Eq<br/>Sn _Eq %</b> | <b>Tin<br/>tonnes</b> | <b>Tin<br/>Equivalent<br/>tonnes</b> |
| <b>Indicated</b>                                                             | 4,239                | 0.70%                    | 0.28%                           | 0.80%                       | 30,000                | 34,000                               |
| <b>Inferred</b>                                                              | 1,880                | 0.64%                    | 0.19%                           | 0.70%                       | 12,000                | 13,000                               |
| <b>Total</b>                                                                 | <b>6,119</b>         | <b>0.68%</b>             | <b>0.25%</b>                    | <b>0.77%</b>                | <b>42,000</b>         | <b>47,000</b>                        |

# See note on Tin Equivalent Calculations Below

In the Cleveland mine, tin and copper mineralisation is principally hosted in semi-massive sulphide lenses that have replaced limestone. Tin occurs as cassiterite (tin oxide) and in very minor amounts as stannite, and copper as chalcopyrite.

The tin and copper lenses are more or less vertically dipping, lenticular deposits with strike lengths of up to 500 metres, across strike thicknesses of up to 30 metres and down-dip extents of up to 800 metres. Mineral Resources have been estimated for the tin and copper in these individual lenses.

### **Tungsten Mineral Resource**

The mineral resources are all contained within an exploration permit area of 18 square kilometres. Rockwell also controls two additional exploration permits representing approximately 76 square kilometres of prospective ground for further tin, tungsten, lead, zinc and silver exploration.

In the Cleveland mine, tungsten mineralisation occurs as wolframite (Fe,MnWO<sub>3</sub>), hosted in a tungsten bearing quartz stock-work (Foley zone).

The tungsten bearing stock-work is currently considered to dip vertically and has a known strike length of about 300 metres, an across strike width of up to 300 metres and a down dip extent of 900 metres.

The JORC Mineral Resource for the Tungsten deposit, independently prepared by Mining One Consultants, is summarised in the table below.

| <b>Cleveland Tungsten (Foley Zone) Mineral Resource Estimate</b><br><b>Cut-off grade 0.2% WO<sub>3</sub></b> |                    |                                 |                                          |
|--------------------------------------------------------------------------------------------------------------|--------------------|---------------------------------|------------------------------------------|
| <b>Category</b>                                                                                              | <b>Tonnes (kt)</b> | <b>Tungsten %WO<sub>3</sub></b> | <b>Contained WO<sub>3</sub> (tonnes)</b> |
| Inferred                                                                                                     | 3,980              | 0.30%                           | 12,000                                   |

### **Cleveland Tin-Copper Tailings**

The tonnage and grades of copper and tin tailings has been estimated from the reported operating records of the Aberfoyle processing plant between 1969 and 1986. The tailings are stored on-site in two tailings dams, the surfaces of which are covered in vegetation. Because the spatial distribution of both, the grade and tonnage of the tailings in the dams is unknown and the resources have been classified as inferred. A zero cut-off grade has been used, because it is assumed all the tailings will be treated. Rockwell has completed an internal scoping study which demonstrates the potential of re-processing the tailings.

The JORC Resource for the Cleveland tailings, independently prepared by Mining One Consultants, is summarised in the table below.

| <b>Cleveland Tailings Mineral Resource Estimate #</b><br><b>Cut-off grade 0% Sn</b> |                  |                      |                         |                        |                   |                              |
|-------------------------------------------------------------------------------------|------------------|----------------------|-------------------------|------------------------|-------------------|------------------------------|
| <b>Category</b>                                                                     | <b>Tonnes kt</b> | <b>Tin grade %Sn</b> | <b>Copper grade %Cu</b> | <b>Tin _Eq Sn_Eq %</b> | <b>Tin tonnes</b> | <b>Tin Equivalent tonnes</b> |
| Inferred                                                                            | 3,850            | 0.30%                | 0.13%                   | 0.34%                  | 11,600            | 13,000                       |

*# See note on tin equivalent calculations below*

### **Cleveland Exploration Potential**

There is excellent potential to expand on the known areas of mineralisation in both the tin-copper and tungsten deposits.

While there has been a significant amount of drilling within the tin deposit areas, most of the exploration focus by Aberfoyle was on the incremental expansion of known mineralisation. The main tin deposit remains open at depth and along strike, and there are intersections outside the known deposit areas.

The Foley tungsten system remains open along strike and at depth. Aberfoyle reports indicate the potential for major extensions of the Foley zone to the north.

### **Regional Infrastructure**

The tin province in north-west Tasmania hosts some of the world's highest grade and most productive tin mines, including Renison Bell, Mt. Bischoff and Cleveland. The region also hosts operating iron ore, lead/zinc, gold and copper mines.

The region has well developed infrastructure and a strong mining culture. The site is linked to Burnie Port by sealed roads. Accessible power runs through the Cleveland exploration licence area, and there is abundant water available for use in the process. The Burnie region has a large, available, and industrially-savvy workforce. The Tasmanian Government, Environmental Protection Authority and Department of Mineral Resources have all indicated support for the Cleveland Project.





### Proposed Development Activities

Development activities in progress and planned include:

- Finalising environmental permitting and Mining Lease applications;
- Implementing a dewatering program to re-establish access to the Cleveland mine;
- Commence an exploration drilling program (if required) to define new resources and extensions within the tin-copper and tungsten deposits;
- Progressing metallurgical test-work and designing a new process flow sheet utilising the latest tin processing technologies, which have substantially advanced since mine closure; and
- Completing a scoping study to identify the optimal development scenarios for the tin-copper, tungsten and tin tailings, including capital and operating costs.

## Review of Other Elementos Projects

### Tamaya, Chile

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

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

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

During 2012/13, the Company completed a number of phases of exploration including mapping, sampling, ground based magnetometry and induced polarisation geophysics, and a combined diamond and reverse circulation drilling program.

The recently completed 5,079 metre drilling program, the first ever conducted on the property, was designed to explore the copper-gold potential of the Tamaya project. The aim of the program was to test a number of different mineralisation styles and targets identified throughout the project.

The majority of the secondary targets have now been drill tested. However, the Company is yet to test the main primary structure at San Jose, historically mined for high-grade copper, and a number of secondary targets including Campanil, Lecaros, Tortolas, San Francisco, Borrachos and Arenillas.

Highlights from the drilling program, include:

- Campanil - a number of zones of copper oxide mineralisation were intersected with grades between 0.15% and 1.0% copper, including:
  - TD12-01 - 10.2 metres at 0.32% copper from 3.0 metres, including 1.2 metres at 0.99% copper;
  - TD12-02 - 26.4 metres at 0.48% copper from 0 metres, including 7.3 metres at 1.06% copper and 0.125 g/t gold from 5 metres, and 1.4 metres at 1.08% copper from 25 metres; and
  - TD12-03 - 1.9 metres at 0.36% copper from 254.0 to 255.9 metres, and 1.95 metres at 0.61% copper from 271.2 to 273.15 metres.
- Tortolas - Large zones (20 metres at 0.64% copper and 0.14g/t gold) of prospective disseminated copper mineralisation enveloping narrow high-grade structures (up to 3.17% copper and 0.9g/t gold).
- Borrachos - Boreholes TR13-08 in the north sector of the prospect, and TR13-09 and TR13-10 in the southern sector intersected 12 metres at 0.38% copper, 8 metres at 0.34% copper and 10 metres at 0.24% copper respectively, each zone hosting narrower high-grade intervals.

The Company is satisfied with its inaugural program and is assessing all the results before planning the next phase of exploration at Tamaya.

At Tortolas, the program demonstrated that the higher-grade structures are enveloped by wider zones of lower-grade mineralisation. Additional follow up diamond drilling will be

required to test the vertical extension of the higher-grade copper at the bottom of hole TR13-01 and collect more detailed geological information at the prospect.

The primary focus of the next phase of exploration is to develop a drilling methodology to test the main structural vein system at Tamaya. The Company believes it to be a highly prospective target:

- The vein system extends for more than three kilometres on the surface, and is coincident with both magnetometry and induced polarisation geophysical anomalies;
- Waste rock dumps along the length of the system, and particularly around San Jose, mostly comprise material from the mineralised envelope to the main vein, yet contain significant amounts of higher-grade material (0.5% – 5.0% copper) which is subject to extraction by artisanal miners. As this was dumped as waste, the source of this material, together with the remnants of the main vein, form the priority target;
- Extensive surface sampling has demonstrated wide-spread copper mineralisation along the strike extent of the main vein structure, and into the wallrocks surrounding the structure; and
- The main vein was the focus of historical high-grade copper mining where it is reported that up to 2Mt of copper was mined at grades of 12% (non-JORC). It is still considered highly prospective for remnant high-grade mineralisation.

The Company has a joint venture with HMC Gold SCM on the Tamaya copper project in Chile, comprising 5,690 ha and 1,200 ha of mining concessions and exploration applications respectively. Recently HMC Gold 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 5,000 metres per year. Elementos has until May 2014 to complete the second phase of 5,000 metres of drilling on the project or the earn-in agreement lapses.

## **Manantiales, Argentina**

Manantiales is situated approximately 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 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.<sup>1</sup>

Progress has been made at Manantiales, discovering and defining prospects through mapping, surface sampling, geophysics and drilling. Three phases of drilling totalling more than 7,841 metres have been completed on the Manantial, Julietta and La Puerta veins.

The primary target for drilling has been at the Manantial vein where exploration has defined the shallow levels of a low-sulphidation epithermal system. An inaugural JORC Mineral Resource has been defined at the Manantial vein. The inferred and indicated in-house resource estimate for the Manantial vein is 36,310 ounces of gold equivalent. The resource

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<sup>1</sup> The fact that these projects are near to Elementos' projects does not mean that Elementos' projects will have the same nature, value or success as those projects or that there is an economic resource.

estimate is based on 4,559 metres of diamond core drilling and 245 metres of sawn blade channel sampling.

The Resource estimate, based on a 0.7g/t gold cut-off grade, is tabulated below:

| Category                                                                                                                                                                           | Tonnes<br>(Kt) | Gold<br>(g/t) | Silver<br>(g/t) | Gold_Eq<br>(Au_Eq<br>g/t) | Gold<br>(koz) | Gold<br>Equivalent<br>(Koz) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|-----------------|---------------------------|---------------|-----------------------------|
| Indicated                                                                                                                                                                          | 0.34           | 1.84          | 10.56           | 2.14                      | 19.61         | 22.76                       |
| Inferred                                                                                                                                                                           | 0.24           | 1.56          | 7.99            | 1.77                      | 11.93         | 13.55                       |
| Indicated and Inferred                                                                                                                                                             | 0.58           | 1.71          | 9.40            | 1.97                      | 31.54         | 36.31                       |
| Gold equivalency is calculated by the formula: $Au\_eq\ g/t = Au\ g/t + (Ag\ g/t \div 60.00)$<br>"Kt" represents thousand tonnes and "koz" represents thousand ounces <sup>2</sup> |                |               |                 |                           |               |                             |

Drilling at the Manantial vein has defined the shallow levels of a low-sulphidation epithermal vein system, with further potential at depth and along strike to discover new mineralisation. The 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 to depth.

