



ELEMENTOS LIMITED

ABN 49 138 468 756

**CONSOLIDATED FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2016**

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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 Tailings Ore Reserve" released on the 3 August 2015;
- "Cleveland JORC Resource Significantly Expanded" announced to the ASX on 5 March 2014; and
- "Cleveland Open Pit - High-Grade Mineral Resource Defined" announced on 3 March 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 date of announcement.

Mineral Resources and Ore Reserves

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

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

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

Category	Tonnage	Sn Grade	Contained Sn	Cu Grade	Contained Cu
Indicated	5.00 Mt	0.69%	34,500t	0.28%	14,000t
Inferred	2.44 Mt	0.56%	13,700t	0.19%	4,600t

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

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

Category	Tonnage	Sn Grade	Contained Sn	Cu Grade	Contained Cu
Indicated	0.80 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

Underground Tungsten Mineral Resource (at 0.20% WO₃ cut-off) ¹

Category	Tonnage	WO ₃ Grade
Inferred	4 Mt	0.30%

Table subject to rounding errors; WO₃ = tungsten oxide

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.

Corporate Information

Directors and Company Secretary

Mr Andy Greig (Non-executive Chairman)
Mr Christopher Dunks (Executive Director)
Mr Corey Nolan (Non-executive Director)
Mr Calvin Treacy (Non-executive Director)
Mr Duncan Cornish (Company Secretary)

Head Office and Registered Office

Elementos Limited
Level 10, 110 Mary Street
Brisbane QLD 4000
Tel: +61 7 3221 7770
Fax: +61 7 3221 7773
www.elementos.com.au

Auditors

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

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
Tel: 1300 737 760
Fax: 1300 653 459
www.boardroomlimited.com.au

Stock Exchange Listing

Australian Securities Exchange Ltd
ASX Code: ELT

Australian Business Number

49 138 468 756

Directors' Report

Your directors submit the financial report on Elementos Limited (the "Company") and its controlled entities (the "consolidated entity") for the half-year ended 31 December 2016.

Directors

The following persons were directors of the Company during or since the end of the financial period:

- Andy Greig
- Christopher Dunks
- Corey Nolan
- Calvin Treacy

Review of Operations

The Group's operating loss for the half-year, after applicable income tax was \$454,634. Exploration and evaluation expenditure during the period totalled \$184,303.

At 31 December 2016, the Group's net assets totalled \$4,561,813, which included cash assets of \$342,288.

During the period, the Company's principal activity was progressing the Cleveland project approval process.

The Company continues to actively progress the Cleveland tin and tungsten project in Tasmania towards development. The Company's objective is to move quickly towards production and cash flow, through a low-capital, staged development strategy, with the lowest possible dilution of shareholders.

Review of Projects

CLEVELAND PROJECT, Tasmania, Australia

Approvals and applications

During the period, the Company continued to progress the environmental permitting Mining Lease Application (MLA).

The Tasmanian government is very supportive and working with the Company to progress the Cleveland Project towards development. Several key government stakeholder meetings were held with the Company during the reporting period.



Figure 1. Cleveland Project Location

Enhanced Reprocessing

The Company to-date has successfully developed a process to produce a tin concentrate from the tailings resource that is suitable for sale to overseas based smelters. However, to achieve a saleable tin concentrate grade, a significant proportion of the tin is lost during the concentrate upgrading process (dressing).

The Company has commenced a metallurgical test work program that is targeting increased tin recoveries from both the tailings dam resource and the hard rock resources, which would result in improved revenue for the Company. To reduce tin losses in the concentrate, the initial phase of the enhanced metallurgical test work program is to produce a low grade tin concentrate. Later phases of the test work program are focused on converting the tin in to a high value saleable product.

As previously reported by the Company, a bulk sample was collected from the two tailings dams at Cleveland for metallurgical test work. The samples were transported to the ALS laboratory in Burnie for the first phase of the test work. The test work included initial sulphide flotation followed by gravity processing and tin flotation, utilising conventional technology to produce a low grade tin concentrate.

The test work program was successful in reducing tin losses with the production of a 9.97% tin concentrate with 72% tin recoveries. This represents a 53% increase in tin recovered from the tailings dams compared to previously reported metallurgical test work results (previous tin recoveries of 47%, ELT announcement 3rd August 2015). The production of a “low grade” concentrate allows for maximum metal recovery, and is ideal in preparing the material for the next stage of processing.

