# ELEMENTOS LIMITED

**ABN 49 138 468 756**

## CONSOLIDATED FINANCIAL REPORT
## FOR THE YEAR ENDED
## 30 JUNE 2017

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# Contents

# Cautionary Statements

**Forward-looking statements**

This document may contain certain forward-looking statements. Such statements are only predictions, based on certain assumptions and involve known and unknown risks, uncertainties and other factors, many of which are beyond the company's control. Actual events or results may differ materially from the events or results expected or implied in any forward-looking statement.

The inclusion of such statements should not be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions or that any forward-looking statements will be or are likely to be fulfilled.

Elementos undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this document (subject to securities exchange disclosure requirements). The information in this document does not take into account the objectives, financial situation or particular needs of any person or organisation. Nothing contained in this document constitutes investment, legal, tax or other advice.

**Mineral Resources and Ore Reserves**

Elementos confirms that Mineral Resource and Ore Reserve estimates used in this document were estimated, reported and reviewed in accordance with the guidelines of the Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code) 2012 edition.

Elementos confirms that it is not aware of any new information or data that materially affects the Mineral Resource or Ore Reserve information included in the following announcements:

- "Cleveland Open Pit - High-Grade Mineral Resource Defined" announced on 3 March 2015;
- "Cleveland Tailings Ore Reserve" released on the 3 August 2015;
- "Cleveland Open Pit study adds $21m to cash flow" released on 20 August 2015; and
- "Underground study doubles life of Tasmanian mine and adds $90 in pre-tax cash" released on 1 September 2015

The Company also confirms that all material assumptions and technical parameters underpinning the estimates in the Cleveland Mineral Resources and Reserves continue to apply and have not materially changed. Elementos also confirms the form and context in which the Competent Person's findings are presented have not been materially modified from the dates of the announcements.

A separate Competent Person sign-off for the Annual Mineral Resources and Ore Reserves Statement is set out in the Interests in Tenements section of this report.

**Scoping study results and mining inventories**

The scoping studies referred to in this document are based on a low-level technical and economic assessment, which are insufficient to support estimation of Ore Reserves, or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the scoping studies will be realised.

Elementos advises that the scoping study results are partly drawn from Inferred Resources. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the conversion of Inferred Mineral Resources to Indicated Mineral Resources or that the production target itself will be realised.

The term "mining inventory" is used to describe Indicated and Inferred Mineral Resource within the mine design. Whereas an Ore Reserve, as defined by the JORC code (2012 Edition), must be based on a study at pre-feasibility study level or better and must not include Inferred Mineral Resources. As such, no Ore Reserve can be publicly declared on the basis of these scoping studies.

# Corporate Information

**Directors and Company Secretary**
Mr Andy Greig (Non-executive Chairman)
Mr Christopher Dunks (Executive Director)
Mr Calvin Treacy (Non-executive Director)
Mr Corey Nolan (Non-executive Director, Chairman of the Audit and Risk Committee)
Mr Duncan Cornish (Company Secretary)

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**Stock Exchange Listing**
Australian Securities Exchange Ltd
ASX Code: ELT

**Australian Business Number**
49 138 468 756

# Review of Operations

The Elementos board and management team are very pleased to be issuing this Annual Report to our Shareholders. The year was about setting the development foundations for the Cleveland Project over the next 24 months.

During the year, and subsequent to the completion of the financial year, the Company completed a significant capital raising to fund growth activities. The new funding is being invested in a drilling programme that is targeting an expansion of the Cleveland open pit mineral resource and the completion of a metallurgical testing programme.

It is an exciting time to be involved in the global tin industry. The LME tin price is strong, new supply is constrained by the lack of new development capital, tin's critical involvement in the explosion of the global energy storage industry is growing, and this helps to put a floor under the tin price.

It's an exciting time to be a Shareholder of Elementos. The Cleveland project is one of the highest grade, hard-rock, open pit, tin projects in Australia, and one of the most advanced projects in development across the global tin market. The Tasmanian Government and local communities are very supportive of the project. Furthermore, the board and management team have the expertise and experience to bring this project into production.

Planned exploration and development activities for the Cleveland project this year are outlined below.

## DEVELOPMENT STRATEGY

A review of the Company's development strategy was carried out in the first quarter of the reporting period. The review resulted in the development of a new strategy for the Company moving forward.

The new strategy aims to expand the size of the open-pit mineral resource through a diamond drilling program targeting infill, strike and depth extensions to the current 800,000 tonnes at 0.81% Tin and 0.27% Copper open-pit Indicated Mineral Resource estimate (ASX announcement 03 March 2015) and through an exploration programme investigating potential mineralisation beyond the current known resource boundaries.

The Company also commenced an enhanced metallurgical test work programme targeting improved tin recoveries and concentrate grades from the hard-rock and tailings resources.


Figure 1. Cleveland Project Location

The new development strategy has the potential to significantly de-risk a future project development, and significantly enhance the economics of the projects by:

- Drawing on a larger, open-cut tin-copper mineral resource;
- Improved cash flows from potentially higher metallurgical recoveries;
- Creating a longer mine life project with higher-grade ore from the open-cut mineral resources;
- Early cash flow potential through simple, open-cut mining techniques;
- Lowering the forecast mine dilution and ore losses through the design of one open-cut operation; and
- Compared to the underground operations, creating a lower risk profile to finance the project.

# Review of Operations

## MINERALS PROCESSING AND TESTWORK

The Company has commenced a metallurgical test work programme that is targeting increased tin recoveries from both the hard rock and tailings resources in two phases of testing. The initial phase of the enhanced metallurgical test work programme is nearing completion.

A 150kg bulk sample was collected from the two tailings dams at Cleveland for metallurgical test work. Initial processing of the samples has been carried out at the ALS laboratory in Burnie. The test work included initial sulphide flotation followed by gravity processing and tin flotation, utilising conventional technology to produce a tin concentrate.

The second phase of the enhanced metallurgical test work programme was delayed until the company completed a capital raising in July 2017. The test work programme has re-commenced following the successful capital raising.

## EXPLORATION

### Ground Magnetics

The initial phase of the exploration strategy designed to increase open cut resources at Cleveland involved the construction of a 30m line spaced grid over an area centred on the historical workings, and the completion of a ground magnetic survey over the grid. The narrow line spacing was used to maximise the potential to collect high resolution data from near surface features. The ground magnetic survey was carried out over 33 line kilometres of grid.

The ground magnetic survey was completed by ModernMag, an Australian company with extensive local and international experience. The collection of high resolution magnetic data will assist in accurate targeting for the proposed shallow diamond drilling programme.

The tin mineralisation at Cleveland occurs predominantly as cassiterite within a replacement sulphide orebody hosted by a carbonate rich sedimentary sequence. The sulphide mineralisation is predominantly pyrrhotite, which is magnetic.

The ground magnetic data has been processed to highlight and better define magnetic responses, controlling structures and lithological variations. The enhanced magnetic images have been combined with pre-existing geological data to generate a number of new exploration targets. Work subsequent to the reporting period has involved the 3D modelling of the ground magnetic anomalies to more accurately determine the orientation of the anomalies and assist in the design of drill holes to test these anomalies.

### Diamond Drilling

An initial 16 hole diamond drilling programme was commenced subsequent to the reporting period. The initial diamond drilling programme is designed to test infill, near surface and potential depth extensions to the known open-cut mineral resources. The 16 hole programme commenced in August 2017 following the approval by Mineral Resources Tasmania.

A second phase diamond drilling programme is planned to test the ground magnetic anomalies outlined in the Figure below (in the blue circles)..These anomalies represent targets outside the existing mineral resource areas. Additional 3D modelling is underway to better define these drill targets.

# Review of Operations

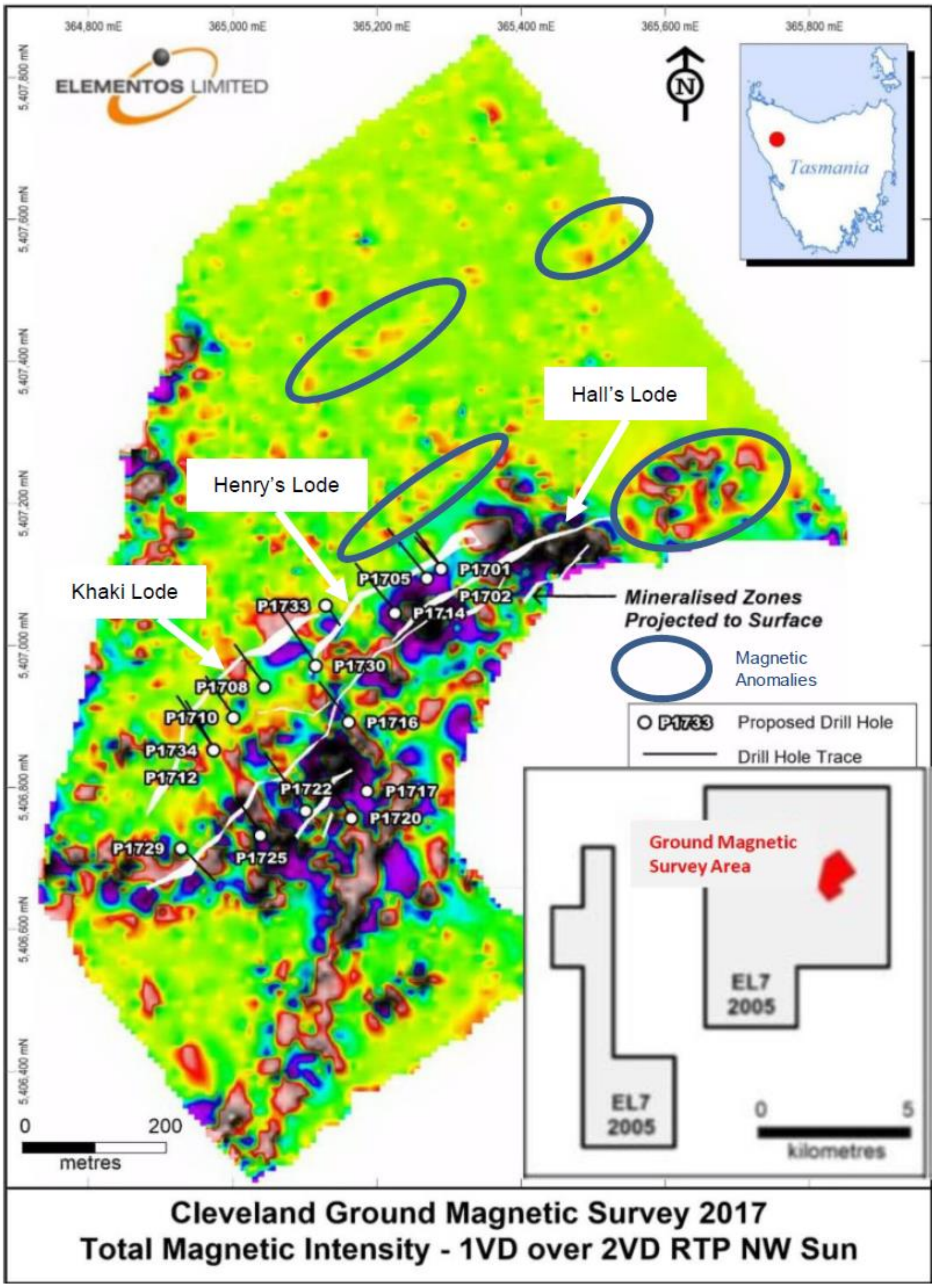


*Figure 2. Processed magnetic data showing magnetic anomalies and the initial 16 hole diamond drilling plan*

## Other Projects

### Selwyn

The Company relinquished the three remaining tenements at the Selwyn Range copper project in the Mt Isa district during the reporting period.