Drilling has confirmed that the vein is continuous, but internally, there are high-grade and low-grade gold phases. The mineralised phase shows a "pinch and swell" geometry (as seen at the adjacent Casposo mine) at this shallow level. This, in conjunction with gold grade variability in short distances, is a common feature in low-sulphidation systems and is the reason for the variable results from the relatively wide-spaced drilling to date. The high-grade gold mineralisation is enveloped within a larger lower-grade gold halo (0.1 g/t gold average grade and 5 to 20 metres wide). This increases the overall size of the system, and provides encouragement that the whole system is potentially mineralised.

Ongoing surface exploration is expanding the size of the system through the discovery of new discrete vein outcrops in the vicinity of the Manantial vein. Many of these have returned low-grade gold and silver mineralisation associated with low temperature silica and silica-calcite veining.

The Company believes there is potential for the Manantial vein to support a larger epithermal system at depth:

- Geological evidence that Manantial has been a long-lived structure with at least four pulses of silica;
- Geological mapping demonstrates an extensional structure with significant stratigraphic offset;
- Geophysical anomalies extending to depth in the pole-dipole induced polarisation survey data; and
- Textural, chemical and structural interpretations that indicate the Manantial system is at a higher level than the adjoining Casposo deposit.

<sup>2</sup> See ASX Release, "Maiden JORC Resource at Manantiales", 20<sup>th</sup> September 2012, Gustavo Delendatti.

Elementos has a number of other targets at Manantiales that it considers 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. Other targets recommended for initial drilling testing are La Puerta Este and Valentina.

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

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

The Company remains in a 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 (although no agreement to that effect has yet been reached). Elementos is in the early stages of assessing various options in relation to the project, including divestment and joint venture.

The Company has an Option-to-Purchase contract governing the acquisition of this project. The Company began negotiating with Manantiales S.A. in late 2012 to restructure the Company's 2013 option payments. A payment due by the Company in March 2013 has not been paid and the Company is negotiating in good faith with Manantiales S.A. to defer any options payments due by the Company during 2013. If agreement is reached with the vendor, option payments would recommence again in March 2014 under the new proposal being negotiated. If no agreement is reached, it is likely the Company's rights to the project will lapse.

### **Santo Domingo, Argentina**

Santo Domingo comprises a series of exploration tenements covering nearly 250 square kilometres. Located approximately 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 float in December 2009, systematic exploration programs, including mapping, sampling, and ground-magnetometry and IP 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, El Arriero West high grade gold and silver and the large Divisoria gold-copper porphyry system. In addition, the Company has identified three other porphyry targets at El Arriero (copper – molybdenum), El Arriero Extension (copper – gold), and Alunita, which remain untested by drilling.

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



The amounts still to be paid for the Santo Domingo project are US\$35,000 payable on 18 October 2013, 18 April 2014, 18 October 2014 and 18 April 2015. The final option exercise price is US\$530,000 payable on 18 October 2015.

### **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 has approved 254 square kilometres of Exploration Permits 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 Licences (ML's) for \$100,000. The Company is currently finalising the arrangements to exercise the option with Forte Energy NL, to be funded by an equivalent payment by a party with which Elementos has agreed to form a joint venture to further explore the property.

The Millenium project is in close proximity to major deposits including:<sup>3</sup>

- 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 – non-JORC). 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% copper<sup>4</sup>.

Elementos completed a number of outcrop sampling programs during 2010/2011 to study the areas historically mined and drilled within the MLs. Copper, cobalt, gold and other metallic anomalies were identified along the trend of the Corella structure, including the zone of historic drilling. Subsequently, a soil survey extended the evident footprint of the mineralisation 1,500 metres north to the limit of the MLs, and remains open, apparently extending onto the newly granted EPMs. The 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

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<sup>3</sup> The fact that these projects are near to Elementos' projects does not mean that Elementos' projects will have the same nature, value or success as those projects or that there is an economic resource.

<sup>4</sup> Based on non-JORC compliant historic published reports.



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 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.

The Company has been consolidating a large tenement position over the Corella Fault Zone, approximately 40 kilometres north-west of Cloncurry. The Public Authority has approved 254 square kilometres of Exploration Permits and 74 square kilometres of EPMs remain subject to granting.

### **Selwyn Range, Australia**

The Company has made applications for 109 square kilometres of EPMs (19371, 19375 and 19426) at a new project area called Selwyn Range. 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 and Mercedes Projects**

During the period the Company relinquished its options over the Cathedral Rocks project in New South Wales and the Mercedes project in Chile, following initial exploration programs.

### **Competent Person's Statements**

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves at the Tamaya Project, Chile, the Manantiales and Santo Domingo Projects, Argentina, and the Millenium and Selwyn South Projects, Australia, 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 Elementos and its subsidiaries, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which it is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Delendatti consents to the inclusion in the report 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 Cleveland tin-copper and tungsten project, Tasmania, is based on information previously issued in the 18 April 2013 ASX Announcement by Elementos entitled "Cleveland Tin, Copper and Tungsten JORC Resources". The information therein was based on "Cleveland Mine, Luina, Tasmania Mineral Resource Report for Rockwell Minerals Limited" compiled by Michael V. McKeown of Mining One Consultants, a Fellow of the Australasian Institute of Mining and Metallurgy. Mr McKeown is an employee of Mining One Consultants and its subsidiaries, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which it is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr McKeown was responsible and supervised the preparation of the technical information in the 18 April 2013 release and has relevant experience and competence of the subject matter. Mr McKeown consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

### **Tin Equivalent Calculation**

The tin equivalency is calculated by the formula:  $\text{Sn}_{\text{Eq}} \% = \text{Sn}\% + \text{Cu}\% / (\text{tin price } \$25,000 / \text{copper price } \$8,500)$ . No metallurgical assumptions have been built into the resource estimate, although the company expects that the tin and copper will be recovered into concentrates in a modern concentrator. The Company notes that Cleveland was a historical mine operated by Aberfoyle Limited between 1968 and 1986. During the life of the Cleveland operations, 5.7 million tonnes of ore was mined and processed to produce to approximately 24,000 tonnes of tin and 10,000 tonnes of copper in concentrates. The historical life of mine tin and copper recoveries averaged 60% - best tin recovery 69% (1969 and 1973) - and copper 76% (1973). The Company believes that recoveries could be substantially improved using modern day tin processing technology. The tailings resource has been subject to a Rockwell scoping study and metallurgical test work which has demonstrated that tin and copper concentrates can be recovered.

The Company believes that all the metals included in the metal equivalent calculations have a reasonable potential to be recovered and it does not believe there are any factors that would result in metallurgical recoveries being materially lower than historically achieved.

For tin and copper resources, a tin equivalent grade was estimated from the tin and copper grades, assuming metal prices of \$25,000 per tonne for tin and \$8,500 for copper.



**ELEMENTOS LIMITED  
AND  
CONTROLLED ENTITIES**

**ABN 49 138 468 756**

**CONSOLIDATED FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2013**

**ELEMENTOS LIMITED**

ABN 49 138 468 756

**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 2013.

**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 six 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                    | 6        | 6      | 2               | 2      | 1                      | 1      |
| C Nolan                         | 6        | 6      | -               | -      | -                      | -      |
| M D McCauley(resigned 06/08/13) | 6        | 6      | 2               | 2      | 1                      | 1      |
| J D Calaway                     | 6        | 4      | -               | -      | -                      | -      |

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, held the position of (Joint) Company Secretary at the end of the financial year. 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, the Company's primary focus was a drilling program at the Tamaya project in Chile, and finalising joint venture partners for its others assets in South America.

The Company also commenced a process of finding a more advanced project, given the very difficult environment for raising new equity capital for greenfield exploration, the primary focus of the Company during the financial year.

## DIRECTORS' REPORT

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### Review of Operations

During the year the Company has been active in pursuing its exploration and development activities, including the merger with Rockwell Minerals Limited ("Rockwell"), which was announced on the 2 April 2013.

Exploration and development activities at the Company's projects during the year are detailed below.

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

- A number of phases of exploration including mapping, sampling, ground based magnetometry and induced polarisation geophysics, and a combined diamond and reverse circulation drilling program;
- The 5,079 metre drilling program, the first ever conducted on the property, was designed to explore the copper-gold potential of the Tamaya project. The aim of the program was to test a number of different mineralisation styles and targets identified throughout the project; and
- The majority of the secondary targets have now been drill tested. However, the Company is yet to drill test the main primary structure at San Jose, historically mined for high-grade copper, and a number of secondary targets including Campanil, Lecaros, Tortolas, San Francisco, Borrachos and Arenillas. This will be the focus of any future drilling program.

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

- Progress has been made at Manantiales, discovering and defining prospects through mapping, surface sampling, geophysics and drilling. Three phases of drilling totalling more than 7,841 metres have been completed on the Manantial, Julietta and La Puerta veins;
- The primary target for drilling has been at the Manantial vein where exploration has defined the shallow levels of a low-sulphidation epithermal system; and
- The Company remains in a 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.

At **Santo Domingo in Argentina**, the Company has carried out the following exploration activities:

- Sampling programs which resulted in the extension of the mineralised zones at the existing targets, Divisoria and Yvette. The Company also discovered porphyry copper mineralisation in the previously defined El Arriero prospect and a new zone of gold mineralisation at El Arriero West; 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.



**DIRECTORS' REPORT**

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

- Consolidating a large strategic tenement position in the Cloncurry district, in geologically prospective areas, situated near major mines and deposits. This included applying for 109 km<sup>2</sup> of new exploration permits at a new prospect south of Cloncurry called Selwyn Range. Selwyn Range is located in close proximity to the copper, gold, molybdenum deposits and mines; and
- The Company is now looking to secure joint venture partners for the Millenium and Selwyn Range projects. Joint venture funding would be used to commence exploration programs and test for the copper, gold and rare-earths potential in the areas within the permits historically mined and drilled.

Additionally, during the period the Company relinquished its options over the Cathedral Rocks project in New South Wales and the Mercedes project in Chile, following initial exploration programs.

In April 2013, the Company announced that it has signed a term sheet to acquire the Cleveland tin project through a merger with Rockwell. Given the extremely difficult environment for raising capital to fund green field exploration during 2012/13, the Company shifted its strategic focus to identifying a more advanced or brownfield asset which the Company believes has a better chance of securing new funding. A conditional Merger Implementation Deed was signed on the 6 June 2013, and subsequent to year end the Company has signed an unconditional Merger Implementation Deed and sent a Bidders Statement to Rockwell shareholders.