The second phase of the enhanced metallurgical test work program is currently being carried out at the ALS laboratories in Perth and is scheduled for completion in the March 2017 quarter. More detail about this test work will be forthcoming.



Figure 2. Sulphide Cleaner Float from Cleveland Tailings Bulk Sample at ALS Burnie

EXPLORATION

Cleveland Project

The Company has commenced an enhanced development strategy that includes an exploration program that is targeting an increase in the size of the open-pit mineral resource. The new exploration program has the potential to significantly de-risk a future project development, and significantly enhance the economics of the project, including:

- Drawing on a larger, open-cut tin-copper resource;
- Creating a longer mine life project with higher-grade ore from the open-cut;
- Early cash flows will be generated through simple, open-cut mining techniques;
- Lowering forecast dilution and ore losses through the design of one open-cut; and
- Creating a lower risk profile to finance the project.

The program will target 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).

A two person crew have completed the construction of a grid over an area that encompasses the historical Cleveland underground mine. The steep and thickly vegetated terrain at Cleveland warrants the construction of a grid to allow safe access for field crews. Approximately 33 line kilometres of grid have been constructed.

Activities subsequent to 31 December 2016 have included the completion of the data capture phase and initial processing of a ground magnetic survey by contractors, and grid based geological mapping by Elementos personnel.

The ground magnetic survey was completed by ModernMag, an Australian company with extensive local and international experience. The ground magnetic survey was carried out on a line spacing of 30 metres (see figure 3). The collection of high resolution magnetic data will assist in accurate targeting for the proposed shallow diamond drilling program. The drilling program is scheduled to commence in the first half of 2017. Results of the ground magnetic survey will be reported in the March 2017 quarter.

Data from the historical drill hole database has been used to project to the topographical surface the potential outcropping location of the known mineralised lenses at Cleveland. Company geologists have been utilising the new grid and existing access tracks to inspect and geologically map these locations. This data will be used in conjunction with the ground magnetics and historical data to define drill targets for the proposed diamond drilling program.