# Interests in Tenements
# (and Annual Mineral Resources and Ore Reserves Statement)

Elementos Limited held the following interests in tenements as at the date of this report:

| Tenement Name | Tenement Number | Area (Hectares) | Elementos Interest | Location of Tenements |
|---|---|---|---|---|
| Cleveland | EL7/2005 | 5,993 | 100% | Tasmania |

A summary of the Group's annual review of its ore reserves and mineral resources of its Cleveland project located in Tasmania at 30 June 2017 compared to 30 June 2016 is set out below.

Open Pit Tin-Copper Mineral Resource (at 0.35% Sn cut-off)
**NOTE: this Open Pit Tin-Copper Mineral Resource is a sub-set of the Total Tin-Copper Mineral Resource noted above**

**30 June 2016 and 30 June 2017 – unchanged**

| Category | Tonnage | Sn Grade | Contained Sn | Cu Grade | Contained Cu |
|---|---|---|---|---|---|
| Indicated | 0.8 Mt | 0.81% | 6,500t | 0.27 | 2,300t |
| Inferred | 0.01 Mt | 0.99% | 140t | 0.34 | 50t |

Table subject to rounding errors; Sn = tin, Cu = copper

Total Tin-Copper Mineral Resource (at 0.35% Sn cut-off)

**30 June 2016 and 30 June 2017 – unchanged**

| Category | Tonnage | Sn Grade | Contained Sn | Cu Grade | Contained Cu |
|---|---|---|---|---|---|
| Indicated | 5.0 Mt | 0.69% | 34,500t | 0.28% | 14,000t |
| Inferred | 2.4 Mt | 0.56% | 13,700t | 0.19% | 4,600t |

Table subject to rounding errors; Sn = tin, Cu = copper

Underground Tungsten Mineral Resource (at 0.20% $WO_3$ cut-off) [1]

**30 June 2016 and 30 June 2017 – unchanged**

| Category | Tonnage | $WO_3$ Grade |
|---|---|---|
| Inferred | 4 Mt | 0.30% |

Table subject to rounding errors; $WO_3$ = tungsten oxide

Tailings Ore Reserve (at 0% Sn cut-off) [2]

**30 June 2016 and 30 June 2017 – unchanged**

| Category | Tonnage | Sn Grade | Contained Sn | Cu Grade | Contained Cu |
|---|---|---|---|---|---|
| Probable | 3.7 Mt | 0.29% | 11,000t | 0.13% | 5,000t |

Table subject to rounding errors; Sn = tin, Cu = copper

[1] *This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.*

[2] *Announced per the JORC Code 2012 on 3 August 2015 "Cleveland Tailings Ore Reserve"*

# Interests in Tenements
# (and Annual Mineral Resources and Ore Reserves Statement)

The Group confirms that it is not aware of any new information or data (since 30 June 2017) that materially affects the Mineral Resources and Ore Reserves set out above.

The Group regularly reviews its Mineral Resources and Reserves to assess their reasonableness, engaging suitably qualified competent person/s where required. A summary of the governance and controls applicable to the Group's Mineral Resources and Reserves processes is as follows:

- ❖ Review and validation of drilling and sampling methodology and data spacing, geological logging, data collection and storage, sampling and analytical quality control;
- ❖ Geological interpretation — review of known and interpreted structure, lithology and weathering controls;
- ❖ Estimation methodology — relevant to mineralisation style and proposed mining methodology;
- ❖ Comparison of estimation results with previous mineral resource models, and with results using alternate modelling methodologies;
- ❖ Visual validation of block model against raw composite data; and
- ❖ Peer review by senior company personnel and independent consultants as required.

This Annual Mineral Resources and Ore Reserves Statement:

- is based on, and fairly represents, information and supportng documentation prepared by the competent person (referred to on page 2); and
- has been approved by Mr Chris Creagh who is a Member of the Australasian Institute of Mining and Metallurgy and is the Chief Executive Officer of Elementos Ltd. Mr Creagh is qualified geologist with sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Creagh has approved the Annual Mineral Resource and Ore Reserve Statement in the form and context in which it appears in this Annual Report.

# Director's Report

The directors submit their report on the consolidated entity ("Group") consisting of Elementos Limited and the entities it controlled at the end of, and during, the financial year ended 30 June 2017.

**Directors**

The following persons were directors of Elementos Limited during the financial year and up to the date of this report, unless otherwise stated:

Mr Andy Greig
Mr Chris Dunks
Mr Corey Nolan
Mr Calvin Treacy

**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. The names and qualifications of the current directors are summarised as follows:

**Andy Greig**
*Non- Executive Chairman*

Mr Greig (GDipBus (Monash); Fellow, ATSE) recently retired from a 35 year career with Bechtel Group, Inc., the globally renowned engineering, construction and project management company. Mr Greig was a director of Bechtel Group, Inc., and for 13 years through 2014 the President of its Mining and Metals Global Business Unit.

Mr Greig has deep experience in the engineering and construction of large mining and minerals processing projects around the world. He is a business graduate of Monash University, and a Fellow of the Australian Academy of Technological Sciences and Engineering.

Mr Greig has not held any other (ASX listed) directorships in the last three years.

**Chris Dunks**
*Executive Director*

Mr Dunks (BEng (Mech), GAICD) is currently the Managing Director of Synergen Met Pty Ltd, a Brisbane-based company that is commercialising novel minerals processing technology.

Mr Dunks was a Founder and Managing Director of Rockwell Minerals Pty Ltd, the company that merged with Elementos in 2013, and negotiated the original deal to purchase the Cleveland Project. Mr Dunks's experience over the last 20 years has been dominated by working on major minerals processing, refining and power projects both in Australia and the USA.

Mr Dunks's experience has been in mechanical design, construction management and supervision, project controls, project management, contract negotiation, business development and new technology commercialisation. He has worked extensively with Bechtel, Worley Parsons, SNC Lavalin and Jacobs (Aker Kvaerner).

Mr Dunks was originally appointed as a Non-Executive Director of Elementos in November 2015. Following the resignation of the Company's CEO in July 2016, Mr Dunks is continuing the Company's permitting and partnering process in an Executive Director capacity.

Mr Dunks is a member of the Audit and Risk Committee.

Mr Dunks has not held any other (ASX listed) directorships in the last three years.

# Director’s Report

**Corey Nolan**
*Non-executive Director*

Mr Nolan (BCom, MMEE, Graduate of AICD) 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.

Mr Nolan is a member of the Audit and Risk Committee.

During the past three years, Mr Nolan has also served as a director of ASX listed company Leyshon Resources Limited (14 February 2014 to current).

**Calvin Treacy**
*Non-executive Director*

Mr Treacy (BEng, MBA, MAICD) has over twenty years senior management experience in mining, mining technology and manufacturing. He has a strong track record of founding and growing companies, and brings a wealth of experience in the areas of strategic planning and capital raising. Mr Treacy is a qualified Mechanical Engineer and holds a Masters of Business Administration, with extensive experience across a range of industries and positions.

Mr Treacy has worked in a range of roles including Non-executive Director, Chief Executive Officer, Chief Operating Officer and Production Manager, providing a blend of experience from hands-on management through to executive oversight and strategic management.

Mr Treacy is a member of the Audit and Risk Committee.

Mr Treacy has not held any other (ASX listed) directorships in the last three years.

**Company Secretary**

Duncan Cornish held the position of Company Secretary during the financial year and up to the date of this report. Mr Cornish is a Chartered Accountant with significant experience as public company CFO and Secretary, focused on junior resource companies, as well as financial, administration and governance.

Mr Cornish is an accomplished and highly efficient corporate administrator and manager. Duncan has more than 20 years’ experience in the accountancy profession both in England and Australia, mainly with the accountancy firms Ernst & Young and PricewaterhouseCoopers.

He has extensive experience in all aspects of company financial reporting, corporate regulatory and governance areas, business acquisition and disposal due diligence, capital raising and company listings and company secretarial responsibilities, and serves as corporate secretary and chief financial officer of several Australian and Canadian public companies.

Mr. Cornish holds a Bachelor of Business (Accounting) and is a member of the Australian Institute of Chartered Accountants.

# Director's Report

**Interests in Securities**

As at the date of this report, the interests of each director in shares and options issued by the Company are shown in the table below:

| Directors | Shares | Unlisted Options (2.965c @ 20-Mar-18) | Unlisted Options (0.6c @ 30-Jun-18) |
|---|---|---|---|
| A. Greig | 272,226,820 | - | - |
| C. Dunks | 19,687,505 | - | 3,937,501 |
| C. Nolan | 4,737,486 | - | 884,086 |
| C. Treacy | 28,000,004 | 6,200,000 | 1,150,000 |

**Principal Activities**

The principal activity of the Group during the year was project development in Australia. The Group is developing the Cleveland tin-copper-tungsten Project through a staged, low-capital development strategy, which minimises upfront capital, with cash flow funding future stages. This ensures maximum benefit from capital expenditure, delivering optimal value to shareholders.

**Operating Results**

The Group's operating loss for the financial year, after applicable income tax was $769,493 (2016: $1,757,780).

**Dividends Paid or Recommended**

There were no dividends paid or recommended during the financial year.

**Review of Operations**

Information on the operations of the Group during the financial year and up to the date of this report is set out separately in the Annual Report under Review of Operations.

**Review of Financial Condition**

***Capital Structure***

At 30 June 2016, the Company had 767,479,642 ordinary shares and 43,850,000 unlisted options on issue.

On 9 August 2016, 20,000,000 unlisted options, exercisable at 1.50 cents per option (10,000,000) and 1.25 cents per option (10,000,000), expired.

On 25 October 2016, the Company announced that it had received commitments to complete a private placement of 81,818,182 shares at 0.55 cents per share to raise a total of $450,000 (before costs). On 26 October 2016, 64,333,636 ordinary shares were issued, raising $353,835. On 14 December 2016, following shareholder approval (required as the subscriber is a director and therefore related party of the Company), a further 17,484,545 ordinary shares were issued, raising $96,165.

On 3 December 2016, 200,000 unlisted options exercisable at 6.00 cents per option expired.
On 18 January 2017, 1,000,000 unlisted options exercisable at 32.60 cents per option expired.

# Director's Report

On 20 January 2017, 2,350,000 unlisted options exercisable at 6.00 cents per option expired.

On 29 June 2017, the Company announced that:

- it had received commitments to complete a private placement of 100,000,000 shares to be issued at 0.60 cents per share (and 100,000,000 attaching options having an exercise price of 0.6 cents per option and expiring on 30 June 2018) to raise a total of $600,000 (before costs); and
- it would proceed with a non-renounceable rights issue to raise up to $1,423,947 (before costs) on the same conditions as the abovementioned placement, by issuing up to 237,324,456 shares and 237,324,456 attaching options.

On 30 June 2017, 100,000,000 ordinary shares were issued, pursuant to the placement announced on 29 June 2017, raising $600,000 (before costs).

At 30 June 2017, the Company had 949,297,823 ordinary shares and 20,300,000 unlisted options on issue.

Subsequent to 30 June 2017, between 9 August 2017 and 21 August 2017, 237,324,642 shares were issued pursuant to the rights issue announced on 29 June 2017 and 337,324,642 unlisted options (exercisable at 0.60 cents per option expiring on 30 June 2018) were issued pursuant to the placement and rights issue announced on 29 June 2017.

Subsequent to 30 June 2017, 45,973,245 unlisted options (exercisable at 0.60 cents per option expiring on 30 June 2018) were exercised in to 45,973,245 shares.

As at the date of this report, the Company had 1,232,595,710 ordinary shares and 311,651,397 unlisted options on issue.