Rockwell is an Australian unlisted public company that owns 50% of the Cleveland Project in north-west Tasmania, Australia. Rockwell has an option agreement to acquire the remaining 50% for a total consideration of \$700,000, payable by 31 December 2013.

**Significant Changes in State of Affairs**

The Group's operating loss for the financial year, after applicable income tax was \$9,362,786 (2012: \$2,726,183). Exploration and evaluation expenditure during the year totalled \$2,263,872 (2012: \$4,722,693).

A provision for impairment has been made against the exploration and evaluation expenditure of Santo Domingo and Tamaya of 63%, to reflect the value of the Company on completion of the merger with Rockwell. Manantiales continues to be fully impaired.

At 30 June 2013, the Group's net assets totalled \$2,143,830 (2012: \$9,277,214) which included cash assets of \$370,894 (2012: \$2,012,552). During the year, the US\$500,000 held as a bank guarantee deposit was released on the completion of 5,000 metres of drilling at the Tamaya project, Chile.

During the year, the Company raised \$2.2million (65,906,821 shares and 32,953,451 listed options) from a Rights Issue, \$157,000 (8,722,238 shares) from a Share Purchase Plan, as well as private placements subsequent to year end of \$338,610 (22,863,170 shares).

**DIRECTORS' REPORT**

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**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 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.

**DIRECTORS' REPORT**

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**Mark D McCauley (resigned 6 August 2013)**

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 Alumbrera copper-gold mine in Argentina.

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

*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:

| <b>Directors</b> | <b>Shares</b> | <b>Listed Options</b> | <b>Unlisted Options</b> |
|------------------|---------------|-----------------------|-------------------------|
| A A McLellan     | 3,428,976     | -                     | 2,700,000               |
| C Nolan          | 264,215       | 58,715                | 3,300,000               |
| M D McCauley     | 789,720       | -                     | 850,000                 |
| J D Calaway      | 43,958,674    | 14,965,986            | 1,500,000               |

During the year, the directors elected to be remunerated in shares instead of cash, under the Directors' Salary Sacrifice Plan. The salary paid to directors in shares instead of cash is as follows:

| <b>Directors</b> | <b>\$</b> |
|------------------|-----------|
| A A McLellan     | 65,877    |
| C Nolan          | -         |
| M D McCauley     | 19,075    |
| J D Calaway      | 26,667    |

Mr Nolan elected to reduce his wages during the year, without salary sacrificing any of the sacrificed remuneration.

**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 set out below.

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

**DIRECTORS' REPORT**

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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. Retiring directors are eligible for re-election by shareholders at the Annual General Meeting of the Company.

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 and current financial years to align directors', executives', employees' and shareholders' interests. The Company does not remunerate any key management personnel with securities that are not performance based.

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 2013**

| Key Management Personnel         | Short Term Benefits |         |                   | Equity Settled Options | Post Employment Super-annuation | Total     |
|----------------------------------|---------------------|---------|-------------------|------------------------|---------------------------------|-----------|
|                                  | Salary and Fees     | Bonuses | Non-Cash Benefits |                        |                                 |           |
| A A McLellan                     | \$119,000           | -       | -                 | \$2,274                | \$10,710                        | \$131,984 |
| C Nolan                          | \$228,475           | -       | -                 | \$2,599                | \$21,833                        | \$252,907 |
| M D McCauley (resigned 06/08/13) | \$40,000            | -       | -                 | \$1,137                | \$3,600                         | \$44,737  |
| J D Calaway                      | \$40,000            | -       | -                 | \$1,624                | -                               | \$41,624  |
| A Grahame (redundant 07/02/13)   | \$157,840           | -       | -                 | \$2,055                | \$11,297                        | \$171,192 |
|                                  | \$585,315           | -       | -                 | \$9,689                | \$47,440                        | \$642,444 |

**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 |



**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 2013 and Changes During Year             | Contract Details                                           | Proportion of Remuneration |                  |
|--------------------------|-------------------------------------------------------------------|------------------------------------------------------------|----------------------------|------------------|
|                          |                                                                   |                                                            | Equity Based               | Salary and Wages |
| A A McLellan             | Non-executive Chairman<br>No change                               | No fixed term, termination as provided by Corporations Act | 1.72%                      | 98.28%           |
| C Nolan                  | Managing Director<br>Periodic reduction in salary during the year | No fixed term, 3 months notice to terminate                | 1.03%                      | 98.97%           |
| M D McCauley             | Non-executive Director<br>No change                               | No fixed term, termination as provided by Corporations Act | 2.54%                      | 97.46%           |
| J D Calaway              | Non-executive Director<br>No change                               | No fixed term, termination as provided by Corporations Act | 3.90%                      | 96.10%           |
| A Grahame                | Exploration and Development Manager<br>Redundant 07/02/13         | No fixed term, 1 months notice to terminate                | 1.20%                      | 98.80%           |

**DIRECTORS' REPORT**

Options Granted as Remuneration

Remuneration options granted during the current year are summarised below. There were no options granted during the prior year.

All options were granted for nil consideration. Options granted do not convey dividend or voting rights and each option converts into one ordinary share in the Company.

**Year Ended 30 June 2013**

| Key Management Personnel            | Number Vested | Number Granted | Grant Date | Value at Grant Date |         | Terms and Conditions of Grant |                     |                    |
|-------------------------------------|---------------|----------------|------------|---------------------|---------|-------------------------------|---------------------|--------------------|
|                                     |               |                |            | Per Option          | Total   | Exercise price                | First Exercise Date | Last Exercise Date |
| A A McLellan                        | 700,000       | 700,000        | 8/2/13     | 0.325 cents         | \$2,274 | 6 cents                       | 8/2/13              | 20/1/17            |
| C Nolan                             | 800,000       | 800,000        | 8/2/13     | 0.325 cents         | \$2,599 | 6 cents                       | 8/2/13              | 20/1/17            |
| M D McCauley<br>(resigned 06/08/13) | 350,000       | 350,000        | 8/2/13     | 0.325 cents         | \$1,137 | 6 cents                       | 8/2/13              | 20/1/17            |
| J D Calaway                         | 500,000       | 500,000        | 8/2/13     | 0.325 cents         | \$1,624 | 6 cents                       | 8/2/13              | 20/1/17            |
| A Grahame                           | 200,000       | 200,000        | 4/12/12    | 1.027 cents         | \$2,055 | 6 cents                       | 4/12/12             | 3/12/16            |

No remuneration options were exercised during the year. There have not been any changes 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) was \$228,475 for the 2012/13 year. This remuneration value was periodically reduced during the year, to \$150,000, before statutory entitlements and incentives, to reflect the state of the equity markets and the impending Merger with Rockwell.

The Company is currently negotiating a contract with the Managing Director who will transition to an Executive Director role on 8 October 2013.

In the case of serious misconduct the Company may terminate employment of any executive at any time.

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.

**DIRECTORS' REPORT**

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.

|                              | <b>Year to 30<br/>June 2013</b> | <b>Year to 30<br/>June 2012</b> | <b>Year to 30<br/>June 2011</b> | <b>Period to 30<br/>June 2010</b> |
|------------------------------|---------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| Exploration expenditure (\$) | 2,263,872                       | 5,126,933                       | 2,921,400                       | 1,640,211                         |
| Net assets (\$)              | 2,143,830                       | 9,277,231                       | 12,382,554                      | 8,032,224                         |
| Share Price at Year end (\$) | .015                            | .079                            | 0.225                           | 0.130                             |
| Dividends Paid (\$)          | Nil                             | 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:

**Unlisted Options**

| <b>Grant Date</b> | <b>Expiry Date</b> | <b>Exercise Price</b> | <b>No. Under Option</b> |
|-------------------|--------------------|-----------------------|-------------------------|
| 23 October 2009   | 23 October 2015    | \$0.226(i)            | 4,500,000               |
| 17 December 2009  | 17 December 2013   | \$0.300               | 1,500,000               |
| 7 September 2010  | 7 September 2015   | \$0.226 (i)           | 650,000                 |
| 30 November 2010  | 29 November 2015   | \$0.226 (i)           | 500,000                 |
| 28 March 2011     | 18 January 2017    | \$0.326(i)            | 1,000,000               |
| 4 December 2012   | 3 December 2016    | \$0.06                | 400,000                 |
| 8 February 2013   | 20 January 2017    | \$0.06                | 2,350,000               |

- (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 reduction in exercise price is calculated in accordance with the formula provided in the ASX Listing Rules.

**Listed Options**

| <b>Grant Date</b> | <b>Expiry Date</b> | <b>Exercise Price</b> | <b>No. Under Option</b> |
|-------------------|--------------------|-----------------------|-------------------------|
| 9 October 2012    | 9 April 2014       | \$0.06                | 17,986,066              |
| 17 October 2012   | 9 April 2014       | \$0.06                | 14,965,986              |

**DIRECTORS' REPORT**

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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 person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of any other entity.

1,399 options have been exercised during the year ended 30 June 2013, at an issue price of \$0.06 per share.

**Subsequent Events**

In late calendar 2012, the Board of Elementos decided to shift its corporate strategy to pursue advanced project acquisition opportunities, in response to the extremely difficult environment for raising capital to fund green field exploration. The strategic focus was to identify more advanced or brownfield assets which the Company believed had a better chance to secure new funding. A number of opportunities were considered, including the Cleveland tin project, in which Rockwell has an interest.

In April 2013, the Company signed a conditional Term Sheet to facilitate the merger of Elementos and Rockwell. The merger of Elementos and Rockwell had a strong strategic rationale:

- Positioned Elementos with a more advanced asset, reducing the Company's exposure to greenfield exploration;
- Secured a new advanced stage project with near term development potential, and significant exploration upside;
- Provided a potential valuation up-lift from relatively short-term work programs; and
- Enabled significant exposure to tin, which the board believes has attractive supply and demand fundamentals.

In June 2013, the Company signed a Merger Implementation Deed to acquire all the issued shares of Rockwell, through the issue of Elementos shares. The merger will be affected through an off-market takeover bid for all the shares in Rockwell, subject to the terms and conditions of the Merger Implementation Deed.

Subsequent to the end of reporting period, Elementos issued Rockwell shareholders with a Bidders Statement and secured more than 90% share acceptances. The merger remains conditional on Elementos shareholders approving the transaction at an Extraordinary General Meeting on 8 October 2013.

On completion of the Merger, the Company's primary focus will be advancing the Cleveland Project. The board will establish a detailed work program and budget for the project on completion of the merger. The merged Company will need to raise new equity to achieve its objectives in relation to the Cleveland project, to fund corporate overhead costs and general working capital.

## **DIRECTORS' REPORT**

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At completion of the Merger, Mr Nolan will cease being managing director, and will become an executive director of the Company. Negotiations are underway with Mr Nolan regarding his new position and contract terms.

Subsequent to the end of the reporting period, the Company raised \$338,610 (before costs) by private placements, and issued 22,863,170 shares as a result.