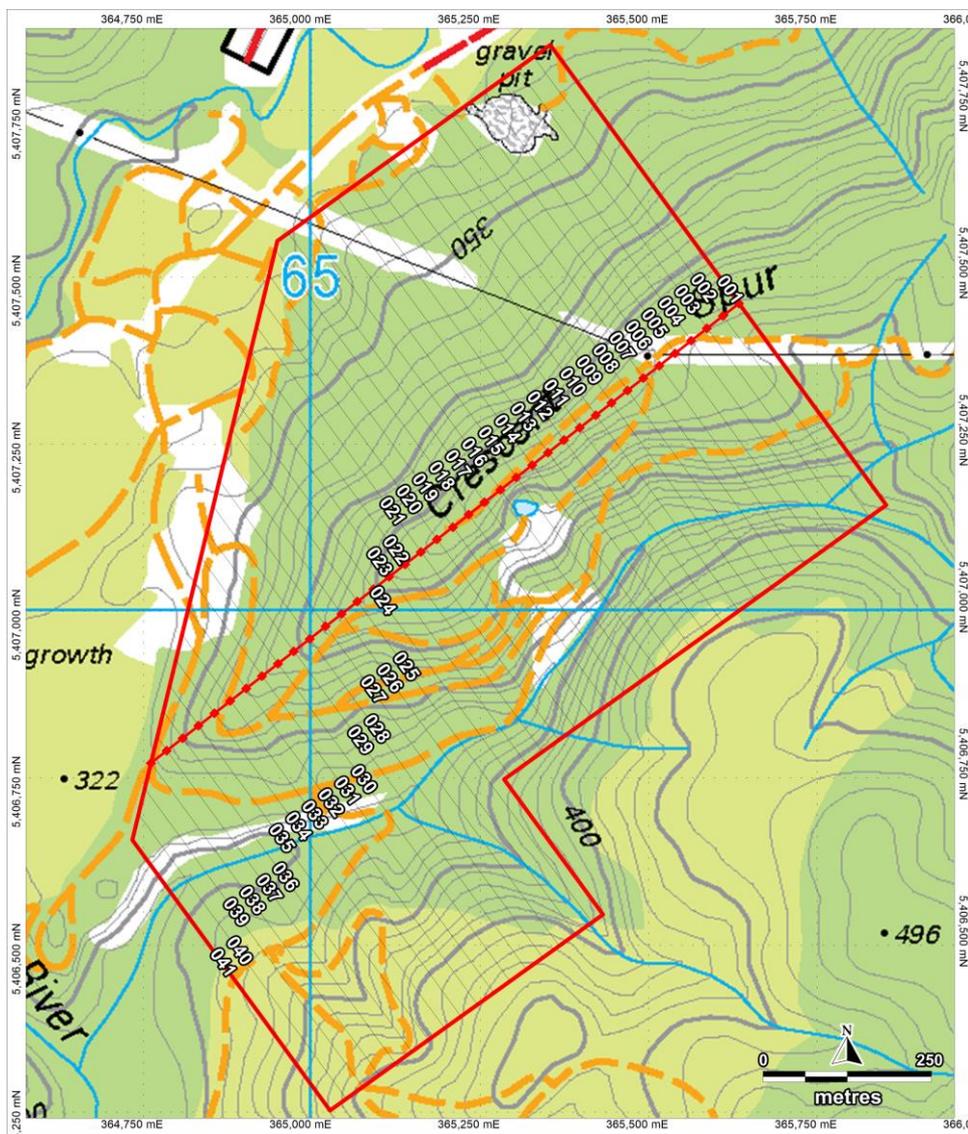


Figure 3. Location of grid lines at Cleveland.

The ground magnetic survey has identified a number of new exploration targets along strike from the historical workings and within the mine sequence to the north of the historical workings. No exploration drilling has been recorded as being carried out in these areas. This new exploration targets are located

adjacent to the eastern boundary of the magnetic survey area. The magnetic anomalies potentially extend to the east beyond the boundaries of the survey. This area is held by Elementos under EL7/2005.

3D modelling of all the anomalies, on a line by line basis, will be carried out to more accurately determine the orientation and depth of the anomalies prior to planning a drilling programme to test these anomalies for tin mineralisation.