***Financial Position***

At 30 June 2017, the Group's net assets totalled $4,795,541 (2016: $4,580,715) which included cash assets of $655,868 (2016: $467,268). The movement in net assets largely resulted from the following factors:

- Operating losses of $769,493; and
- Equity raisings totalling $1,050,000 (before costs) and receipt of ATO R&D refunds of $211,838 during the period were partially offset by cash outflows from operating activities ($693,759) and cash outflows on exploration and evaluation assets ($354,585).

Throughout the year the Group focussed on:

- progressing environment approvals and mining licences;
- completing technical studies required to attract suitable project partner/s and corporate/project funding; and
- exploring innovative ways of enhancing the value of the Group' Cleveland Project

This focus resulted in souring additional equity funding to progress the Cleveland Project and repay borrowings.

The Group's working capital, being current assets less current liabilities has decreased from $407,257 in 2016 to $42,319 in 2017, however this is principally due to the re-classification of borrowings from non-current to current, noting further that all borrowings have been settled since 30 June 2017.

**Treasury policy**

The Group does not have a formally established treasury function. The Board is responsible for managing the Group's finance facilities. The Group does not currently undertake hedging of any kind and is not directly exposed to material currency risks.

# Director's Report

### Liquidity and funding

Following the capital raisings and debt reduction completed between June and August 2017, the Group has sufficient funds to finance its operations and exploration activities, and to allow the Group to take advantage of favourable business opportunities, not specifically budgeted for, or to fund unforeseen expenditure.

### Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Group in the financial year.

### Subsequent Events

On 29 June 2017, the Company announced that:

- it had received commitments to complete a private placement of 100,000,000 shares to be issued at 0.61 cents per share (and 100,000,000 attaching options having an exercise price of 0.6 cents per option and expiring on 30 June 2018) to raise a total of $600,000 (before costs) (**Placement**); and
- it would proceed with a non-renounceable rights issue to raise up to $1,423,947 (before costs) on the same conditions as the abovementioned Placement, by issuing up to 237,324,456 shares and 237,324,456 attaching options (**Rights Issue**).

On 30 June 2017, 100,000,000 ordinary shares were issued, pursuant to the Placement, raising $600,000 (before costs).

The Rights Issue was made in accordance with section 713 of the Corporations Act with full details set out in a Prospectus sent to Eligible Shareholders on 6 July 2017. The Rights Issue contained a debt conversion facility.

Subsequent to 30 June 2017, the following events were completed as part of the Placement and Rights Issue:

- The Rights Issue was fully subscribed (after the entitlement and shortfall offers) resulting in 237,324,642 shares and 237,324,642 unlisted options (exercisable at 0.60 cents per option expiring on 30 June 2018) being issued. 45,371,137 of these shares and options were issued to the Company's Chairman and largest shareholder, Andy Greig, utilising the debt conversion facility to take up his Rights Issue entitlement ($272,226); and
- 100,000,000 unlisted options (exercisable at 0.60 cents per option expiring on 30 June 2018) were issued pursuant to the Placement.

Also subsequent to 30 June 2017:

- 45,371,137 unlisted options (exercisable at 0.60 cents per option expiring on 30 June 2018) were exercised into 45,371,137 shares by the Company's Chairman and largest shareholder, Andy Greig, using debt conversion ($272,226); and
- a further 602,108 unlisted options (exercisable at 0.60 cents per option expiring on 30 June 2018) were exercised into 602,108 shares, raising $3,613.

Other than the capital raising events noted above, there are no other matters or circumstances that have arisen since the end of the year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

# Director's Report

**Business Results**

The prospects of the Group in progressing their exploration projects in Tasmania may be affected by a number of factors. These factors are similar to most exploration companies moving through exploration phase and attempting to get projects into development. Some of these factors include:

- Exploration - the results of the exploration activities may be such that the estimated resources are insufficient to justify the financial viability of the projects. Elementos undertakes extensive exploration and product quality testing prior to establishing JORC compliant resource estimates and to (ultimately) support mining feasibility studies. The Company engages external experts to assist with the evaluation of exploration results where required and utilises third party competent persons to prepare JORC resource statements or suitably qualified senior management of the Company. Economic feasibility modelling of projects will be conducted in conjunction with third party experts and the results of which will usually be subject to independent third party peer review

- Regulatory and Sovereign - the Company operates in Australia and deals with local regulatory authorities in relation to the exploration of its properties. The Company may not achieve the required local regulatory approvals to continue exploration or properly assess development prospects. The Company takes appropriate legal and technical advice to ensure it manages its compliance obligations appropriately.

- Social Licence to Operate – the ability of the Company to secure and undertake exploration and development activities within prospective areas is also reliant upon satisfactory resolution of native title and (potentially) overlapping tenure. To address this risk, the Company develops strong, long term effective relationships with landholders with a focus on developing mutually acceptable access arrangements. The Company takes appropriate legal and technical advice to ensure it manages its compliance obligations appropriately.

- Environmental - All phases of mining and exploration present environmental risks and hazards. Elementos's operations in Australia are subject to environmental regulation pursuant to a variety of state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with mining operations. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The Company assesses each of its projects very carefully with respect to potential environmental issues, in conjunction with specific environmental regulations applicable to each project, prior to commencing field exploration. Periodic reviews are undertaken once field exploration commences.

- Safety - Safety is of critical importance in the planning, organisation and execution of Elementos's exploration and development activities. Elementos is committed to providing and maintaining a working environment in which its employees are not exposed to hazards that will jeopardise an employee's health, safety or the health and safety of others associated with our business. Elementos recognise that safety is both an individual and shared responsibility of all employees, contractors and other persons involved with the operation of the organisation. The Company has a comprehensive Safety and Health Management

# Director's Report

system which is designed to minimise the risk of an uncontrolled safety and health event and to continuously improving safety culture within the organisation.

- Funding - the Company will require additional funding to continue exploration and potentially move from the exploration phase to the development phases of its projects. There is no certainty that the Company will have access to available financial resources sufficient to fund its exploration, feasibility or development costs at those times.

- Market - there are numerous factors involved with exploration and early stage development of its projects, including variance in commodity price and labour costs which can result in projects being uneconomical.

**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 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.

**Native Title**

Mining tenements that the Group currently holds, are subject to Native Title claims. The Group has a policy that is respectful of the Native Title rights and is continuing to negotiate with relevant indigenous bodies.

**Remuneration Report (Audited)**

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

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

| | |
|---|---|
| Andy Greig | Director – Non-executive Chairman |
| Chris Dunks | Director – Non-executive (appointed 4 November 2015, ceased 5 July 2016)<br>Director – Executive (commenced 6 July 2016) |
| Corey Nolan | Director - Non-executive |
| Calvin Treacy | Director - Non-executive |
| Chris Creagh | Operations Manager (appointed 24 August 2016, ceased 31 December 2016)<br>Chief Executive Officer (appointed 1 January 2017) |
| Duncan Cornish | Chief Financial Officer and Company Secretary |
| Tim McManus | Chief Executive Officer (resigned 6 July 2016) |

The Group'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 Group 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.

# Director's Report

The Group's remuneration policy provides for long-term incentives to be offered through a director and employee share option plan and also through a performance rights plan (approved at the Company's 2016 AGM). Options may be granted under these plans to align directors', executives', employees' and shareholders' interests. Two methods may be used to achieve this aim, the first being performance rights and options that vest upon reaching or exceeding specific predetermined objectives, and the second being options granted with higher exercise prices (than the share price at issue) rewarding share price growth.

The board of directors is responsible for determining and reviewing the Group's remuneration policy, remuneration levels and performance of both executive and non-executive directors. Independent external advice will be sought when required. No independent external advice was sought during the current year.

***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 may be comprised of cash bonuses, determined on a discretionary basis by the board. No short-term incentives were made available during the year.

Long-term incentives are comprised of share options and performance rights, which are granted from time-to-time to encourage sustained strong performance in the realisation of strategic outcomes and growth in shareholder value. No long term incentives were made available during the year.

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.

The Group's policy for determining the nature and amount of remuneration of board members and key executives is set out below.

***Directors***

Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is not linked to the performance of the Group. 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 appointment conditions of the non-executive directors are set out and agreed in letters of appointment.

Given the protracted negotiations of the partnering and funding process, the Company believes it is prudent it continues to maintain a very low-cost corporate overhead and preserve its cash resources. Consequently, following a board restructure at the end of October 2015 the board resolved to reduce non-executive director fees (from $27,500 per annum plus superannuation) to $25,000 per annum (including superannuation) and Andy Greig chose to not accept a (director) fee. Following the resignation of the Company's CEO on 6 July 2016, Chris Dunks was appointed as an executive director and his fee was increased to $73,000 per annum (including superannuation) from 1 August 2016. If directors perform services for the Company that, in the opinion of the other directors, is outside the scope of the ordinary duties of the director, the Company may pay that director for those services in addition to the remuneration outlined above.

### *Executives*

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 executives receive payments provided for under an employment or service agreement, which may include cash, superannuation, short-term incentives, and equity based performance remuneration.

Chris Creagh was appointed Chief Executive Officer (CEO) on 1 January 2017, having previously held the position of Operations Manager since August 2016. The key terms of the employment agreement with Chris Creagh are:

- Total Fixed Remuneration of $200,000 per annum (inclusive of superannuation);
- Annual cash bonus at the discretion of the board (no STI was granted during the financial year 2017);
- Incentive package of 30.0m performance rights (yet to be determined and issued); and
- 90 days notice of termination by either party.

The Company has a services agreement with Corporate Administration Services Pty Ltd ("CAS") and Duncan Cornish, the Company's CFO and Company Secretary. Under the agreement, CAS also provides accounting, bookkeeping and administrative services. Both Elementos and CAS are entitled to terminate the agreement upon giving not less than three months' written notice. The base fee under the services agreement is $120,000 per annum. On 21 December 2015 Duncan Cornish was issued with 10.0 million unlisted options exercisable at 1.25 cents each on or before 31 July 2019 (vested immediately on issue).

# Director's Report

***Remuneration Details of Key Management Personnel***

The remuneration of the key management personnel of Elementos Limited for the year ended 30 June 2017 was as follows:

**Year Ended 30 June 2017**

| Key Management Personnel | Short Term Benefits | | Equity Settled Shares | Equity Settled Options | Post-Employment Super-annuation | Total | Performance related % | % consisting of options |
|---|---|---|---|---|---|---|---|---|
| | Salary & Fees $ | Bonuses $ | $ | $ | $ | $ | | |
| A. Greig | - | - | - | - | - | - | - | - |
| C. Dunks | 72,093 | - | - | - | - | 72,093 | - | - |
| C. Nolan | 22,831 | - | - | - | 2,169 | 25,000 | - | - |
| C. Treacy | 25,649 | - | - | - | 2,169 | 27,818 | - | - |
| C. Creagh(1) | 122,994 | - | - | - | 8,676 | 131,670 | - | - |
| D. Cornish | 120,000 | - | - | - | - | 120,000 | - | - |
| T. McManus(2) | 10,261 | - | - | - | 267 | 10,528 | - | - |
| | **373,828** | **-** | **-** | **-** | **13,281** | **387,109** | | |

**Notes:*
*1. Appointed Operations Manager from 24-Aug-16, then appointed CEO from 1-Jan-17*
*2. Resigned 6 July 2016*

The remuneration of the key management personnel of Elementos Limited for the year ended 30 June 2016 was as follows:

**Year Ended 30 June 2016**

| Key Management Personnel | Short Term Benefits | | Equity Settled Shares | Equity Settled Options | Post-Employment Super-annuation | Total | Performance related % | % consisting of options |
|---|---|---|---|---|---|---|---|---|
| | Salary & Fees $ | Bonuses $ | $ | $ | $ | $ | | |
| A. Greig | - | - | - | - | - | - | - | - |
| C. Dunks | 16,664 | - | - | - | - | 16,664 | - | - |
| C. Nolan | 24,221 | - | - | - | 2,301 | 26,522 | - | - |
| C. Treacy | 24,221 | - | - | - | 2,301 | 26,522 | - | - |
| R. Anthon | 13,367 | - | - | - | - | 13,367 | - | - |
| R. Seville | 9,000 | - | - | - | 855 | 9,855 | - | - |
| D. Cornish | 82,500 | - | - | 63,200 | - | 145,700 | - | 42.8% |
| T. McManus | 183,714 | - | - | 128,100 | 17,453 | 329,267 | - | 38.9% |
| | **353,687** | **-** | **-** | **191,300** | **22,910** | **567,897** | | |

# Director's Report

The percentage of equity based remuneration for persons who were key management personnel of the Group during the year ended 30 June 2017 is set out below:

| Key Management Personnel | Proportion of Remuneration | |
|---|---|---|
| | Equity Based | Salary and Fees |
| A. Greig | n/a | n/a |
| C. Dunks | - | 100% |
| C. Nolan | - | 100% |
| C. Treacy | - | 100% |
| C. Creagh | - | 100% |
| D. Cornish | - | 100% |
| T. McManus | - | 100% |

***Company Performance, Shareholder Wealth, and Director and Executive Remuneration***

During the financial year, the Company has generated losses as its principal activity was mineral exploration.