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.

There is no certainty that the Company will be able to raise the financial resources sufficient to fund its capital investments and operating costs as presently proposed, and, in the opinion of the Directors, this risk will be increased if the Merger is not completed.

### **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.

### **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.

## DIRECTORS' REPORT

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### 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  | \$44,235        |
| Paid to lead auditor for independent experts report | <u>\$30,863</u> |
| Total paid to the auditors for non-audit services   | <u>\$75,098</u> |

### 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 24th September 2013  
Brisbane, Queensland

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

As lead auditor of Elementos Limited for the year ended 30 June 2013, 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: 24 September 2013



## CORPORATE GOVERNANCE STATEMENT

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### 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**

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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](http://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

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- 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

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### *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**

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### *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

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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**

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### *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**

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- 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**

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### *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 payments in accordance with the provisions of the Superannuation Guarantee Scheme

## **CORPORATE GOVERNANCE STATEMENT**

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legislation. Individuals may elect to salary sacrifice part of their salary to increased payments towards superannuation. No other form of retirement benefit is paid.

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 2013**

|                                                                                | Note | 30 June 2013 | 30 June 2012 |
|--------------------------------------------------------------------------------|------|--------------|--------------|
|                                                                                |      | \$           | \$           |
| Revenue                                                                        | 2    | 32,616       | 285,739      |
| Corporate and administrative expenses                                          |      | (1,940,216)  | (1,836,479)  |
| Exploration and evaluation expenditure                                         | 3    | (7,458,428)  | (1,172,321)  |
| <b>Loss before income tax expense</b>                                          |      | (9,366,028)  | (2,723,061)  |
| Income tax expense                                                             | 4    | 3,242        | (3,122)      |
| <b>Loss for the period attributable to members of the parent entity</b>        | 3    | (9,362,786)  | (2,726,183)  |
| <b>Other comprehensive income</b>                                              |      |              |              |
| Items that will be reclassified to profit or loss:                             |      |              |              |
| Foreign currency translation gain/(loss)                                       |      | (113,014)    | (379,147)    |
| Income tax relating to components                                              |      |              |              |
| other comprehensive income                                                     |      | -            | -            |
| <b>Other comprehensive income for the period net of tax</b>                    |      | (113,014)    | (379,147)    |
| <b>Total comprehensive income attributable to members of the parent entity</b> |      | (9,475,800)  | (3,105,330)  |
| Basic and diluted earnings per share (cents per share)                         | 14   | (7.2)        | (3.3)        |

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 2013**

|                                   | Note | 30 June 2013     | 30 June 2012      |
|-----------------------------------|------|------------------|-------------------|
|                                   |      | \$               | \$                |
| <b>CURRENT ASSETS</b>             |      |                  |                   |
| Cash and cash equivalents         | 5    | 370,894          | 2,012,552         |
| Other receivables                 | 6    | 20,917           | 122,917           |
| Other current assets              | 7    | 17,119           | 511,980           |
| <b>TOTAL CURRENT ASSETS</b>       |      | <b>408,930</b>   | <b>2,647,449</b>  |
| <b>NON-CURRENT ASSETS</b>         |      |                  |                   |
| Exploration and evaluation assets | 8    | 1,996,379        | 7,321,698         |
| Plant and equipment               | 9    | 50,861           | 86,434            |
| <b>TOTAL NON-CURRENT ASSETS</b>   |      | <b>2,047,240</b> | <b>7,408,132</b>  |
| <b>TOTAL ASSETS</b>               |      | <b>2,456,170</b> | <b>10,055,581</b> |
| <b>CURRENT LIABILITIES</b>        |      |                  |                   |
| Trade and other payables          | 10   | 312,340          | 778,367           |
| <b>TOTAL CURRENT LIABILITIES</b>  |      | <b>312,340</b>   | <b>778,367</b>    |
| <b>TOTAL LIABILITIES</b>          |      | <b>312,340</b>   | <b>778,367</b>    |
| <b>NET ASSETS</b>                 |      | <b>2,143,830</b> | <b>9,277,214</b>  |
| <b>EQUITY</b>                     |      |                  |                   |
| Issued capital                    | 11   | 18,250,596       | 15,919,925        |
| Reserves                          | 12   | (29,949)         | 71,320            |
| Accumulated losses                |      | (16,076,817)     | (6,714,031)       |
| <b>TOTAL EQUITY</b>               |      | <b>2,143,830</b> | <b>9,277,214</b>  |

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 2013**

|                                           | Note | Issued<br>Capital<br>\$ | Accumulated<br>Losses<br>\$ | Option<br>Reserve<br>\$ | Foreign<br>Currency<br>Translation<br>Reserve<br>\$ | Total<br>\$ |
|-------------------------------------------|------|-------------------------|-----------------------------|-------------------------|-----------------------------------------------------|-------------|
| <b>Balance at 30 June 2011</b>            |      | 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 |      | -                       | -                           | -                       | (379,147)                                           | (379,147)   |
| Total comprehensive income                |      | -                       | (2,726,183)                 | -                       | (379,147)                                           | (3,105,330) |
| <b>Balance at 30 June 2012</b>            |      | 15,919,925              | (6,714,031)                 | 997,477                 | (926,157)                                           | 9,277,214   |
| Loss for the period                       |      | -                       | (9,362,786)                 | -                       | -                                                   | (9,362,786) |
| Other comprehensive income for the period | 12   | -                       | -                           | -                       | (113,014)                                           | (113,014)   |
| Total comprehensive income                |      | -                       | (9,362,786)                 | -                       | (113,014)                                           | (9,475,800) |
| Shares issued during the period           | 11   | 2,463,823               | -                           | -                       | -                                                   | 2,463,823   |
| Transaction costs                         | 11   | (234,785)               | -                           | -                       | -                                                   | (234,785)   |
| Equity settled compensation               | 11   | 99,015                  | -                           | 11,745                  | -                                                   | 110,760     |
| Share options exercised                   | 11   | 2,618                   | -                           | -                       | -                                                   | 2,618       |
| <b>Balance at 30 June 2013</b>            |      | 18,250,596              | (16,076,817)                | 1,009,222               | (1,039,171)                                         | 2,143,830   |

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 2013**

|                                                                 | Note | 30 June 2013       | 30 June 2012       |
|-----------------------------------------------------------------|------|--------------------|--------------------|
|                                                                 |      | \$                 | \$                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |      |                    |                    |
| Other receipts                                                  |      | -                  | 10,000             |
| Payments to suppliers and employees                             |      | (1,781,486)        | (2,084,236)        |
| Interest received                                               |      | 21,259             | 275,739            |
| <b>Net cash provided by (used in) operating activities</b>      | 13   | <u>(1,760,227)</u> | <u>(1,798,497)</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |      |                    |                    |
| Payments for exploration expenditure                            |      | (2,617,509)        | (4,903,114)        |
| Return of/(payments for) deposits                               |      | 496,115            | (494,787)          |
| Purchase of property, plant and equipment                       |      | (641)              | (94,038)           |
| Proceeds from sale of property, plant and equipment             |      | 13,636             | -                  |
| <b>Net cash provided by (used in) investing activities</b>      |      | <u>(2,108,399)</u> | <u>(5,491,939)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |      |                    |                    |
| Proceeds from issue of shares                                   |      | 2,463,823          | -                  |
| Costs associated with share issue                               |      | (234,785)          | -                  |
| <b>Net cash provided by (used in) financing activities</b>      |      | <u>2,229,038</u>   | <u>-</u>           |
| <b>Net increase/(decrease) in Cash Held</b>                     |      | (1,639,588)        | (7,290,436)        |
| <b>Cash at Beginning of Year</b>                                |      | 2,012,552          | 9,316,709          |
| Effect of exchange rates on cash holdings in foreign currencies |      | (2,070)            | (13,721)           |
| <b>Cash at End of Year</b>                                      | 5    | <u>370,894</u>     | <u>2,012,552</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 2013**

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**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 24 September 2013 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.

Subsequent to balance date, the Company raised \$338,610 (before costs) from private placements. The Company is in the process of completing a merger with Rockwell Minerals Ltd ("Rockwell"). It is expected that the merger will be completed in October 2013, and that the merged Group will need to raise further funds through debt or equity by year end.



**ELEMENTOS LIMITED and CONTROLLED ENTITIES**  
**ABN 49 138 468 756**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

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**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 2013 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 2013**

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**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 2013**

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**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 2013**

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**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 2013**

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**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 2013**

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**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 2013**

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**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**  
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**FOR THE YEAR ENDED 30 JUNE 2013**

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**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.

Exploration and evaluation assets at 30 June 2013 were \$1,996,379 (2012: \$7,321,698).

**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 2012 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**  
**ABN 49 138 468 756**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

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**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 2012. 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.

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**FOR THE YEAR ENDED 30 JUNE 2013**

|                                                                                                         | <b>30 June 2013</b> | <b>30 June 2012</b> |
|---------------------------------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                                                         | <b>\$</b>           | <b>\$</b>           |
| <hr/>                                                                                                   |                     |                     |
| <b>NOTE 2: REVENUE AND OTHER INCOME</b>                                                                 |                     |                     |
| <b>Revenue from operating activities:</b>                                                               |                     |                     |
| Interest received from other persons                                                                    | 21,259              | 275,739             |
| Option payments                                                                                         | -                   | 10,000              |
| Profit on sale of non-current assets                                                                    | 11,357              | -                   |
|                                                                                                         | <hr/>               | <hr/>               |
|                                                                                                         | 32,616              | 285,739             |
|                                                                                                         | <hr/>               | <hr/>               |
| <b>NOTE 3: EXPENSES</b>                                                                                 |                     |                     |
| <b>Included in expenses are the following items:</b>                                                    |                     |                     |
| Exploration and evaluation expenditure comprises:                                                       |                     |                     |
| Expenditure expensed during the year                                                                    | 135,983             | 404,300             |
| Capitalised expenditure written off                                                                     | -                   | 768,021             |
| Impairment provision                                                                                    | 7,322,445           | -                   |
|                                                                                                         | <hr/>               | <hr/>               |
|                                                                                                         | 7,458,428           | 1,172,321           |
|                                                                                                         | <hr/>               | <hr/>               |
| Depreciation and amortisation                                                                           | 33,098              | 42,348              |
| Foreign currency translation loss/(gain)                                                                | (19,899)            | 9,491               |
|                                                                                                         | <hr/>               | <hr/>               |
| Employee benefits expense comprises:                                                                    |                     |                     |
| Salaries and wages                                                                                      | 1,397,885           | 1,919,518           |
| Contributions to defined contribution plans                                                             | 66,094              | 68,842              |
| Equity settled options                                                                                  | 11,745              | -                   |
| Less capitalised as exploration expenditure                                                             | (514,999)           | (1,022,092)         |
|                                                                                                         | <hr/>               | <hr/>               |
|                                                                                                         | 960,725             | 966,268             |
|                                                                                                         | <hr/>               | <hr/>               |
| <b>NOTE 4: INCOME TAX EXPENSE</b>                                                                       |                     |                     |
| 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 activities before income tax at 30% (2012: 30%) | (2,809,808)         | (816,918)           |
| <b>Adjust for tax effect of:</b>                                                                        |                     |                     |
| Non-deductible amounts                                                                                  |                     |                     |
| - Share based payments                                                                                  | 62,625              | -                   |
| - Impairment                                                                                            | 2,080,328           | -                   |
| - Other                                                                                                 | 63,554              | 55,804              |
| Tax losses and temporary differences not brought to account                                             | 600,059             | 764,237             |
| Income tax expense/(benefit) attributable to entity                                                     | <hr/>               | <hr/>               |
|                                                                                                         | (3,242)             | 3,122               |
|                                                                                                         | <hr/>               | <hr/>               |