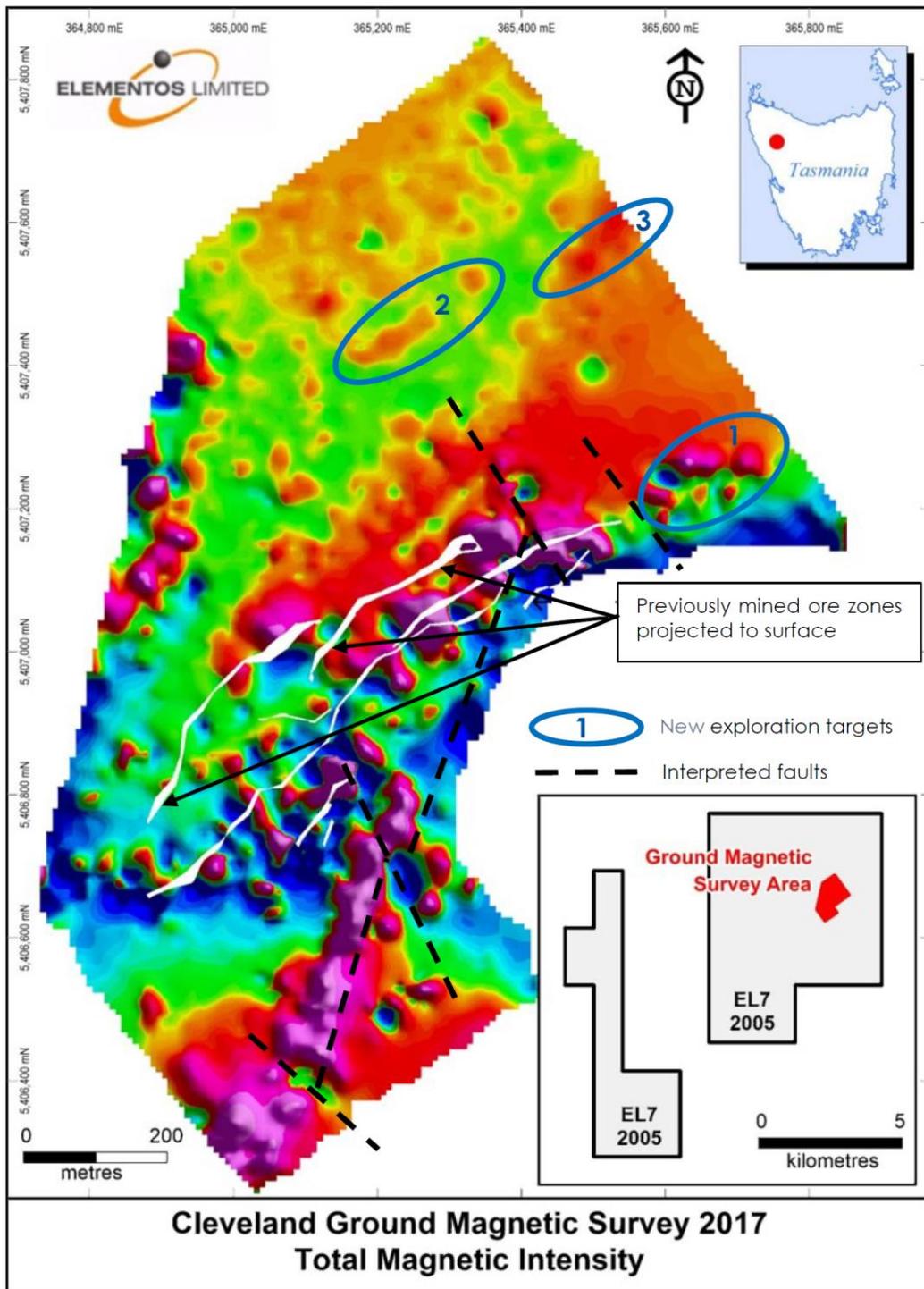


Figure 4. TMI magnetic image with new exploration targets highlighted

Selwyn Range Project, Queensland, Australia

The Board has elected to relinquish the three remaining Selwyn tenements. This is currently being carried out.

CORPORATEMOU

During the half-year the Company signed a Non-Binding Memorandum of Understanding ("MOU") with Thailand Smelting and Refining Company ("Thaisarco").

The MOU is for Thaisarco to purchase a minimum of 100 tonnes per month of a 55% tin concentrate from the Cleveland tin project. This supply of concentrate to Thaisarco is planned to occur as soon as production at Cleveland commences. Elementos and Thaisarco intend establishing a formal offtake agreement as part of the on-going development activities and strategy of advancing Cleveland towards production.

Thaisarco is recognised worldwide as an industry leader in the manufacture of tin, tin alloys and tin-related, added value products. From its LME registered Thaisarco and Phuket brands of pure tin to specialty alloys, solders, powders and extruded products, Thaisarco specialises in solutions tailored to meet its customers' needs. Thaisarco was founded in 1963 and is based in Phuket, Thailand.

Placement

The Company completed a private placement to sophisticated investors during the half-year raising \$450,000 before costs ("Placement"). Under the terms of the Placement, a total of 81,818,181 of new shares were issued at 0.55 cents per share in the Company. Shareholder approval for the director participation in the Placement (of \$96,165) was received at the Company's AGM held in November 2016.

Board and management

During the half-year the Company accepted the resignation of Chief Executive Officer ("CEO"), Tim McManus.

In August 2016 the Company announced the appointment of Mr Chris Creagh as Cleveland Operations Manager to accelerate the development of the Cleveland tin project towards production. In January 2017 Mr Creagh was appointed full-time CEO.

Mr Creagh is a Geologist with more than 30 years of experience in the Australian and international mining industry. Mr Creagh brings significant expertise and experience in project development, which includes the tin industry. His vast previous experience includes:

- Three years as Exploration and Projects Manager at the Renison tin operation in Tasmania. (Renison is one of the world's largest underground tin mining and processing operations). Mr Creagh was also closely involved investigating processing options for the reprocessing of the Renison tailings resource.
- Extensive work for Orocobre Limited, the successful Australian-based Lithium production company.