The following table shows the share price of the Company since 2011.

| | 30 June 2017 | 30 June 2016 | 30 June 2015 | 30 June 2014 | 30 June 2013 | 30 June 2012 | 30 June 2011 |
|---|---|---|---|---|---|---|---|
| Share Price at year end ($) | 0.0084 | 0.008 | 0.010 | 0.02 | 0.015 | 0.079 | 0.225 |

As the Company is still in the exploration and development stage, the link between remuneration, company performance and shareholder wealth is tenuous. Share prices are subject to the influence of metal prices and market sentiment towards the sector, and as such, increases and decreases might occur independent of executive performance and remuneration.

# Director's Report

***Options Held by Key Management Personnel***

Details of options held directly, indirectly or beneficially by key management personnel during the year ended 30 June 2017 were as follows:

| Key Management Personnel | Balance at 1 July 2016 | Granted as Compensation | Exercised | Expired | Balance at 30 June 2017 | Total Vested 30 June 2017 | Total Vested and Exercisable 30 June 2017 |
|---|---|---|---|---|---|---|---|
| A. Greig | - | - | - | - | - | - | - |
| C. Dunks | - | - | - | - | - | - | - |
| C. Nolan | 800,000 | - | - | 800,000 | - | - | - |
| C. Treacy | 6,200,000 | - | - | - | 6,200,000 | 6,200,000 | 6,200,000 |
| C. Creagh | - | - | - | - | - | - | - |
| D. Cornish | 10,000,000 | - | - | - | 10,000,000 | 10,000,000 | 10,000,000 |
| T. McManus | 20,000,000 | - | - | 20,000,000 | - | - | - |
| | **37,000,000** | **-** | **-** | **20,800,000** | **16,200,000** | **16,200,000** | **16,200,000** |

***Options Granted as Remuneration***

As noted above, there were no options issued to key management personnel during the year ended 30 June 2017.

***Shares Held by Key Management Personnel***

Details of shares held directly, indirectly or beneficially by key management personnel during the year ended 30 June 2017 were as follows:

| Key Management Personnel | Balance at 1 July 2016 | Granted as Compensation | Received on Exercise of Options | Acquisitions | Balance at 30 June 2017 |
|---|---|---|---|---|---|
| A. Greig | 164,000,001 | - | - | 17,484,545 | 181,484,546 |
| C. Dunks | 15,750,004 | - | - | - | 15,750,004 |
| C. Nolan | 3,853,400 | - | - | - | 3,853,400 |
| C. Treacy | 26,850,004 | - | - | - | 26,850,004 |
| C. Creagh | - | - | - | - | - |
| D. Cornish | - | - | - | 2,497,272 | 2,497,272 |
| T. McManus | - | - | - | - | - |
| | **210,453,409** | **-** | **-** | **19,981,817** | **230,435,226** |

# Director's Report

***Other transactions with Key Management Personnel***

On 23 December 2015, the Company executed a loan deed with the Company's Non-Executive Chairman Mr Andy Greig, a related party, for up to $500,000. Further details are contained in Note 10 (Borrowings). At 30 June 2017, the amount recognised as a non-current liability was $545,658 (including $45,658 of accrued interest). Subsequent to 30 June 2017, the loan was fully repaid.

*End of Remuneration Report*

**Options**

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

**Unlisted Options**

| Grant Date/s | Expiry Date | Exercise Price | No. Under Option |
|---|---|---|---|
| 20 March 2014 | 20 March 2018 | 2.965 cents | 9,300,000 |
| 26 August 2015 | 31 July 2019 | 1.165 cents | 1,000,000 |
| 26 August 2015 | 31 July 2019 | 1.215 cents | 10,000,000 |
| 9-21 August 2017 | 30 June 2018 | 0.600 cents | 291,351,397 |
| | | | **311,651,397** |

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.

**Directors' Meetings**

The meetings attended by each director during the financial year were:

| Directors | Board | | Audit & Risk Committee | |
|---|---|---|---|---|
| | Meetings | Attended | Meetings | Attended |
| A. Greig | 3 | 3 | 2* | 2* |
| C. Dunks | 3 | 3 | 2 | 2 |
| C. Nolan | 3 | 2 | 2 | 2 |
| C. Treacy | 3 | 3 | 2 | 2 |

** This director attended the Audit & Risk Committee meetings (by invitation) despite not being a member of the Audit & Risk Committee.*

**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 set out in this Annual Report.

# Director's Report

### Indemnifying Directors and Auditors

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

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

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

### Proceedings on Behalf of the Company

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

### Non-Audit Services

The auditors did not provide any non-audit services during the year (2016: Nil).

### Auditor's Independence Declaration

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

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

**C. Nolan**
**Director**

Dated 28 September 2017
Brisbane, Queensland

# Auditor's Independence Declaration

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
**www.bdo.com.au**

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

**DECLARATION OF INDEPENDENCE BY D P WRIGHT TO THE DIRECTORS OF ELEMENTOS LIMITED**

As lead auditor of Elementos Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

**D P Wright**
Director

**BDO Audit Pty Ltd**

Brisbane, 28 September 2017

# Shareholder Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 19 September 2017.

**(a) Distribution of equity securities**

The number of holders, by size of holding, in each class of security are:

| | Ordinary Shares | | Unlisted Options (0.600c @ 30-Jun-18) | |
|---|---|---|---|---|
| | No. Holders | No. Shares | No. Holders | No. Options |
| 1 - 1,000 | 56 | 11,746 | 2 | 1,068 |
| 1,001 - 5,000 | 75 | 231,370 | 16 | 49,838 |
| 5,001 - 10,000 | 78 | 634,283 | 13 | 114,206 |
| 10,001 - 100,000 | 275 | 11,604,344 | 68 | 3,033,575 |
| 100,001 and over | 372 | 1,222,899,807 | 118 | 285,366,870 |
| **Total** | **856** | **1,235,381,550** | **217** | **288,565,557** |

| | Unlisted Options (2.965c @ 20-Mar-18) | | Unlisted Options (1.165c @ 31-Jul-18) | |
|---|---|---|---|---|
| | No. Holders | No. Options | No. Holders | No. Options |
| 1 - 1,000 | - | - | - | - |
| 1,001 - 5,000 | - | - | - | - |
| 5,001 - 10,000 | - | - | - | - |
| 10,001 - 100,000 | - | - | - | - |
| 100,001 and over | 2 | 9,300,000 | 1 | 1,000,000 |
| **Total** | **2** | **9,300,000** | **1** | **1,000,000** |

| | Unlisted Options (1.215c @ 31-Jul-19) | |
|---|---|---|
| | No. Holders | No. Options |
| 1 - 1,000 | - | - |
| 1,001 - 5,000 | - | - |
| 5,001 - 10,000 | - | - |
| 10,001 - 100,000 | - | - |
| 100,001 and over | 1 | 10,000,000 |
| **Total** | **1** | **10,000,000** |

The number of shareholders holding less than a marketable parcel is 416.

# Shareholder Information

### (b) Twenty Largest Shareholders

The names of the twenty largest holders of Quoted Ordinary Shares are:

| # | Registered Name | Number of Shares | % of total Shares |
|---|---|---:|---:|
| 1 | BOND STREET CUSTODIANS LIMITED <DAVKRE - D08642 A/C> | 272,226,820 | 22.04% |
| 2 | JERVOIS MINING LTD | 100,000,000 | 8.09% |
| 3 | BOURSE SECURITIES PTY LTD | 67,366,667 | 5.45% |
| 4 | JAMES CALAWAY* | 60,020,768 | 4.86% |
| 5 | KEO PROJECTS PTY LTD <SUPERANNUATION FUND A/C> | 36,471,862 | 2.95% |
| 6 | CALVIN PATRICK TREACY* | 28,000,004 | 2.27% |
| 7 | MR MICHAEL DAVID ADAMS & MRS CAROL ADAMS* | 27,299,095 | 2.21% |
| 8 | MR JOHN DOUGLAS JEFFERY & MRS ELSPETH LOUISE JEFFERY <GIBSON BROS HOLDING S/F A/C> | 21,250,000 | 1.72% |
| 9 | SANGWILL PTY LTD <MC VAY FAMILY S/F A/C> | 20,100,000 | 1.63% |
| 10 | MR CHRISTOPHER JAMES DUNKS* | 19,687,505 | 1.59% |
| 11 | CHRISTOPHER JOHN STAPLES & ANNA CLAIRE STAPLES <THE STAPLES A/C>* | 18,050,762 | 1.46% |
| 12 | 327TH P & C NOMINEES PTY LTD <MASTERMAN SUPER FUND A/C> | 17,677,895 | 1.43% |
| 13 | 1514341 ONTARIO INC | 17,200,000 | 1.39% |
| 14 | KOKONG HOLDINGS PTY LIMITED | 16,768,693 | 1.36% |
| 15 | MR WILLIAM RICHARDS GOODALL <GOODALL FAMILY A/C> | 16,659,095 | 1.35% |
| 16 | MR PHILLIP GERRARD BERRY | 16,544,748 | 1.34% |
| 17 | J P MORGAN NOMINEES AUSTRALIA LIMITED | 13,990,494 | 1.13% |
| 18 | MR TERRY TAYLOR & MRS LYNDA LOUISE TAYLOR <HOMEMINSTER SUPER FUND A/C> | 13,873,410 | 1.12% |
| 19 | MR NEIL FRANCES STUART* | 13,107,626 | 1.06% |
| 20 | RICHARD SEVILLE AND ASSOCIATES PTY LTD <THE SEVILLE SUPER A/C> | 11,340,087 | 0.92% |
| | **Top 20 Total** | **807,635,531** | **65.38%** |
| | **Total of Securities** | **1,235,381,550** | |

** Merged holding*

# Shareholder Information

### (c) Substantial Shareholders

Substantial shareholders as shown in substantial shareholder notices received by Elementos Limited are:

| Name of Shareholder | Ordinary Shares |
|---|---|
| BOND STREET CUSTODIANS LIMITED <DAKRET - D08642 A/C> | 164,000,001 |
| BOURSE SECURITIES PTY LTD | 68,366,667 |
| JAMES CALAWAY <AND RELATED PARTIES> | 60,020,768 |

The Company notes that, as at the date of this report, the following shareholders own substantial shareholdings (>= 5.0%) in Elementos Limited:

| Name of Shareholder | Ordinary Shares | % of total Shares |
|---|---|---|
| BOND STREET CUSTODIANS LIMITED <DAVKRE - D08642 A/C> | 272,226,820 | 22.04% |
| JERVOIS MINING LTD | 100,000,000 | 8.09% |
| BOURSE SECURITIES PTY LTD | 67,366,667 | 5.45% |
| JAMES CALAWAY* | 60,020,768 | 4.86% |

* *Merged holding*

### (d) Voting rights

All ordinary shares carry one vote per share without restriction.