**ELEMENTOS LIMITED and CONTROLLED ENTITIES**  
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|                                                                                                                                                                         | <b>30 June 2013</b> | <b>30 June 2012</b> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                                                                                                                         | <b>\$</b>           | <b>\$</b>           |
| <b>NOTE 4: INCOME TAX EXPENSE (CONT)</b>                                                                                                                                |                     |                     |
| 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, share issue expenses, merger expenses and other items)                                           | 234,702             | 2,766               |
| Tax losses                                                                                                                                                              | 2,007,385           | 1,383,316           |
| Net unbooked deferred tax asset                                                                                                                                         | <u>2,242,087</u>    | <u>1,386,082</u>    |

The Group has carry forward losses of \$ 5,867,274 in Australia and \$1,610,700 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. For the Australian tax losses, compliance with income tax legislation includes satisfying the same business test if the continuity of ownership test is no longer satisfied as a result of the Rockwell merger. 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 | 370,894        | 950,772          |
| Short term deposits      | -              | 1,061,780        |
|                          | <u>370,894</u> | <u>2,012,552</u> |

**NOTE 6: OTHER RECEIVABLES**

**Current:**

|                   |               |                |
|-------------------|---------------|----------------|
| Other receivables | <u>20,917</u> | <u>122,917</u> |
|-------------------|---------------|----------------|

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**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2013**

|                                     | <b>30 June 2013</b> | <b>30 June 2012</b> |
|-------------------------------------|---------------------|---------------------|
|                                     | <b>\$</b>           | <b>\$</b>           |
| <b>NOTE 7: OTHER CURRENT ASSETS</b> |                     |                     |
| <b>Current:</b>                     |                     |                     |
| Bank guarantee deposit              | -                   | 496,115             |
| Other deposits                      | 4,230               | 790                 |
| Prepayments                         | 12,889              | 15,075              |
|                                     | <u>17,119</u>       | <u>511,980</u>      |

The bank guarantee deposit of US\$500,000 was released upon completion of 5,000 metres drilling at the Tamaya project, Chile.

**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           | 1,996,379        | 7,321,698        |
| <b>Movement in exploration and evaluation asset:</b> |                  |                  |
| Opening balance - at cost                            | 7,321,698        | 3,662,498        |
| Capitalised exploration expenditure                  | 2,263,872        | 4,722,693        |
| Capitalised expenditure written off                  | -                | (768,021)        |
| Foreign currency translation movement                | (266,746)        | (295,472)        |
| Provision for impairment                             | (7,322,445)      | -                |
| Carrying amount at the end of the year               | <u>1,996,379</u> | <u>7,321,698</u> |

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.

The Group has taken up a provision for impairment for 100% of the Manantiales project (\$4,260,866) and 63% of both the Santo Domingo and Tamaya projects (\$3,061,579). 100% of the Manantiales project has been impaired after taking into consideration that the Group has not made option payments during 2013 in accordance with the current Option-to-Purchase agreement, that this agreement is currently being renegotiated, and there is currently no planned exploration activity in relation to the tenement.

**ELEMENTOS LIMITED and CONTROLLED ENTITIES****ABN 49 138 468 756****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013****NOTE 8: EXPLORATION AND EVALUATION ASSET (CONT)**

In regards to the Santo Domingo and Tamaya projects, payments have been made in accordance with the respective Option-to-Purchase and Earn-in Joint Venture agreements for these projects. There has been recent exploration activity in relation to these projects, and ongoing activity is planned by either sale or joint venture of the assets.

A provision for impairment has been taken up for 63% of the Santo Domingo and Tamaya projects after taking into consideration the financial impact of the likely proposed merger with Rockwell subsequent to year end (Note 23).

|                                    | <b>30 June 2013</b> | <b>30 June 2012</b> |
|------------------------------------|---------------------|---------------------|
|                                    | <b>\$</b>           | <b>\$</b>           |
| <b>NOTE 9: PLANT AND EQUIPMENT</b> |                     |                     |
| <b>Plant and Equipment</b>         |                     |                     |
| At cost                            | 124,234             | 148,272             |
| Accumulated depreciation           | (73,373)            | (61,838)            |
| Total plant and equipment          | <u>50,861</u>       | <u>86,434</u>       |

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

|                                       |               |               |
|---------------------------------------|---------------|---------------|
| Balance at the beginning of year      | 86,434        | 35,244        |
| Additions                             | 641           | 94,038        |
| Disposals                             | (2,279)       | -             |
| Depreciation expense                  | (33,098)      | (42,348)      |
| Foreign currency translation movement | (837)         | (500)         |
| Carrying amount at the end of year    | <u>50,861</u> | <u>86,434</u> |

**NOTE 10: TRADE AND OTHER PAYABLES****Current:**

|                                         |                |                |
|-----------------------------------------|----------------|----------------|
| Trade payables and accrued expenses (a) | 307,523        | 711,993        |
| Short term employee benefits            | 4,817          | 66,374         |
| Total payables (unsecured)              | <u>312,340</u> | <u>778,367</u> |

(a) Includes \$3,465(2012: \$11,584) 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**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**NOTE 11: ISSUED CAPITAL**

| Fully paid ordinary shares                           | 30 June 2013  |            | 30 June 2012  |            |
|------------------------------------------------------|---------------|------------|---------------|------------|
|                                                      | No. of Shares | \$         | No. of Shares | \$         |
| Balance at the beginning of the reporting period     | 82,383,526    | 15,919,925 | 82,383,526    | 15,919,925 |
| Shares issued during the year:                       |               |            |               |            |
| 9 October 2012 (a)                                   | 35,974,850    | 1,259,120  | -             | -          |
| 17 October 2012 (b)                                  | 29,931,971    | 1,047,619  | -             | -          |
| 22 November 2012 (c)                                 | 60,892        | 2,618      | -             | -          |
| 27 November 2012 (d)                                 | 1,399         | 84         | -             | -          |
| 8 February 2013 (e)                                  | 1,178,782     | 27,230     | -             | -          |
| 18 April 2013 (f)                                    | 4,817,789     | 71,785     | -             | -          |
| 28 June 2013 (g)                                     | 8,722,238     | 157,000    | -             | -          |
| Total                                                | 163,071,447   | 18,485,381 | 82,383,526    | 15,919,925 |
| Total transaction costs associated with share issues |               | (234,785)  |               | -          |
| Net issued capital                                   |               | 18,250,596 |               | 15,919,925 |

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.

- (a) Issued at 3.5 cents each, pursuant to a rights issue
- (b) Issued at 3.5 cents each, pursuant to a rights issue
- (c) Issued at 4.3 cents each, pursuant to directors and executive staff salary sacrifice plan, valued at the previous 5 trading day vwap
- (d) Issued at 6.0 cents each, pursuant to option exercise
- (e) Issued at 2.31 cents each, pursuant to directors and executive staff salary sacrifice plan, valued at the previous 5 trading day vwap
- (f) Issued at 1.49 cents each, pursuant to directors and executive staff salary sacrifice plan, valued at the previous 5 trading day vwap
- (g) Issued at 1.8 cents each, pursuant to the 2013 Share Purchase Plan

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**NOTE 11: ISSUED CAPITAL (CONT)**

|                                                  |     | <b>30 June 2013</b>   | <b>30 June 2012</b>   |
|--------------------------------------------------|-----|-----------------------|-----------------------|
| <b>Options</b>                                   |     | <b>No. of Options</b> | <b>No. of Options</b> |
| <b>Unlisted Share Options</b>                    |     | <u>11,450,000</u>     | <u>8,700,000</u>      |
| Balance at the beginning of the reporting period |     | 8,700,000             | 9,700,000             |
| Options issued during the period:                |     |                       |                       |
| Issued to directors                              | (a) | 2,350,000             | -                     |
| Issued to staff                                  | (b) | 400,000               | -                     |
| Exercised by directors                           |     | -                     | -                     |
| Exercised by staff                               |     | -                     | -                     |
| Lapsed by directors                              | (c) | -                     | (1,000,000)           |
| Balance at Reporting Date                        |     | <u>11,450,000</u>     | <u>8,700,000</u>      |

(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 ended 30 June 2012.

The weighted average fair value of options granted in the year was 0.43 cents (2012: \$nil). 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**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

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**NOTE 11: ISSUED CAPITAL (CONT)**

The inputs used for the option pricing model for options granted during the year ended 30 June 2013 were:

|                                                                                    | <b>Director Options</b> | <b>Staff Options</b> |
|------------------------------------------------------------------------------------|-------------------------|----------------------|
| Number of options granted                                                          | 2,350,000               | 400,000              |
| Date of grant and vesting of options                                               | 08/02/2013              | 04/12/2012           |
| Option expiry date                                                                 | 20/01/2017              | 03/12/2016           |
| The fair value of share options and assumptions for the period ended 30 June 2013: |                         |                      |
| Fair value at grant date                                                           | 0.33 cents              | 1.03 cents           |
| Share price                                                                        | 1.80 cents              | 3.30 cents           |
| Exercise price                                                                     | 6.00 cents              | 6.00 cents           |
| Expected volatility                                                                | 58%                     | 57%                  |
| Option life                                                                        | 4 years                 | 4 years              |
| Expected dividends                                                                 | nil                     | nil                  |
| Risk-free interest rate                                                            | 4.75%                   | 4.25%                |



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**NOTE 11: ISSUED CAPITAL (CONT)**

The amount of the expense during the year in relation to options is \$11,745 (2012: \$nil). This amount has been credited to the Option Reserve.

|                                                  |     | <b>30 June 2013</b>   | <b>30 June 2012</b>   |
|--------------------------------------------------|-----|-----------------------|-----------------------|
| <b>Listed Share Options</b>                      |     | <b>No. of Options</b> | <b>No. of Options</b> |
| Balance at the beginning of the reporting period |     | -                     | -                     |
| Options issued during the period:                |     |                       |                       |
| Issued                                           | (a) | 32,953,451            | -                     |
| Exercised                                        |     | (1,399)               | -                     |
| Balance at Reporting Date                        |     | 32,952,052            | -                     |