Mr Creagh will work closely with Mr Chris Dunks based in the Brisbane office, who is continue the permitting and partnering process in an Executive Director capacity (previously being a non-executive director).

The Company has also recently appointed Jane Harvey as a Senior Geologist. Jane is a graduate of the University of Queensland and brings approximately 10 years of experience in base metal exploration to Elementos.

Other

The Company continues to be encouraged by the LME tin price, being US\$19,300 per tonne at the time of reporting.

The Company continues to review new business development opportunities as they arise.

Subsequent Events

No material matters or circumstances have arisen since the balance date.

Auditor's Independence Declaration

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

Signed in accordance with a resolution of the Board of Directors.

A handwritten signature in blue ink, appearing to read 'Corey Nolan', is written over a faint, illegible printed name.

Corey Nolan
Director

2 March 2017
Brisbane

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 for the review of Elementos Limited for the half-year ended 31 December 2016, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'D P Wright'.

D P Wright
Director

BDO Audit Pty Ltd

Brisbane, 2 March 2017

Consolidated Statement of Comprehensive Income for the Half-Year Ended 31 December 2016

	Note	31 Dec 2016 \$	31 Dec 2015 \$
Revenue	2	2,242	4,129
Less expenses:			
Corporate and administrative expenses	2	(395,950)	(620,050)
Write-off of exploration and evaluation expenditure	3	(60,926)	(250,450)
Loss before income tax expense		(454,634)	(866,371)
Income tax expense		-	-
Loss for the period attributable to members of the parent entity		(454,634)	(866,371)
Other comprehensive income			
Items that will be reclassified to profit or loss			
Foreign currency translation gain/(loss)		-	1,148
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	1,148
Total comprehensive income attributable to members of the parent entity		(454,634)	(865,223)
Basic earnings per share (cents per share)		(0.06)	(0.11)
Diluted earnings per share (cents per share)		(0.06)	(0.11)

The accompanying notes form part of this financial statement.

Consolidated Statement of Financial Position as at 31 December 2016

	Note	31 Dec 2016 \$	30 June 2016 \$
CURRENT ASSETS			
Cash and cash equivalents		342,288	467,268
Trade and other receivables		303	2,020
Other current assets		-	708
Total Current Assets		342,591	469,996
NON-CURRENT ASSETS			
Exploration and evaluation assets	3	4,805,268	4,681,891
Plant and equipment		4,246	1,225
Other Non-Current assets		6,000	6,000
Total Non-Current Assets		4,815,514	4,689,116
TOTAL ASSETS		5,158,105	5,159,112
CURRENT LIABILITIES			
Trade and other payables	4	65,634	62,739
Loan – related party	10	530,658	-
Total Current Liabilities		596,292	62,739
NON-CURRENT LIABILITIES			
Loan – related party	10	-	515,658
Total Non-Current Liabilities		-	515,658
TOTAL LIABILITIES		596,292	578,397
NET ASSETS		4,561,813	4,580,715
EQUITY			
Issued capital	9	12,843,114	12,407,382
Reserves		261,300	261,300
Accumulated losses		(8,542,601)	(8,087,967)
TOTAL EQUITY		4,561,813	4,580,715

The accompanying notes form part of this financial statement.

Consolidated Statement of Changes in Equity for the Half-Year Ended 31 December 2016

	Issued Capital	Accumulated Losses	Share- Based Payments Reserve	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2015	12,437,377	(6,330,187)	64,170	(668,634)	5,502,726
Loss for the period	-	(866,371)	-	-	(866,371)
Other comprehensive income for the period	-	-	-	1,148	1,148
Total comprehensive income	-	(866,371)	-	1,148	(865,223)
Equity issued during the period					
- Options issued - equity settled compensation	-	-	197,130	-	197,130
Share issue transaction costs	(29,995)	-	-	-	(29,995)
Balance at 31 December 2015	12,407,382	(7,196,558)	261,300	(667,486)	4,804,638
Balance at 1 July 2016	12,407,382	(8,087,967)	261,300	-	4,580,715
Loss for the period	-	(454,634)	-	-	(454,634)
Total comprehensive income	-	(454,634)	-	-	(454,634)
Equity issued during the period					
- Shares issued due to capital raising	450,000	-	-	-	450,000
Share issue transaction costs	(14,268)	-	-	-	(14,268)
Transfer of expired options	-	128,100	(128,100)	-	-
Balance at 31 December 2016	12,843,114	(8,414,501)	133,200	-	4,561,813

The accompanying notes form part of this financial statement.