Options do not carry voting rights.

### (e) Restricted securities

The Group currently has no restricted securities on issue.

### (f) On-market buy back

There is not a current on-market buy-back in place.

### (g) Business objectives

The Group has used its cash and assets that are readily convertible to cash in a way consistent with its business objectives.

# Corporate Governance Statement

The board of directors of Elementos Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Elementos Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Elementos Limited's Corporate Governance Statement (which can be found on the Company's website www.elementos.com.au) is structured with reference to the Australian Securities Exchange ("ASX") Corporate Governance Council's (the "Council") "Corporate Governance Principles and Recommendations, 3rd Edition", which are as follows:

| | |
|---|---|
| Principle 1 | Lay solid foundations for management and oversight |
| Principle 2 | Structure the board to add value |
| Principle 3 | Act ethically and responsibly |
| Principle 4 | Safeguard integrity in corporate reporting |
| Principle 5 | Make timely and balanced disclosure |
| Principle 6 | Respect the rights of security holders |
| Principle 7 | Recognise and manage risk |
| Principle 8 | Remunerate fairly and responsibly |

A copy of the eight Corporate Governance Principles and Recommendations can be found on the ASX's website.

The Board is of the view that, during the reporting period, with the exception of the departures from the ASX Guidelines as set out below, it otherwise complies with all of the ASX Guidelines.

**Roles and Responsibilities of the Board and Management**
**ASX CGC Principle 1**
*Lay solid foundations for management and oversight.*
**Role of the Board**

The Board of Directors is pivotal in the relationship between shareholders and management and the role and responsibilities of the Board underpin corporate governance.

The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Group's needs.

Generally, the powers and obligations of the Board are governed by the Corporations Act and the general law.

Without limiting those matters, the Board expressly considers itself responsible for the following:

- Ensuring compliance with the Corporations Act, ASX Listing Rules (where appropriate) and all relevant laws;
- Oversight of the Group including its framework of control and accountability systems to enable risk to be assessed and managed;
- Appointing and removing the chief executive officer;
- Ratifying the appointment and, where appropriate, removal of senior executives including the chief financial officer and the Group secretary;
- Input into and final approval of management's development of corporate strategy and performance objectives;
- Monitoring senior executive's performance and implementation of strategy;
- Ensuring appropriate resources are available to senior executives;
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;

# Corporate Governance Statement

- Approving and overseeing Committees where appropriate to assist in the Board's function and powers.

The Functions, Powers and Responsibilities of the Board are set out in the Company's Corporate Governance Charter which is available from the corporate governance section of the Group's website.

The board meets on a regular basis to review the performance of the Company against its goals both financial and non-financial. In normal circumstances, prior to the scheduled board meetings, each board member is provided with a formal board package containing appropriate management and financial reports.

Appropriate background checks are conducted on proposed new directors and material information about a director being re-elected is provided to security holders.

Written agreements are entered in to with directors and senior management clearly setting out their roles and responsibilities.

The company secretary works directly with the chair and the executive director on the functioning of all board and committee procedures.

**Diversity**

The Group is committed to workplace diversity and ensuring a diverse mix of skills amongst its directors, officers and employees.

Recommendation 1.5 requires that listed entities should establish a policy concerning diversity. Whilst the Group does not currently have a Diversity policy due to its size and nature of its operations, it strives to attract the best person for the position regardless of gender, age, ethnicity or cultural background.

As at 30 June 2017, the proportion of women in the whole organisation is a follows:

| | Male | Female |
|---|---|---|
| Board Members | 4 | - |
| Officers | 1 | - |
| Other | - | 1 |

**Performance Evaluation**

The Board (in carrying out the functions of the Remuneration and Nomination Committees) considers remuneration and nomination issues annually and otherwise as required in conjunction with the regular meetings of the Board.

As the current CEO was recently appointed, no performance evaluation has undertaken.

No formal performance evaluation of the non-executive directors was undertaken during the year ended 30 June 2017.

# Corporate Governance Statement

**Board Composition**
**ASX CGC Principle 2**

**Structure of the Board to add value**

**Nomination Committee**

Recommendation 2.1 requires the Board to establish a nomination committee.

Although the Board has adopted a Nominations Committee Charter, the Board has not formally established a Nominations Committee as the Directors consider that the Company is currently not of a size nor are its affairs of such complexity as to justify the formation of this Committee. The Board as a whole is able to address these issues and is guided by the Nominations Committee Charter. The Company will review this position annually and determine whether a Nominations Committee needs to be established.

The Nomination Committee Charter is set out in the Company's Corporate Governance Charter which is available from the corporate governance section of the Group's website.

The Company is developing an appropriate board skills matrix. The skills, experience and expertise relevant to the position of each director who is in office at the date of the Annual Report is detailed in the director's report.

Corporate Governance Council Recommendation 2.4 requires a majority of the Board to be independent Directors. The Corporate Governance Council defines independence as being free from any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material capacity to bring independent judgement to bear on issues before the board and to act in the best interests of the entity and its security holders generally.

In the context of Director independence, "materiality" is considered from both the Group and the individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered included whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Group.

In accordance with the Council's definition of independence above and the materiality thresholds set, all of the Company' s directors are not considered to be independent and therefore the Group does not currently comply with Recommendation 2.4:

| Name | Position | Reason for non-compliance |
|---|---|---|
| A. Greig | Non-Executive Chairman | Director is a substantial (>5%) shareholder |
| C. Dunks | Executive Director | Director is engaged by the Company in an executive capacity |
| C. Treacy | Non-Executive Director | Director was employed by the Company in an executive capacity within the last three years |

# Corporate Governance Statement

Elementos Limited considers industry experience and specific expertise, as well as general corporate experience, to be important attributes of its Board members. The Directors noted above have been appointed to the Board of Elementos Limited due to their considerable industry and corporate experience. The term in office held by each Director in office at the date of this report is as follows:

| Name | Term in Office |
|---|---|
| A. Greig | 1 year, 11 months |
| C. Dunks | 1 year, 11 months |
| C. Nolan | 8 years 2 months |
| C. Treacy | 3 year 11 months |

Directors have the right to seek independent professional advice in the furtherance of their duties as directors at the Group's expense. Written approval must be obtained from the chair prior to incurring any expense on behalf of the Group. Informal induction is provided to any new directors.

**Act Ethically and Responsibly**
**ASX CGC Principle 3**

**Code of Conduct**

The Directors are subject to certain stringent legal requirements regulating the conduct both in terms of their internal conduct as directors and in their external dealings with third parties both on their own and on behalf of the Group.

To assist directors in discharging their duty to the Group and in compliance with relevant laws to which they are subject, the Group has adopted a Corporate Ethics Policy and Corporate Code of Conduct within its Corporate Governance Charter.

The Corporate Ethics Policy sets out rules binding Directors in respect of:

- a Director's legal duties as an officer of the Company;
- a Director's obligations to make disclosures to the ASX and the market generally; and
- dealings by Directors in shares in the Company.

The Corporate Ethics Policy, as set out in the Company's Corporate Governance Charter is available from the corporate governance section of the Group's website.

**Safeguard Integrity in Corporate Reporting**
**ASX CGC Principle 4**
**Audit Committee**

The Board has established an Audit and Risk Management Committee which operates under a charter approved by the Board.

Recommendation 4.1 states that an audit committee should be structured so that it:

i. consists only non-executive directors;
ii. consists of a majority of independent directors;
iii. is chaired by an independent chair, who is not the chair of the Board; and
iv. has at least three members.

# Corporate Governance Statement

The members of the Audit & Risk Management Committee are Corey Nolan, Calvin Treacy and Chris Dunks. The Committee is chaired by an independent director (Corey Nolan). While Messrs Nolan and Treacy are both non-executive directors, Chris Dunks is engaged in an executive capacity. The majority of the Committee are not independent directors, with only Corey Nolan considered as being independent (based on the Council's definition). The Company does not presently comply fully with Recommendation 4.1 having not met points i and ii above.

All members of the Audit & Risk Management Committee are considered financially literate in the context of the Company's affairs. The Company believes that given the size and nature of its operations, non-compliance by the Company with Recommendation 4.1 will not be detrimental to the Company.

The number of meetings of the Audit & Risk Management Committee held during the year and the number of meetings attended by each Director was as follows:

| | Audit & Risk Management Committee | |
|---|---|---|
| | **Number of meetings held while in office** | **Meetings attended** |
| C. Nolan | 2 | 2 |
| C. Dunks | 2 | 2 |
| C. Treacy | 2 | 2 |

The Audit Committee Charter is set out in the Company's Corporate Governance Charter which is available from the corporate governance section of the Group's website.

**Certification of financial reports**

The Executive Director has made the following certifications to the Board:

- That the Group's financial reports are complete and present a true and fair view, in all material respects, of the financial position and performance of the Group and are in accordance with relevant accounting standards;
- The integrity of the reports is founded on a sound system of financial risk management and internal compliance and control.

The Chief Financial Officer has made the following certifications to the Board:

- That the Group's financial reports are complete and present a true and fair view, in all material respects, of the financial position and performance of the Group and are in accordance with relevant accounting standards;
- The integrity of the reports is founded on sound system of financial risk management and internal compliance and control.

The Group ensures that its external auditors are present at the AGM to answer any questions with regard to the efficacy of the financial statement audit and the associated independent audit report.

**Continuance Disclosure**
**ASX CGC Principle 5**
*Make timely and balanced disclosure*

The Group duly complies with ASX and ASIC requirements for the timely and accurate reporting of the Group's financial activities, thus ensuring that the Group has disclosed all information which has a material impact on shareholders. This includes the Annual Financial Report, Interim Financial Report, quarterly cash flows, new and relinquished tenements and changes in directors and shareholder interests and other events which are identified to be material. All ASX announcements are available on the Group's website.

# Corporate Governance Statement

The Company Secretary is responsible for communication with the ASX, including responsibility for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules and oversight of information distributed to the ASX.

**Respect The Rights of Security Holders**
**ASX CGC Principle 6**

The Board of directors undertakes to ensure that shareholders are informed of all major developments affecting the Group. Information is communicated to shareholders through the annual report, interim financial report, announcements made to the ASX, notices of Annual General and Extraordinary General Meetings, the AGM and Extraordinary General Meetings.

The Board encourages full participation of shareholders at Annual and Extraordinary General Meetings to ensure a high level of accountability and identification with the Group's direction, strategy and goals. In particular, shareholders are responsible for voting on the re-election of directors.

The Group also offers shareholders the option to receive ASX announcements and other notices from the Company electronically.

**Risk Management**
**ASX CGC Principle 7**
*Recognise and manage risk*

The Board has established an Audit and Risk Management Committee which operates under a charter approved by the Board.

Recommendation 7.1 states that an audit committee should be structured so that it:

i. consists only non-executive directors;
ii. consists of a majority of independent directors;
iii. is chaired by an independent chair, who is not the chair of the Board; and
iv. has at least three members.