(a) Issued to shareholders pursuant to the rights issue in October 2012

**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**

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**FOR THE YEAR ENDED 30 JUNE 2013**

|                                                                                                                                  | <b>30 June 2013</b> | <b>30 June 2012</b> |
|----------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                                                                                  | <b>\$</b>           | <b>\$</b>           |
| <b>NOTE 12: RESERVES</b>                                                                                                         |                     |                     |
| Foreign currency translation reserve                                                                                             | (1,039,171)         | (926,157)           |
| The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries. |                     |                     |
| Options reserve                                                                                                                  | 1,009,222           | 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      | (9,362,786) | (2,726,183) |
| Non-cash flows in loss from ordinary activities:    |             |             |
| Depreciation                                        | 33,098      | 42,348      |
| Plant and equipment sold and written off            | (11,357)    |             |
| Share based payment expense                         | 113,378     | -           |
| Exploration expenditure written off                 | -           | 768,021     |
| Exploration expenditure impairment                  | 7,322,445   | -           |
| Changes in assets and liabilities:                  |             |             |
| (Increase)/Decrease in receivables                  | 235,628     | (148,873)   |
| (Increase)/Decrease in prepayments and other assets | 2,186       | 141,197     |
| (Decrease)/Increase in payables                     | (92,819)    | 124,993     |
| Cash flows from operations                          | (1,760,227) | (1,798,497) |

**ELEMENTOS LIMITED and CONTROLLED ENTITIES**

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**FOR THE YEAR ENDED 30 JUNE 2013**

|                                                                                                               | <b>30 June 2013</b> | <b>30 June 2012</b> |
|---------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                                                               | <b>\$</b>           | <b>\$</b>           |
| <b>NOTE 14: EARNINGS PER SHARE</b>                                                                            |                     |                     |
| Net loss used in the calculation of basic and diluted EPS                                                     | (9,362,786)         | (2,726,183)         |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS | 130,903,711         | 82,383,526          |

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**

**(a) 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                        | 3,127,468 | 2,708,224  |
| Later than 1 year but not later than 5 years | 4,454,102 | 7,697,128  |
| Total commitment                             | 7,581,570 | 10,405,352 |

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.

There is no exploration commitment for the Manantiales project, as the current Option-to-Purchase agreement has lapsed, and is currently being renegotiated.

**(b) Operating Lease Commitments**

The operating leases consist of premises rent and equipment lease.

|                                              |        |        |
|----------------------------------------------|--------|--------|
| Not later than 1 year                        | 34,524 | 34,524 |
| Later than 1 year but not later than 5 years | 14,385 | 48,908 |
| Total commitment                             | 48,909 | 83,432 |

**NOTE 16: CONTINGENT LIABILITIES**

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

**ELEMENTOS LIMITED and CONTROLLED ENTITIES****ABN 49 138 468 756****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013****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.

Related party transactions in the period were as follows:

- (a) The Company had been 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 \$nil (2012: \$48,9341) was paid under the arrangement and the balance outstanding at year end is \$nil (2012: \$nil). The arrangement covered occupancy, accounting and administration services. During the previous 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 A McLellan, C Nolan, M McCauley, J Calaway continued in their roles as Directors of the Company.

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

- (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**

|                                                         | <b>30 June 2013</b> | <b>30 June 2012</b> |
|---------------------------------------------------------|---------------------|---------------------|
|                                                         | <b>\$</b>           | <b>\$</b>           |
| Share based payment expense recognised during the year: |                     |                     |
| Options issued under employee share option plan         | 4,111               | -                   |
| Options issued under director share option plan         | 7,634               | -                   |
|                                                         | <b>11,745</b>       | <b>-</b>            |

- (a) The following share-based payment arrangements existed at 30 June 2013:

(i) On 8 February 2013, 2,350,000 share options were issued to directors under the Elementos Limited Directors and Officers Share Option Plan, to take up ordinary shares at an exercise price of 6 cents. The options vested immediately and are exercisable on or before 20 January 2017. The options hold no voting or dividend rights and are not transferable.

(ii) On 4 December 2012 400,000 share options were issued to staff under the Elementos Limited Directors and Officers Share Option Plan, to take up ordinary shares at an exercise price of 6 cents. The options vested immediately and are exercisable on or before 3 December 2016. The options hold no voting or dividend rights and are not transferable.

**ELEMENTOS LIMITED and CONTROLLED ENTITIES****ABN 49 138 468 756****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2013****NOTE 18: SHARE BASED PAYMENTS (CONT)**

(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 32.6 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 (2012: 1,000,000) and nil options were exercisable (2012: nil).

(iv) 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 22.6 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. 500,000 options were outstanding at year end (2012: 500,000) and 500,000 options were exercisable (2012: 500,000).

(v) 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 22.6 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. 1,200,000 options were outstanding at year end (2012: 1,200,000) and 1,200,000 options were exercisable (2012: 1,200,000).

(vi) 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 (2012: 1,500,000) and 1,500,000 options were exercisable (2012: 1,500,000).

(vii) 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 22.6 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. Nil options lapsed during the year (2012: 1,000,000). 4,500,000 options were outstanding at year end (2012: 5,500,000) and 4,500,000 options were exercisable (2012: 5,500,000).

- (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        |
| Granted 4 December 2012  | 200,000          |
| Granted 8 February 2013  | 2,350,000        |
|                          | <u>9,100,000</u> |

**ELEMENTOS LIMITED and CONTROLLED ENTITIES**  
**ABN 49 138 468 756**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**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:

|                                          | <b>2013</b>                  |                                                | <b>2012</b>                  |                                                |
|------------------------------------------|------------------------------|------------------------------------------------|------------------------------|------------------------------------------------|
|                                          | <b>Number of<br/>Options</b> | <b>Weighted<br/>Average<br/>Exercise Price</b> | <b>Number of<br/>Options</b> | <b>Weighted<br/>Average<br/>Exercise Price</b> |
|                                          | <b>No.</b>                   | <b>\$</b>                                      | <b>No.</b>                   | <b>\$</b>                                      |
| Outstanding at the beginning of the year | 8,700,000                    | 0.258                                          | 9,700,000                    | 0.027                                          |
| Granted                                  | 2,750,000                    | 0.060                                          | -                            | -                                              |
| Forfeited                                | -                            | -                                              | (1,000,000)                  | 0.233                                          |
| Exercised                                | -                            | -                                              | -                            | -                                              |
| Expired                                  | -                            | -                                              | -                            | -                                              |
| Outstanding at year-end                  | 11,450,000                   | 0.211                                          | 8,700,000                    | 0.258                                          |
| Exercisable and vested at year-end       | 10,450,000                   | 0.231                                          | 7,700,000                    | 0.292                                          |

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

The options outstanding at 30 June 2013 had a weighted average exercise price of 21.07 cents (2012: 25.8 cents) and a weighted average remaining contractual life of 2.46 years (2012: 3.12 years). At the date of exercise, the weighted average share price of options exercised during the year was nil cents (2012: nil cents). The exercise price of options outstanding at year end ranges from 6 cents to 33.3 cents (2012: 23.3 cents to 33.3 cents). The weighted average fair value of options granted during the year was 4.3 cents (2012: nil cents). Refer to Note 11 regarding assessment of fair value of options granted during the year.

**ELEMENTOS LIMITED and CONTROLLED ENTITIES**

**ABN 49 138 468 756**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2013**

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|                                                    | <b>30 June 2013</b> | <b>30 June 2012</b> |
|----------------------------------------------------|---------------------|---------------------|
|                                                    | <b>\$</b>           | <b>\$</b>           |
| <hr/>                                              |                     |                     |
| <b>NOTE 19: AUDITORS' REMUNERATION</b>             |                     |                     |
| Remuneration of the auditor of the parent entity:  |                     |                     |
| BDO Audit Pty Ltd and its related entities         |                     |                     |
| - auditing or reviewing the financial reports      | 20,006              | 22,014              |
| - tax advice and compliance                        | 44,235              | 16,000              |
| - independent experts report and associated advice | 30,863              | -                   |
|                                                    | <hr/>               | <hr/>               |
|                                                    | 95,104              | 38,014              |
|                                                    | <hr/>               | <hr/>               |
| Remuneration of other auditors of subsidiaries:    |                     |                     |
| Network firms of BDO                               |                     |                     |
| - auditing or reviewing the financial reports      | 6,000               | 34,091              |
| - other services                                   | -                   | 3,873               |
| Other firms                                        |                     |                     |
| - auditing or reviewing the financial reports      | 4,000               | 8,103               |
|                                                    | <hr/>               | <hr/>               |
|                                                    | 10,000              | 46,067              |
|                                                    | <hr/>               | <hr/>               |

**ELEMENTOS LIMITED and CONTROLLED ENTITIES**  
**ABN 49 138 468 756**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

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**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:

|                                   |                                     |
|-----------------------------------|-------------------------------------|
| Mr A A McLellan                   | Chairman - Non-executive            |
| Mr C Nolan                        | Managing Director - Executive       |
| Mr M McCauley (resigned 06/08/13) | Director - Non-executive            |
| Mr J Calaway                      | Director - Non-executive            |
| Mr A Grahame (redundant 07/02/13) | Exploration and Development Manager |

|                                                  | <b>30 June 2013</b> | <b>30 June 2012</b> |
|--------------------------------------------------|---------------------|---------------------|
|                                                  | <b>\$</b>           | <b>\$</b>           |
| <b>(b) Key Management Personnel Compensation</b> |                     |                     |
| Short-term employee benefits                     | 585,315             | 568,952             |
| Post-employment benefits                         | 47,440              | 47,606              |
| Share-based payments                             | 9,689               | -                   |
|                                                  | <b>642,444</b>      | <b>616,558</b>      |

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 2013**

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

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

| <b>2013</b>     | <b>Opening<br/>Balance</b> | <b>Compensation (ii)</b> | <b>Options<br/>Exercised</b> | <b>Purchased /<br/>(Sold)</b> | <b>Net Other<br/>Changes (iii)</b> | <b>Balance<br/>30 June 2013</b> |
|-----------------|----------------------------|--------------------------|------------------------------|-------------------------------|------------------------------------|---------------------------------|
| Mr A A McLellan | -                          | 3,428,976                | -                            | -                             | -                                  | 3,428,976                       |
| Mr C Nolan      | 146,786                    | -                        | -                            | 117,429                       | -                                  | 264,215                         |
| Mr M McCauley   | -                          | 789,720                  | -                            | -                             | -                                  | 789,720                         |
| Mr J Calaway    | 11,937,291                 | 1,256,078                | -                            | 30,765,305                    | -                                  | 43,958,674                      |
| Mr A Grahame    | 146,784                    | -                        | -                            | 283,347                       | (430,131)                          | -                               |
| <b>Total</b>    | <b>12,230,861</b>          | <b>5,474,774</b>         | <b>-</b>                     | <b>31,166,081</b>             | <b>(430,131)</b>                   | <b>48,441,585</b>               |

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

(ii) The Company issued shares as part of the salary sacrifice plan.