The members of the Audit & Risk Management Committee are Corey Nolan, Calvin Treacy and Chris Dunks. The Committee is chaired by an independent director (Corey Nolan). While Messrs Nolan and Treacy are both non-executive directors, Chris Dunks is engaged in an executive capacity. The majority of the Committee are not independent directors, with only Corey Nolan considered as being independent (based on the Council's definition). The Company does not presently comply fully with Recommendation 7.1 having not met points i and ii above.

All members of the Audit & Rick Management Committee are considered to have sufficient technical, legal and industry experience in the context of the Company's affairs to properly assess the risks facing the Group. The Company believes that given the size and nature of its operations, non-compliance by the Company with Recommendation 7.1 will not be detrimental to the Company.

# Corporate Governance Statement

The number of meetings of the Audit & Risk Management Committee held during the year and the number of meetings attended by each Director was as follows:

| | Audit & Risk Management Committee | |
|---|---|---|
| | **Number of meetings held while in office** | **Meetings attended** |
| C. Nolan | 2 | 2 |
| C. Dunks (appointed 4 November 2015) | 2 | 2 |
| C. Treacy | 2 | 2 |

The Company has developed a basic framework for risk management and internal compliance and control systems which cover organisational, financial and operational aspects of the Company's affairs. Further detail of the Company's risk management policies can be found within the Audit and Risk Management Committee Charter.

Recommendation 7.2 requires that the Board review the Company's risk management framework and disclose whether such a review has taken place. Business risks are considered regularly by the Board and management at management and Board meetings. A formal report to the Board as to the effectiveness of the management of the Company's material business risks has not been formally undertaken.

The Audit and Risk Management Committee Charter is set out in the Company's Corporate Governance Charter which is available from the corporate governance section of the Group's website.

The Company does not have a separate internal audit function. The board considers that the Company is not currently of the size or complexity to justify a separate internal audit function, and that appropriate internal financial controls are in place. Such controls are monitored by senior financial management and the Audit and Risk Committee.

The Director's Report sets out some of the key risks relevant to the Company and its operations. Although not specifically defined as such, the risks include economic, environmental and social sustainability risks. As noted above, the Company regularly reviews risks facing the Company and adopts appropriate mitigation strategies where possible.

**Remuneration**
**ASX CGC Principle 8**
*Remunerate fairly and responsibly*

**Remuneration Committee**

The Board has not established a Remuneration Committee which operates under a charter approved by the Board.

Although the Board has adopted a Remuneration Committee Charter, the Board has not formally established a Remuneration Committee as the Directors consider that the Company is currently not of a size nor are its affairs of such complexity as to justify the formation of this Committee. The Board as a whole considers themselves to have sufficient legal, corporate, commercial and industry experience in the context of the Company's affairs to properly assess the remuneration issues required by the Group and is able to address these issues while being guided by the Remuneration Committee Charter. The Company will review this position annually and determine whether a Remuneration Committee needs to be established.

# Corporate Governance Statement

The Company believes that given the size and nature of its operations, non-compliance by the Company with Recommendation 8.1 will not be detrimental to the Company.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive director's and officer's remuneration to the Group's financial and operations performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key Executives
- attraction of quality management to the Group
- performance incentives which allow executives, management and staff to share the rewards of the success of Elementos Limited.

For details on the amount of remuneration and all monetary and non-monetary components for Key Management Personnel during the period, please refer to the Remuneration Report within the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Remuneration Committee and the Board, having regard to the overall performance of Elementos Limited and the performance of the individual during the period.

There is no scheme to provide retirement benefits to directors other than statutory superannuation.

The Remuneration Committee Charter is set out in the Company's Corporate Governance Charter which is available from the corporate governance section of the Group's website.

**Remuneration Policy**

The Group's remuneration policy is also further detailed in the Remuneration Report in the Directors Report.

**Non-Executive Director Remuneration**

Non-executive directors are remunerated at market rates for time, commitment and responsibilities. Non-executive directors are remunerated by fees as determined by the Board with the aggregate directors' fee pool limit of $250,000. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Independent consultancy sources provide advice, as required; ensuring remuneration is in accordance with market practice. Fees for non-executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholders interests, the Directors are encouraged to hold shares in the Company and are, subject to approval by shareholders, periodically offered options and/or performance rights.

The Company has adopted a Trading Policy that includes a prohibition on hedging, aimed at ensuring participants do not enter in to arrangements which would have the effect of limited their exposure to rick relating to an element of their remuneration.

**Other Information**

Further information relating to the Group's corporate governance practices and policies has been made publicly available on the Group's web site.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2017

| | Note | 30 June 2017<br>$ | 30 June 2016<br>$ |
|---|---|---|---|
| Revenue | | 2,841 | 10,648 |
| Corporate and administrative expenses | 2 | (711,408) | (860,157) |
| Write-off of exploration assets | 5 | (60,926) | (240,447) |
| Reclassify foreign currency reserve | 10 | - | (667,824) |
| Loss before income tax expense | | (769,493) | (1,757,780) |
| Income tax expense | 3 | - | - |
| Loss for the period attributable to members of the parent entity | | (769,493) | (1,757,780) |
| Other comprehensive income | | | |
| Items that may be reclassified to profit or loss: | | | |
| Exchange gains on translation of foreign operations | | - | 810 |
| Reclassify foreign currency reserve | | - | 667,824 |
| Other comprehensive incomefor the period, net of tax | | - | 668,634 |
| Total comprehensive loss attributable to members of the parent entity | | **(769,493)** | **(1,089,146)** |
| Basic and diluted loss per share (cents per share) | | (0.09) | (0.2) |

The accompanying notes form part of these financial statements.

# Consolidated Statement of Financial Position
# As at 30 June 2017

| | Note | 30 June 2017 $ | 30 June 2016 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 4 | 655,868 | 467,268 |
| Trade and other receivables | | 284 | 2,020 |
| Other current assets | | - | 708 |
| **Total Current Assets** | | **656,152** | **469,996** |
| | | | |
| **NON-CURRENT ASSETS** | | | |
| Exploration and evaluation assets | 5 | 4,745,500 | 4,681,891 |
| Plant and equipment | | 1,722 | 1,225 |
| Other non-current assets | 6 | 6,000 | 6,000 |
| **Total Non-Current Assets** | | **4,753,222** | **4,689,116** |
| | | | |
| **TOTAL ASSETS** | | **5,409,374** | **5,159,112** |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 7 | 68,175 | 62,739 |
| Borrowings | 8 | 545,658 | - |
| **Total Current Liabilities** | | **613,833** | **62,739** |
| | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Borrowings | 8 | - | 515,658 |
| **Total Non-Current Liabilities** | | **-** | **515,658** |
| | | | |
| **TOTAL LIABILITIES** | | **613,833** | **578,397** |
| | | | |
| **NET ASSETS** | | **4,795,541** | **4,580,715** |
| | | | |
| **EQUITY** | | | |
| | | | |
| Contributed equity | 9 | 13,391,701 | 12,407,382 |
| Reserves | | 133,200 | 261,300 |
| Accumulated losses | | (8,729,360) | (8,087,967) |
| **TOTAL EQUITY** | | **4,795,541** | **4,580,715** |

The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes in Equity
# For the Year Ended 30 June 2017

| | Note | Issued Capital | Accumulated Losses | Share-Based Payments Reserve | Foreign Currency Translation Reserve | Total |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| **Balance at 30 June 2015** | | **12,437,377** | **(6,330,187)** | **64,170** | **(668,634)** | **5,502,726** |
| Loss for the period | | - | (1,757,780) | - | - | (1,757,780) |
| Other comprehensive income for the period | | - | - | - | 810 | 810 |
| Reclassify foreign currency reserve | 10 | - | - | - | 667,824 | 667,824 |
| **Total comprehensive income** | | **-** | **(1,757,780)** | **-** | **668,634** | **(1,089,146)** |
| Equity settled compensation | 16 | - | - | 197,130 | - | 197,130 |
| Transaction costs | 9 | (29,995) | - | - | - | (29,995) |
| **Balance at 30 June 2016** | | **12,407,382** | **(8,087,967)** | **261,300** | **-** | **4,580,715** |
| Loss for the period | | - | (769,493) | - | - | (769,493) |
| **Total comprehensive income** | | **-** | **(769,493)** | **-** | **-** | **(769,493)** |
| Issue of shares | 9 | 1,050,000 | - | - | - | 1,050,000 |
| Transaction costs | 9 | (65,681) | - | - | - | (65,681) |
| Transfer of expired options | | - | 128,100 | (128,100) | - | - |
| **Balance at 30 June 2017** | | **13,391,701** | **(8,729,360)** | **133,200** | **-** | **4,795,541** |

The accompanying notes form part of these financial statements.

# Consolidated Statement of Cash Flows
# For the Year Ended 30 June 2017

| | Note | 30 June 2017 $ | 30 June 2016 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Interest received | | 2,841 | 10,195 |
| Payments to suppliers and employees | | (696,600) | (708,344) |
| **Net cash used in operating activities** | 11 | **(693,759)** | **(698,149)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for exploration and evaluation assets | | (354,585) | (459,006) |
| Refunds of security deposits | | - | 15,005 |
| Research and development refunds | | 211,838 | 320,684 |
| Cash disposed of on disposal of subsidiary | | - | (183) |
| Purchase of property, plant and equipment | | (10,626) | (866) |
| Proceeds from the sale of a subsidiary | | - | 57,950 |
| **Net cash used in investing activities** | | **(153,373)** | **(66,416)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of shares | | 1,050,000 | - |
| Costs associated with share issues | | (14,268) | (29,995) |
| Proceeds from loan | | - | 500,000 |
| **Net cash provided by financing activities** | | **1,035,732** | **470,005** |
| Net increase/(decrease) in cash held | | 188,600 | (294,560) |
| Cash at Beginning of Year | | 467,268 | 761,828 |
| **Cash at End of Year** | 4 | **655,868** | **467,268** |

The accompanying notes form part of these financial statements.

# Notes to the Consolidated Financial Statements
# For the Year Ended 30 June 2017

## 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. The financial statements are presented in Australian dollars.

The principal activity of the Group during the year was project development in Australia. The Group is developing the Cleveland tin-copper-tungsten Project through a staged, low-capital development strategy, which minimises upfront capital, with cash flow funding future stages. This ensures maximum benefit from capital expenditure, delivering optimal value to shareholders.

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 consolidated entity consisting of Elementos Limited and its 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 28 September 2017 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 22.

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 ability of the Group to maintain continuity of normal business activities and to pay its debts as and when they fall due is dependent on the ability of the Group to successfully raise additional capital and/or successful exploration and subsequent exploitation of areas of interest through sale or development. The Group has not generated any revenues from operations. During the year ended 30 June 2017, the Group raised $1,050,000 of cash through equity raisings (before costs). Since 30 June 2017 the Group has raised a further $1,151,721 of cash through equity raisings (before costs and after debt reduction).

Should the Group not be able to raise further capital, dispose of assets when required or manage its expenditure so as to conserve cash over the coming 12 months, there exists a material uncertainty regarding the Group's ability to continue as a going concern and realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities which might be necessary should the Group not be able to continue as a going concern.

### 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 2017, 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.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Principles of Consolidation (continued)

The names of the subsidiaries are contained in Note 20. 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 Group has control. The Group has control over an entity when the Group is exposed to, or has a right to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. 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 profit or loss.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture 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 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/Chief Executive Officer.

### 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 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 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.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Income Tax (continued)

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.

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

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.

### 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 or loss 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.

## Notes to the Consolidated Financial Statements for the Year Ended 30 June 2017

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Restoration Costs (continued)**

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.

**Impairment of Non-Financial 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 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 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.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial Instruments (continued)

Fair value is the price that would be received to sell an asset or paid to transfer an assets. 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.

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 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.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

### 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. Where applicable, 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. Where applicable, 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.

Where the fair 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

*Short-term employee benefit obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled wholly within 12 months after the end of the reporting period are recognised in liabilities in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

### 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 functional and presentation currency of Elementos Ltd and its Australian subsidiaries is Australian dollars ($A).

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Foreign Currency Transactions and Balances (continued)

*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 measured. Exchange differences arising on the translation of monetary items are recognised in 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;
- 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.

### Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to exploration and evaluation assets that have been capitalised are recognised by deducting the grant received from the carrying amount of the exploration and evaluation asset recognised on the statement of financial position.

### 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.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### New and Amended Standards and Interpretations Adopted During the Year

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2016 affected any of the amounts recognised in the current period or any period prior and are not likely to affect future periods.

New and amended standards issued that are not yet effective during the year have not been adopted in preparing these financial statements. These standards include:
1 – AASB 15 - Revenue from Contracts with Customers – applicable to annual reporting periods beginning on or after 1 January 2017.
2 – AASB 9 - Financial Instruments – applicable to annual reporting periods beginning on or after 1 January 2018..
3 – AASB 16 - Leases – applicable to annual reporting periods beginning on or after 1 January 2019.

None of these are expected to have a significant effect on the financial statements when they are first applied.

### Fair Values

Fair values may be used for financial asset and liability measurement as well as for sundry disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the Group.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their best economic interest. The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use. In measuring fair value, the Group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

### 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.

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 2017 were $4,745,000 (2016: $4,681,891).

## NOTE 2: EXPENSES

| | 30 June 2017<br>$ | 30 June 2016<br>$ |
|---|---|---|
| **Included in expenses are the following items:** | | |
| Depreciation | 10,002 | 3,783 |
| ASX, ASIC, share registry expenses | 33,173 | 42,043 |
| Business development and investor relations costs | 131,852 | 120,679 |
| Legal fees | 4,373 | 46,991 |
| Insurances | 29,696 | 39,950 |
| Audit, tax and external accounting fees | 101,530 | 74,927 |
| Interest | 30,000 | 15,654 |
| Employee benefits expense comprises: | | |
| Salaries and wages | 102,816 | 91,242 |
| Consulting fees | 200,880 | 82,835 |
| Contributions to defined contribution plans | 14,520 | 23,799 |
| Equity settled options | - | 197,130 |
| Annual leave expensed | 7,690 | 7,743 |
| | | - |
| | **666,532** | **746,776** |

## NOTE 3: INCOME TAX EXPENSE

| | 30 June 2017<br>$ | 30 June 2016<br>$ |
|---|---|---|
| **The prima facie tax on the operating loss is reconciled to income tax expense as follows:** | | |
| Prima facie tax/(benefit) on loss from ordinary activities before income tax at 30% (2016: 30%) | (230,848) | (527,334) |
| Adjust for tax effect of: | | |
| Non-deductible amounts | (55,346) | 156,606 |
| Tax loss not recognised | 146,568 | 153,340 |
| Temporary differences recognised | - | - |
| Under/Over | 139,626 | 217,388 |
| Income tax expense/(benefit) | **-** | **-** |
| | | |
| Deferred tax assets and liabilities not recognised, the net benefit of which will only be realised if the conditions for deductibility set out in Note 1 occur: | | |
| Temporary differences | - | - |
| Tax losses | 3,950,581 | 3,804,013 |

The Group has carried forward tax losses of $15,301,014 in Australia, which must satisfy the Continuity of Ownership Test, or failing that, the Same Business Test, in order to be utilised in the future.

## NOTE 4: CASH AND CASH EQUIVALENTS

| | 30 June 2017<br>$ | 30 June 2016<br>$ |
|---|---|---|
| Cash at bank and on hand | 645,868 | 154,605 |
| Short term deposits | 10,000 | 312,663 |
| | 655,868 | 467,268 |

## NOTE 5: EXPLORATION AND EVALUATION ASSETS

| | 30 June 2017<br>$ | 30 June 2016<br>$ |
|---|---|---|
| Exploration and evaluation expenditure carried forward in respect of areas of interest are: | | |
| Exploration and evaluation phase - at cost | 4,745,500 | 4,681,891 |
| | | |
| Movement in exploration and evaluation assets: | | |
| Opening balance - at cost | 4,681,891 | 4,859,170 |
| Security deposit refunds | - | (14,956) |
| Capitalised exploration expenditure | 336,373 | 448,172 |
| Exploration and evaluation assets disposed of | - | (49,364) |
| Foreign currency translation movement | - | - |
| Exploration and evaluation assets written off | (60,926) | (240,447) |
| Total exploration and evaluation assets | 4,957,338 | 5,002,575 |
| Less research and development refunds | (211,838) | (320,684) |
| **Carrying amount at the end of the year** | **4,745,500** | **4,681,891** |

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

## NOTE 6: OTHER NON-CURRENT ASSETS

| | 30 June 2017<br>$ | 30 June 2016<br>$ |
|---|---|---|
| Mining Lease Deposits | 6,000 | 6,000 |
| | **6,000** | **6,000** |

## NOTE 7: TRADE AND OTHER PAYABLES

| | 30 June 2017<br>$ | 30 June 2016<br>$ |
|---|---|---|
| Current: | | |
| Trade payables and accrued expenses | 60,485 | 53,695 |
| Short term employee benefits | 7,690 | 9,044 |
| **Total payables (unsecured)** | **68,175** | **62,739** |

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

## NOTE 8: BORROWINGS

| | 30 June 2017<br>$ | 30 June 2016<br>$ |
|---|---|---|
| Current: | | |
| Unsecured: | | |
| Loan from related party | 500,000 | 500,000 |
| Accrued interest | 45,658 | 15,658 |
| **Total unsecured non-current liability** | **545,658** | **515,658** |

On 23 December 2015, the Company executed a loan deed with the Company's Non-Executive Chairman Mr Andy Greig, a related party, with the following key terms:

- Loan amount = $500,000
- Loan term = 2 years
- Interest rate = 6.0%
- Unsecured
- No conversion rights
- No requirement to repay principal or pay interest during the loan term
- Repayable by the Company at any time (during the loan term)

On 24 February 2017, the Company and Andy Greig agreed to extend the repayment date of the loan to 31 December 2018. All other terms and conditions of the loan remain unchanged.

Subsequent to 30 June 2017 the loan was repaid in full, as follows:

- Andy Greig subscribed for his full entitlement in the Company's Rights Issue of 45,371,137 shares and 45,371,137 free attaching unlisted options (exercisable at 0.60 cents per option expiring on 30 June 2018) at a costs of 0.60 cents per share (and free attaching option). Andy Greig utilised the Rights Issue debt conversion facility to take up his Rights Issue entitlement costing $272,226, and reduce his loan by the same amount.
- Andy Greig exercised 45,371,137 unlisted options (exercisable at 0.60 cents per option expiring on 30 June 2018) in to 45,371,137 shares paying the exercise price of $272,226 by reducing his loan by the same amount.
- The Company made a final cash payment of $4,989 to pay the residual balance of the loan and any accrued interest.

## NOTE 9: CONTRIBUTED EQUITY

### Fully paid ordinary shares

| | | 2017 | | 2016 | |
|---|---|---|---|---|---|
| | | No. of Shares | $ | No. of Shares | $ |
| Balance as at 1 July | | 767,479,642 | 12,407,382 | 767,479,642 | 12,437,377 |
| Other share issues: | | | | | |
| 26 October 2016 | (a) | 64,333,636 | 353,835 | - | - |
| 14 December 2016 | (b) | 17,484,545 | 96,165 | - | - |
| 30 June 2017 | (c) | 100,000,000 | 600,000 | - | - |
| **Balance as at 30 June** | | **949,297,823** | **13,457,382** | **767,479,642** | **12,437,377** |
| Total transaction costs associated with share issues | | | (65,681) | | (29,995) |
| Net issued capital | | | 13,391,701 | | 12,407,382 |

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.

Notes for the above table, relating to the year ended 30 June 2017, are:

(a) & (b) Issued at 0.55 cents each, pursuant to a private placement.

(c) Issued at 0.60 cents each, pursuant to a private placement.

### Options

| | Note | Weighted average exercise price (cents) | 30 June 2017 No. of Options | Weighted average exercise price (cents) | 30 June 2016 No. of Options |
|---|---|---|---|---|---|
| Unlisted Share Options | | 2.01 | 20,300,000 | 2.67 | 43,850,000 |
| Balance at the beginning of the reporting period | | 2.67 | 43,850,000 | 10.58 | 17,850,000 |
| Options issued during the period: | | | | | |
| Issued to staff and consultants | 18 | | - | 1.33 | 31,000,000 |
| Expired | | 3.20 | (23,550,000) | 22.6 | (5,000,000) |
| Exercisable at end of year | | 2.01 | 20,300,000 | 2.67 | 43,850,000 |

### Capital Management

Exploration companies such as Elementos Limited are funded almost exclusively by share capital. In December 2015, the Group also entered in to a loan agreement set out in more detail in Note 10 (Borrowings). The loan has been repaid subsequent to 30 June 2017.

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 principally by way of equity, and where required, debt and/or project finance. No dividend will be paid while the Group is in exploration stage. There are no externally imposed capital requirements.

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

## NOTE 10: RESERVES

### Foreign Currency Translation Reserve

The foreign currency translation reserve recorded exchange differences arising on translation of foreign controlled subsidiaries. Amounts were reclassified during the period to profit or loss as the foreign operations have been abandoned.

### Share-Based Payments Reserve

The share-based payment reserve is used to recognise the fair value of options issued to employees. This reserve can be reclassified as retained earnings if options lapse.

## NOTE 11: CASH FLOW INFORMATION

| | 30 June 2017<br>$ | 30 June 2016<br>$ |
|---|---|---|
| Reconciliation of Cash Flow from Operations with Loss after Income Tax: | | |
| Loss after income tax | (769,493) | (1,757,780) |
| Non-cash flows in loss from ordinary activities: | | |
| Depreciation | 10,002 | 3,783 |
| Exploration expenditure written off | 60,926 | 240,447 |
| Equity settled compensation | - | 197,130 |
| Gain on disposal of subsidiary | - | (453) |
| Reclassify foreign currency reserve | - | 667,824 |
| Interest on borrowings | 30,000 | - |
| Changes in operating assets and liabilities: | | |
| (Increase)/Decrease in receivables | 1,736 | 12,847 |
| (Increase)/Decrease in prepayments and other assets | 708 | 10,127 |
| (Decrease)/Increase in payables | (27,638) | (72,074) |
| **Cash flows from operations** | **(693,759)** | **(698,149)** |

## NOTE 12: EARNINGS PER SHARE

| | 30 June 2017<br>$ | 30 June 2016<br>$ |
|---|---|---|
| Net loss used in the calculation of basic and diluted EPS | (769,493) | (1,757,780) |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS | 820,997,906 | 767,479,642 |

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. Shares and options issued subsequent to 30 June 2017 are also not dilutive.

## NOTE 13: COMMITMENTS

### (a) Exploration Commitments

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

The following commitments exist at balance date but have not been brought to account. If the relevant option to acquire a mineral tenement is relinquished the expenditure commitment also ceases. The Group has the option to negotiate new terms or relinquish the tenements and also to meet expenditure requirements by joint venture or farm-in arrangements.

| | 30 June 2017<br>$ | 30 June 2016<br>$ |
|---|---|---|
| Not later than 1 year | 1,000,000 | 1,000,000 |
| Later than 1 year but not later than 5 years | - | 212,838 |
| **Total commitment** | **1,000,000** | **1,212,838** |

### (b) Operating Lease Commitments

The Group has no operating leases (2016: nil).