(iii) Includes shares held upon resignation or appointment.

| <b>2012</b>     | <b>Opening<br/>Balance</b> | <b>Compensation (ii)</b> | <b>Options<br/>Exercised</b> | <b>Purchased /<br/>(Sold)</b> | <b>Net Other<br/>Changes (iii)</b> | <b>Balance<br/>30 June 2012</b> |
|-----------------|----------------------------|--------------------------|------------------------------|-------------------------------|------------------------------------|---------------------------------|
| Mr A 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                         |
| <b>Total</b>    | <b>14,598,046</b>          | <b>-</b>                 | <b>-</b>                     | <b>-</b>                      | <b>(2,367,185)</b>                 | <b>12,230,861</b>               |

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

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

(iii) Includes shares held upon resignation or appointment.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 20: KEY MANAGEMENT PERSONNEL COMPENSATION AND EQUITY (CONT)**

**(d) Number of Options held by Key Management Personnel**

| <b>2013</b>     | <b>Opening<br/>Balance</b> | <b>Compen-<br/>sation (e)</b> | <b>Options<br/>Acquired</b> | <b>Options<br/>Exercised</b> | <b>Net Other<br/>Changes (i)</b> | <b>Balance<br/>30 June 2013</b> | <b>Total Vested</b> | <b>Total<br/>Exercisable</b> |
|-----------------|----------------------------|-------------------------------|-----------------------------|------------------------------|----------------------------------|---------------------------------|---------------------|------------------------------|
| Mr A A McLellan | 2,000,000                  | 700,000                       | -                           | -                            | -                                | 2,700,000                       | 2,700,000           | 2,700,000                    |
| Mr C Nolan      | 2,500,000                  | 800,000                       | -                           | -                            | -                                | 3,300,000                       | 3,300,000           | 3,300,000                    |
| Mr M McCauley   | 500,000                    | 350,000                       | -                           | -                            | -                                | 850,000                         | 850,000             | 850,000                      |
| Mr J Calaway    | 1,000,000                  | 500,000                       | -                           | -                            | -                                | 1,500,000                       | 500,000             | 500,000                      |
| Mr A Grahame    | 550,000                    | 200,000                       | -                           | -                            | (750,000)                        | -                               | -                   | -                            |
| <b>Total</b>    | <b>6,550,000</b>           | <b>2,550,000</b>              | <b>-</b>                    | <b>-</b>                     | <b>(750,000)</b>                 | <b>8,350,000</b>                | <b>7,350,000</b>    | <b>7,350,000</b>             |

(i) Includes options held upon resignation or retirement

| <b>2012</b>     | <b>Opening<br/>Balance</b> | <b>Compen-<br/>sation (e)</b> | <b>Options<br/>Acquired</b> | <b>Options<br/>Exercised</b> | <b>Net Other<br/>Changes (i)</b> | <b>Balance<br/>30 June 2012</b> | <b>Total Vested</b> | <b>Total<br/>Exercisable</b> |      |
|-----------------|----------------------------|-------------------------------|-----------------------------|------------------------------|----------------------------------|---------------------------------|---------------------|------------------------------|------|
| Mr A 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)                      | -                               | -                   | -                            | (ii) |
| 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                      |      |
| <b>Total</b>    | <b>7,550,000</b>           | <b>-</b>                      | <b>-</b>                    | <b>-</b>                     | <b>(1,000,000)</b>               | <b>6,550,000</b>                | <b>5,550,000</b>    | <b>5,550,000</b>             |      |

(ii) In escrow due to ASX regulations.

**(e) Compensation Options**

Details of options provided as compensation for key management personnel are set out in the Remuneration Report included in the Directors' Report.

**ELEMENTOS LIMITED and CONTROLLED ENTITIES**  
**ABN 49 138 468 756**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

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**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**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

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**NOTE 21: FINANCIAL INSTRUMENTS (CONT)**

At 30 June 2013, 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 \$12,771 (2012: \$10,206).

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 \$20,735 (2012: \$59,061).

**(b) Financial Instrument Composition and Contractual Maturity Analysis**

|                               | <b>30 June 2013</b> | <b>30 June 2012</b> |
|-------------------------------|---------------------|---------------------|
|                               | <b>\$</b>           | <b>\$</b>           |
| Financial assets:             |                     |                     |
| Within 6 months               |                     |                     |
| - cash & cash equivalents (i) | 370,894             | 2,012,552           |
| - receivables (ii)            | 20,917              | 122,917             |
|                               | <u>391,811</u>      | <u>2,135,469</u>    |
| Financial liabilities:        |                     |                     |
| Within 6 months               |                     |                     |
| - payables (ii)               | <u>(312,340)</u>    | <u>(778,367)</u>    |

(i) Floating interest rates, with weighted average effective interest rate 2.39%, with an average maturity of 7 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 +/- \$2,085 (2011: +/- \$20,125).

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 +/- \$1,277 (2012: +/- \$1,021). 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 +/- \$2,073 (2011: +/- \$5,906).

**ELEMENTOS LIMITED and CONTROLLED ENTITIES**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**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 is considered to be the chief operating decision maker of the group. The Managing Director 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 2013 is as follows:

| <b>2013</b>                                                            | <b>Australia</b> | <b>Chile</b> | <b>Argentina</b> | <b>Total</b> |
|------------------------------------------------------------------------|------------------|--------------|------------------|--------------|
|                                                                        | <b>\$</b>        | <b>\$</b>    | <b>\$</b>        | <b>\$</b>    |
| <b>Segment Profit or Loss Before Tax</b>                               | (6,015)          | (1,479,938)  | (6,189,705)      | (7,675,658)  |
| Included in segment profit or loss before tax are the following items: |                  |              |                  |              |
| Depreciation and amortisation                                          | 5,888            | -            | 5,692            | 11,580       |
| Impairment of capitalised exploration expenditure                      | -                | 1,395,835    | 5,926,610        | 7,322,445    |
| Other exploration and evaluation expenditure expensed                  | 5,270            | 41,898       | 40,600           | 87,768       |
| <b>Segment Assets and Liabilities</b>                                  |                  |              |                  |              |
| Segment assets                                                         | 197,617          | 700,961      | 978,904          | 1,877,482    |
| Segment liabilities                                                    | 1,219            | 13,201       | 24,610           | 39,030       |
| Additions to capitalised exploration expenditure                       | 86,655           | 1,584,627    | 592,590          | 2,263,872    |

**ELEMENTOS LIMITED and CONTROLLED ENTITIES**

**ABN 49 138 468 756**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**NOTE 22: SEGMENT REPORTING (CONT)**

Segment information provided to the Managing Director for the year ended 30 June 2012 is as follows:

| <b>2012</b>                                                            | <b>Australia</b> | <b>Chile</b> | <b>Argentina</b> | <b>Total</b> |
|------------------------------------------------------------------------|------------------|--------------|------------------|--------------|
|                                                                        | <b>\$</b>        | <b>\$</b>    | <b>\$</b>        | <b>\$</b>    |
| <b>Segment Profit or Loss Before Tax</b>                               | (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      |
| <b>Segment Assets and Liabilities</b>                                  |                  |              |                  |              |
| 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    |

**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:

|                                      | <b>30 June 2013</b> | <b>30 June 2012</b> |
|--------------------------------------|---------------------|---------------------|
|                                      | <b>\$</b>           | <b>\$</b>           |
| Segment profit or loss before tax    | (7,675,658)         | (1,475,492)         |
| Interest received from other persons | 21,259              | 275,739             |
| Other revenue                        | 11,357              | 10,000              |
| Corporate and other expenses         | (1,722,986)         | (1,533,308)         |
| Profit or loss before tax            | (9,366,028)         | (2,723,061)         |

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

|                        | <b>30 June 2013</b> | <b>30 June 2012</b> |
|------------------------|---------------------|---------------------|
|                        | <b>\$</b>           | <b>\$</b>           |
| Segment assets         | 1,877,482           | 8,355,157           |
| Cash                   | 355,047             | 1,622,214           |
| Plant and equipment    | 45,847              | 74,794              |
| Other corporate assets | 177,794             | 3,433               |
| Total assets           | 2,456,170           | 10,055,598          |

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

|                          | <b>30 June 2013</b> | <b>30 June 2012</b> |
|--------------------------|---------------------|---------------------|
|                          | <b>\$</b>           | <b>\$</b>           |
| Segment liabilities      | 39,030              | 467,530             |
| Trade and other payables | 273,310             | 310,837             |
| Total liabilities        | 312,340             | 778,367             |

**ELEMENTOS LIMITED and CONTROLLED ENTITIES**

**ABN 49 138 468 756**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2013**

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**NOTE 23: SUBSEQUENT EVENTS**

In late calendar 2012, the Board of Elementos decided to shift its corporate strategy to pursue advanced project acquisition opportunities, in response to the extremely difficult environment for raising capital to fund green field exploration. The strategic focus was to identify more advanced or brownfield assets which the Company believed had a better chance to secure new funding. A number of opportunities were considered, including the Cleveland tin project, controlled by Rockwell.

In April 2013, the Company signed a conditional Term Sheet to facilitate the merger of Elementos and Rockwell. The merger of Elementos and Rockwell had a strong strategic rationale:

- Positioned Elementos with a more advanced asset, reducing the Company's exposure to greenfield exploration;
- Secured a new advanced stage project with near term development potential, and significant exploration upside;
- Provided a potential valuation up-lift from relatively short-term work programs; and
- Enabled significant exposure to tin, which the board believes has attractive supply and demand fundamentals.

In June 2013, the Company signed a Merger Implementation Deed to acquire all the issued shares of Rockwell, through the issue of Elementos shares. The merger will be affected through an off-market takeover bid for all the shares in Rockwell, subject to the terms and conditions of the Merger Implementation Deed.

Subsequent to the end of reporting period, Elementos issued Rockwell shareholders with a Bidders Statement and secured more than 90% share acceptances. The merger remains conditional on Elementos shareholders approving the transaction at an Extraordinary General Meeting planned for 8th October 2013.

On completion of the Merger, the Company's primary focus will be advancing the Cleveland Project. The board will establish a detailed work program and budget for the project on completion of the merger. The merged Company will need to raise new equity to achieve its objectives in relation to the Cleveland project, to fund corporate overhead costs and general working capital.

At completion of the Merger, Mr Nolan will cease being managing director, and will become an executive director, of the Company. Negotiations are underway with Mr Nolan regarding his new position and contract terms.

Subsequent to the end of the reporting period, the Company raised \$338,610 (before costs) by private placements, and issued 22,863,170 shares as a result.