## NOTE 14: CONTINGENT LIABILITIES

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

## NOTE 15: RELATED PARTY TRANSACTIONS

### Parent Entity

Elementos Limited is the legal parent and ultimate parent entity of the Group, owning 100% of all subsidiaries at 30 June 2017.

### Subsidiaries

Interest in subsidiaries are disclosed in Note 20.

### Key Management Personnel

| | 30 June 2017<br>$ | 30 June 2016<br>$ |
|---|---|---|
| Short-term employee benefits | 373,828 | 353,687 |
| Post-employment benefits | 13,281 | 22,910 |
| Equity-based payments | - | 191,300 |
| | **387,109** | **567,897** |

On 23 December 2015, the Company executed a loan deed with the Company's Non-Executive Chairman Mr Andy Greig, a related party, for up to $500,000. The loan has been settled since 30 June 2017. Further details are contained in Note 8 (Borrowings).

## NOTE 16: SHARE-BASED PAYMENTS

### Director and Employee Share-based Payments

Share based payment expense recognised during the year:

| | 30 June 2017<br>$ | 30 June 2016<br>$ |
|---|---|---|
| Share based payment expense recognised during the period: | | |
| Options issued to employees under employee share option plan | - | 133,930 |
| Options issued to consultant | - | 63,200 |
| | **-** | **197,130** |

During the year ended 30 June 2016, 31million options were granted, 21million to employees (includes 20million options issued to the then chief executive officer, Tim McManus, one of the Group's key management personnel) under the employee share option plan and 10million to a consultant. The options vested on grant date and expire on 31 July 2019, except for 1million which expire 31 July 2018.

The weighted average fair value of options granted during the year was 0.64 cents. The fair values at grant date were determined by an independent valuator using a Black-Scholes option pricing model that takes into account the share price at grant date, exercise price, expected volatility, option life, expected dividends, the risk free rate, the impact of dilution, the fact that the options are not tradeable. The inputs used for the Black-Scholes option pricing model for options granted during the year ended 30 June 2016 were as follows:

- grant dates: 26 August 2015 (for 21million options) and 21 December 2015 (for 10million options)
- share price at grant date: 1.0 cent (for the 21million options issued on 26 August 2015) and 0.9 cents (for the 10million options issued on 21 December 2015)
- exercise prices: 1.25 cents to 1.50 cents
- expected volatility: 100%
- expected dividend yield: nil%
- risk free rates: 1.91% (for 1million options expiring 31 July 2018) and 2.12% (for 30million options expiring 31 July 2019)

Expected volatility was determined based on the historic volatility (based on the remaining life of the option), adjusted for any expected changes to future volatility based on publicly available information.

## NOTE 17: AUDITOR'S REMUNERATION

Remuneration for the auditor of the parent entity:

| | 30 June 2017<br>$ | 30 June 2016<br>$ |
|---|---|---|
| BDO Audit Pty Ltd and its related entities: | | |
| Auditing or reviewing the financial reports | 34,343 | 42,324 |
| | **34,343** | **42,324** |

## NOTE 18: FINANCIAL RISK MANAGEMENT

### (a) Financial Risk Management Policies

The Elementos Group's financial instruments comprises cash balances, receivables and payables, loans to and from subsidiaries and a loan from a related party. 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, 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 Group's exposure to interest rate risk, which is the risk that a financial instrument's cash flows from interest will fluctuate as a result of changes in market interest rates, arises in relation to the Group's bank balances. This risk is managed through careful placement of surplus funds in interest bearing bank accounts.

***Liquidity Risk***

Liquidity risk is the risk that the Group 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 Group's reputation.

The economic Group's activities are funded from equity and where required and available debt and/or project finance. There is no requirement to repay principal or pay interest on the related party loan during the loan term.

***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.

At 30 June 2017, there was no concentration of credit risk, other than bank balances and on geographical basis with most financial assets in Australia (2016: nil).

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

| | 30 June 2017<br>$ | 30 June 2016<br>$ |
|---|---|---|
| **Financial assets:** | | |
| Within 6 months: | | |
| cash & cash equivalents (i) | 655,868 | 467,268 |
| receivables (ii) | 284 | 2,020 |
| | **656,152** | **469,288** |
| **Financial liabilities:** | | |
| Within 6 months: | | |
| payables (ii) | (68,175) | (62,739) |
| Within 18 months: | | |
| loan | (545,658) | (515,658) |
| | **(613,833)** | **(578,397)** |

(i) Floating interest rates, with weighted average effective interest rate 1.79%, with an average maturity of 10 days.

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

**(c) Fair Values**

Fair values of financial assets and financial liabilities are materially in line with carrying values due to there short term nature.

**(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, is immaterial (2016: immaterial).

**NOTE 19: SEGMENT REPORTING**

Operating segments have been determined on the basis of reports reviewed by the board of directors and the Chief Executive Officer (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group is managed primarily on a geographic basis, that is, the location of the respective areas of interest (tenements) in Australia. Operating segments are determined on the basis of financial information reported to the board of directors which is at the consolidated entity level. The Group does not have any products or services that it derives revenue from. The Group's exploration and development activities in Australia is the Group's sole focus, primarily focused around tin and copper. The Group's previous exploration activities in Argentina and Chile have been discontinued and/or sold.

Accordingly, management currently identifies the Group as having only one reportable segment, being the exploration of mineral assets in Australia. There have been no changes in the operating segments during the year. Accordingly, all significant operating decisions are based upon analysis of the consolidated entity as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

## NOTE 20: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1:

| | Country of incorporation | Ownership interest | |
|---|---|---|---|
| | | 2017 | 2016 |
| Rockwell Minerals Pty Ltd | Australia | 100% | 100% |
| Rockwell Minerals (Tasmania) Pty Ltd | Australia | 100% | 100% |
| Elementos Minerales S.A. | Argentina | 100% | 100% |
| Elementos Chile Limitada | Chile | 100% | 100% |

## NOTE 21: SUBSEQUENT EVENTS

On 29 June 2017, the Company announced that:

- it had received commitments to complete a private placement of 100,000,000 shares to be issued at 0.60 cents per share (and 100,000,000 attaching options having an exercise price of 0.6 cents per option and expiring on 30 June 2018) to raise a total of $600,000 (before costs) (**Placement**); and
- it would proceed with a non-renounceable rights issue to raise up to $1,423,947 (before costs) on the same conditions as the abovementioned Placement, by issuing up to 237,324,456 shares and 237,324,456 attaching options (**Rights Issue**).

On 30 June 2017, 100,000,000 ordinary shares were issued, pursuant to the Placement, raising $600,000 (before costs).

The Rights Issue was made in accordance with section 713 of the Corporations Act with full details set out in a Prospectus sent to Eligible Shareholders on 6 July 2017. The Rights Issue contained a debt conversion facility.

Subsequent to 30 June 2017, the following events were completed as part of the Placement and Rights Issue:

- The Rights Issue was fully subscribed (after the entitlement and shortfall offers) resulting in 237,324,642 shares and 237,324,642 unlisted options (exercisable at 0.60 cents per option expiring on 30 June 2018) being issued. 45,371,137 of these shares and options were issued to the Company's Chairman and largest shareholder, Andy Greig, utilising the debt conversion facility to take up his Rights Issue entitlement ($272,226); and
- 100,000,000 unlisted options (exercisable at 0.60 cents per option expiring on 30 June 2018) were issued pursuant to the Placement.

Also subsequent to 30 June 2017:

- 45,371,137 unlisted options (exercisable at 0.60 cents per option expiring on 30 June 2018) were exercised in to 45,371,137 shares by the Company's Chairman and largest shareholder, Andy Greig, using debt conversion ($272,226); and
- a further 602,108 unlisted options (exercisable at 0.60 cents per option expiring on 30 June 2018) were exercised in to 602,108 shares, raising $3,613.

Other than the capital raising events noted above, there are no other matters or circumstances that have arisen since the end of the year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## NOTE 22: PARENT ENTITY INFORMATION

The following information relates to the parent entity, Elementos Limited at 30 June 2017. This information has been prepared using consistent accounting policies as presented in Note 1.

| | 30 June 2017<br>$ | 30 June 2016<br>$ |
|---|---|---|
| Current assets | 655,020 | 467,131 |
| Non-current assets | 6,722,117 | 7,426,918 |
| Total assets | 7,377,137 | 7,894,049 |
| Current liabilities | 623,084 | 59,257 |
| Non-current liabilities | - | 515,658 |
| Total liabilities | 623,084 | 574,915 |
| Contributed equity | 29,287,232 | 28,302,914 |
| Reserves | 1,270,522 | 1,270,522 |
| Accumulated losses | (23,803,701) | (22,254,302) |
| Total equity | 6,754,053 | 7,319,134 |
| Loss for the period | (1,549,399) | (1,328,273) |
| Other comprehensive income for the period | - | - |
| Total comprehensive income for the period | (1,549,399) | (1,328,273) |

The Company has no contingent liabilities, nor has it entered into any guarantees in relation to the debts of its subsidiaries (2016: nil).

The Company has not entered into any contractual commitments for the acquisition of property, plant and equipment (2016: nil).

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

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

## NOTE 23: COMPANY DETAILS

The registered office and principal place of business is:

Level 10, 110 Mary Street
Brisbane, Queensland, 4000 Australia

## NOTE 24: DIVIDENDS & FRANKING CREDITS

There were no dividends paid or recommended during the financial year. There are no franking credits available to the shareholders of the Company.

# Director's 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 consolidated entity's financial position as at 30 June 2017 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.

**C. Nolan**
**Director**

Dated 28 September 2017
Brisbane, Queensland

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# INDEPENDENT AUDITOR'S REPORT

To the members of Elementos Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Elementos Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

**Material uncertainty related to going concern**

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

**Carrying value of exploration and evaluation assets**

| *Key audit matter* | *How the matter was addressed in our audit* |
| --- | --- |
| The group carries significant exploration and evaluation assets of $4,745,500 as at 30 June 2017 as disclosed in note 5 to the financial statements.<br><br>The carrying value of exploration and evaluation assets represents a significant asset of the company and assessing whether facts or circumstances exist to suggest that impairment indicators were present, and if present, whether the carrying amount of this asset may exceed its recoverable amount was considered key to the audit.<br><br>This assessment involves significant judgement applied by management.<br><br>We considered it necessary to assess whether facts and circumstances existed to suggest that impairment indicators were present, and if present, whether the carrying amount of these assets may exceed its recoverable amount. | Our procedures included, but were not limited to, assessing and evaluating management's assessment of whether any impairment indicators in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* have been identified across the Group's exploration projects, the indicators being:<br>• Expiring, or imminently expiring, rights to tenure<br>• A lack of budgeted or planned exploration and evaluation spend on the areas of interest<br>• Discontinuation of, or a plan to discontinue, exploration activities in the areas of interest<br>• Sufficient data exists to suggest carrying value of exploration and evaluation assets is unlikely be recovered in full through successful development or sale.<br><br>We verified current tenement licences to determine that the group has the rights to tenure and maintains the tenements in good standing. We obtained the expenditure budget for the 2018 year and assessed that there is reasonable forecasted expenditure to confirm continued exploration spend into the projects indicating that Management are committed to the projects. We also reviewed ASX announcements and Board meeting minutes for the year and subsequent to year end for exploration activity to identify any indicators of impairment. |

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 21 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Elementos Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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.

**BDO Audit Pty Ltd**

BDO

Damian Wright

**D P Wright**
Director

Brisbane, 28 September 2017