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.

**ELEMENTOS LIMITED and CONTROLLED ENTITIES****ABN 49 138 468 756****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013****NOTE 24: PARENT ENTITY INFORMATION**

The following information relates to the parent entity, Elementos Limited at 30 June 2013. This information has been prepared using consistent accounting policies as presented in Note 1.

|                                           | <b>30 June 2013</b> | <b>30 June 2012</b> |
|-------------------------------------------|---------------------|---------------------|
|                                           | <b>\$</b>           | <b>\$</b>           |
| Current assets                            | 373,233             | 1,643,287           |
| Non-current assets                        | 6,095,505           | 10,945,929          |
| Total assets                              | 6,468,738           | 12,589,216          |
| Current liabilities                       | 287,949             | 325,476             |
| Non-current liabilities                   | -                   | -                   |
| Total liabilities                         | 287,949             | 325,476             |
| Contributed equity                        | 18,250,596          | 15,919,925          |
| Reserves                                  | 1,009,222           | 997,477             |
| Accumulated losses                        | (13,079,029)        | (4,653,662)         |
| Total equity                              | 6,180,789           | 12,263,740          |
| Loss for the period                       | (8,273,952)         | (1,303,581)         |
| Other comprehensive income for the period | -                   | -                   |
| Total comprehensive income for the period | (8,273,952)         | (1,303,581)         |

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 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**

**ABN 49 138 468 756**

**DIRECTORS' DECLARATION**

The directors of the Company declare that:

1. The attached financial statements and notes are in accordance with the Corporations Act 2001, including:
  - (a) complying with Accounting Standards which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - (b) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2013 and of their performance for the financial year ended on that date.
2. The chief executive officer and chief financial officer have each declared that:
  - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
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.

This declaration is made in accordance with a resolution of the board of directors.



**A A McLellan**  
**Chairman**

Dated this 24th September 2013  
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 2013, 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 2013 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

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through debt or equity by 31 December 2013, successful exploration of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

### Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

**BDO Audit Pty Ltd**

BDO



A J Whyte  
Director

Brisbane: 24 September 2013

## 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 11 October 2013

#### Shareholding

Distribution of Shareholders Number

| Category Number<br>(Size of Holding) | Ordinary Shares<br>(Number) |
|--------------------------------------|-----------------------------|
| 1 - 1,000                            | 57                          |
| 1,001 - 5,000                        | 94                          |
| 5,001 - 10,000                       | 99                          |
| 10,001 - 100,000                     | 342                         |
| 100,001 - and over                   | 192                         |
|                                      | 784                         |

The number of shareholdings held in less than marketable parcels is 47.

Twenty Largest Holders - Ordinary Shares:

|    | Shareholder                                                                           | Number of<br>Shares Held | % of Total<br>Issued Capital |
|----|---------------------------------------------------------------------------------------|--------------------------|------------------------------|
| 1  | ANDES INVESTORS LLC                                                                   | 40,673,340               | 21.561                       |
| 2  | MR ANDREW CARLYLE GREIG                                                               | 16,666,667               | 8.835                        |
| 3  | JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH<br>INCOME A/C>                             | 9,074,781                | 4.811                        |
| 4  | RICHARD SEVILLE & ASSOCIATES PTY LTD <THE SEVILLE<br>SUPER FUND A/C>                  | 8,200,072                | 4.347                        |
| 5  | BELMONT PARK INVESTMENT PTY LTD                                                       | 7,615,386                | 4.037                        |
| 6  | ALLAN ANTHONY MCLELLAN                                                                | 4,847,554                | 2.570                        |
| 7  | HINTON FAMILY HOLDINGS PTY LTD                                                        | 3,439,688                | 1.823                        |
| 8  | MR DENIS GRENVILLE HINTON & MRS ROSLYN SUSANNA<br>HINTON <HINTON FAMILY SUPER A/C>    | 2,835,796                | 1.503                        |
| 9  | PANORAMA RIDGE PTY LTD                                                                | 2,824,614                | 1.497                        |
| 10 | THOSNUNN PTY LTD <SUPER FUND A/C>                                                     | 2,750,000                | 1.458                        |
| 11 | MR JOHN DOUGLAS JEFFERY & MRS ELSPETH LOUISE<br>JEFFERY <GIBSON BROS HOLDING S/F A/C> | 2,347,720                | 1.245                        |
| 12 | CITICORP NOMINEES PTY LIMITED                                                         | 2,069,968                | 1.097                        |
| 13 | LITHIUM INVESTORS LLC                                                                 | 2,029,256                | 1.076                        |
| 14 | JAMES CALAWAY                                                                         | 1,901,241                | 1.008                        |
| 15 | MR PAUL ANTHONY CRAWFORD & MRS ROBYN LYNELLE<br>CRAWFORD <KURATYN SUPERANNUATION A/C> | 1,827,575                | 0.969                        |
| 16 | MR IAN LINDSAY CAMPBELL                                                               | 1,651,790                | 0.876                        |
| 17 | MR NEIL STUART & MRS CAROLYN STUART <NEIL F STUART<br>SUPER FUND A/C>                 | 1,548,585                | 0.821                        |
| 18 | MACBETH GENEALOGICAL SERVICES PTY LTD<br><MACBETH SUPER FUND A/C>                     | 1,280,000                | 0.679                        |
| 19 | BEST HOLDINGS PTY LTD                                                                 | 1,239,197                | 0.657                        |
| 20 | OROCOBRE LIMITED                                                                      | 1,223,214                | 0.648                        |
| 21 | R&P AUSTIN SUPERANNUATION PTY LTD <AUSTIN SUPER<br>FUND>                              | 1,223,214                | 0.648                        |

**ELEMENTOS LIMITED**

ABN 49 138 468 756

**ASX INFORMATION**

The substantial shareholders listed in the Company's register as at 11 October 2013 are:

| Shareholder             | Number of Shares Held |
|-------------------------|-----------------------|
| ANDES INVESTORS LLC     | 40,673,340            |
| MR ANDREW CARLYLE GREIG | 16,666,667            |

**Listed Optionholders**

Distribution of Listed Optionholders Number

| Category Number<br>(Size of Holding) | Options<br>(Number) |
|--------------------------------------|---------------------|
| 1 - 1,000                            | 6                   |
| 1,001 - 5,000                        | 49                  |
| 5,001 - 10,000                       | 31                  |
| 10,001 - 100,000                     | 128                 |
| 100,001 - and over                   | 36                  |
|                                      | 250                 |

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             | 45.417                    |
| 2  | BELMONT PARK INVESTMENT PTY LTD                                                    | 1,692,308              | 5.136                     |
| 3  | RICHARD SEVILLE & ASSOCIATES PTY LTD <THE SEVILLE SUPER FUND A/C>                  | 978,571                | 2.970                     |
| 4  | HINTON FAMILY HOLDINGS PTY LTD                                                     | 764,375                | 2.320                     |
| 5  | JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>                             | 735,670                | 2.233                     |
| 6  | MR CHRISTOPHER LINDSAY BOLLAM                                                      | 675,460                | 2.050                     |
| 7  | MR DENIS GRENVILLE HINTON & MRS ROSLYN SUSANNA HINTON <HINTON FAMILY SUPER A/C>    | 630,177                | 1.912                     |
| 8  | PANORAMA RIDGE PTY LTD                                                             | 627,692                | 1.905                     |
| 9  | FAIRGROUND PTY LTD                                                                 | 545,633                | 1.656                     |
| 10 | MR JOHN ROBYN ADAMSON & MS FAY JYNETTE NGATAUA <ADAMSON NGATAUA S/F A/C>           | 400,000                | 1.214                     |
| 11 | MR YI WENG & MS NING LI                                                            | 398,853                | 1.210                     |
| 12 | BROADCOOLA NOMINEES PTY LTD <SPYGLASS SUPER                                        | 385,195                | 1.169                     |
| 13 | MR RICHARD EWAN MEWS                                                               | 373,876                | 1.135                     |
| 14 | MR PAUL ANTHONY CRAWFORD & MRS ROBYN LYNELLE CRAWFORD <KURATYN SUPERANNUATION A/C> | 369,995                | 1.123                     |
| 15 | MACBETH GENEALOGICAL SERVICES PTY LTD <MACBETH SUPER FUND A/C>                     | 284,114                | 0.862                     |
| 16 | MR ROBERT JAMES CANNING-URE                                                        | 281,869                | 0.855                     |
| 17 | MRS SARAH KAY DALY                                                                 | 281,869                | 0.855                     |
| 18 | MR MICHAEL JOHN MACHIN                                                             | 281,869                | 0.855                     |
| 19 | MR RICHARD EWAN MEWS & MRS WEE KHOON MEWS <RE & WK MEWS S/F A/C>                   | 270,628                | 0.821                     |
| 20 | MR DENNIS GRENVILLE HINTON & MRS ROSLYN SUSANNA HINTON                             | 261,700                | 0.794                     |

**ASX INFORMATION**

The substantial listed Optionholders listed in the Company's register as at 11 October 2013 are:

| <b>Optionholder</b>             | <b>Number of Options Held</b> |
|---------------------------------|-------------------------------|
| ANDES INVESTORS LLC             | 14,965,986                    |
| BELMONT PARK INVESTMENT PTY LTD | 1,692,308                     |

**Unlisted Equity Securities**

The following unlisted securities were on issue as at 11 October 2013.

| <b>Security</b>                                                 | <b>Number</b> | <b>No. of Holders</b> |
|-----------------------------------------------------------------|---------------|-----------------------|
| Options exercisable at 22.6 cents on or before 23 October 2015  | 4,500,000     | 2                     |
| Options exercisable at 30 cents on or before 17 December 2013   | 1,500,000     | 1                     |
| Options exercisable at 22.6 cents on or before 7 September 2015 | 650,000       | 2                     |
| Options exercisable at 22.6 cents on or before 30 November 2015 | 500,000       | 1                     |
| Options exercisable at 32.6 cents on or before 18 January 2017  | 1,000,000     | 1                     |
| Options exercisable at 6 cents on or before 3 December 2016     | 200,000       | 1                     |
| Options exercisable at 6 cents on or before 20 January 2017     | 2,350,000     | 4                     |

**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**

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**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**

| <b>Tenement Name</b> | <b>Tenement Number</b> | <b>Area (Hectares)</b> | <b>Elementos Interest</b> | <b>Location of Tenements</b> |
|----------------------|------------------------|------------------------|---------------------------|------------------------------|
| 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                   |
| Selwyn South         | EPM 19036              | 3216                   | Nil – earning             | Queensland                   |
|                      | EPM 19371              | 3860                   | Nil – earning(i)          | Queensland                   |
|                      | EPM 19375              | 6433                   | Nil – earning(ii)         | Queensland                   |
|                      | EPM 19426              | 643                    | Nil – earning(i)          | Queensland                   |

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

(ii) Contested Application