Consolidated Statement of Cash Flows for the Half-Year Ended 31 December 2016

	31 Dec 2016	31 Dec 2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(424,848)	(501,547)
Interest received	2,242	4,287
Security deposit refund	-	9,000
GST refunds	43,681	-
Net cash used in operating activities	<u>(378,925)</u>	<u>(488,260)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation assets	(181,787)	(236,122)
Research and development refunds	-	320,684
Net cash provided by/(used in) investing activities	<u>(181,787)</u>	<u>84,562</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	450,000	-
Costs associated with share issue	(14,268)	(29,995)
Proceeds from loan	-	500,000
Net cash provided by/(used in) financing activities	<u>435,732</u>	<u>470,005</u>
Net increase/(decrease) in cash held	(124,980)	66,307
Cash at beginning of period	467,268	761,828
Cash at end of period	<u>342,288</u>	<u>828,135</u>

The accompanying notes form part of this financial statement.

Notes to the Financial Statements for the Half -Year Ended 31 December 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB 134 "Interim Financial Reporting". The historical cost basis has been used.

This interim financial report does not include all notes of the type normally included in the Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report of Elementos Limited (the "Company") and its controlled entities (together the "Group") as at 30 June 2016, together with public announcements made by the Company during the interim reporting period in accordance with its continuous disclosure obligations.

The accounting policies and methods of computation adopted are consistent with those of the previous financial period as disclosed in the 30 June 2016 Annual Report. There has been no new or revised Australian Accounting Standards issued by the AASB that materially affected the Company in the current period.

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 half-year, the Group raised \$450,000 equity capital.

Should the Group not be able to raise 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 Company's and 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.

NOTE 2: RESULTS FOR THE PERIOD

	31 Dec 2016	31 Dec 2015
	\$	\$
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Interest received	2,242	4,129
Depreciation	(179)	(1,761)
ASX, ASIC, share registry expenses	(28,742)	(35,300)
Business development and investor relations costs	(84,050)	(75,455)
Legal fees	(4,373)	(15,472)
Insurances	(29,696)	(39,950)
Audit and external accounting/advice fees	(73,240)	(95,101)
Interest (related party loan)	(15,000)	(658)
Employee benefits expense comprises:		
Salaries and wages	(22,982)	(18,796)
Consulting fees	(111,615)	(53,456)
Contributions to defined contribution plans	(2,436)	(17,681)
Equity settled options	-	(197,130)
Annual leave expensed	-	(469)

NOTE 3: EXPLORATION AND EVALUATION ASSETS

	31 Dec 2016	30 June 2016
	\$	\$
Exploration and evaluation expenditure carried forward in respect of the areas of interest are:		
Exploration and evaluation expenditure	4,805,268	4,681,891
Movement in exploration and evaluation assets:		
Opening balance – at cost (1 July)	4,681,891	4,859,170
Capitalised exploration expenditure	184,303	448,172
Exploration and evaluation assets disposed of	-	(49,364)
Exploration and evaluation assets written off	(60,926)	(240,447)
Security deposit refunds	-	(14,956)
Total exploration and evaluation expenditure	4,805,268	5,002,575
Less research and development refunds received	-	(320,684)
Carrying amount at the end of period	4,805,268	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.

During the period, the Board resolved to relinquish the three remaining Selwyn tenements, resulting on a write-off of \$60,926 of capitalised exploration expenditure.

NOTE 4: TRADE AND OTHER PAYABLES

	31 Dec 2016	30 June 2016
	\$	\$
Current:		
Trade payables and accrued expenses	65,634	53,695
Employee provisions	-	9,044
Total payables (unsecured)	65,634	62,739

NOTE 5: COMMITMENTS**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 reporting date but have not been brought to account. If the relevant option to acquire a mineral tenement is relinquished the expenditure commitment also ceases. 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.

	31 Dec 2016	30 June 2016
	\$	\$
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

NOTE 6: CONTINGENT LIABILITIES

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

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

There were no events subsequent to reporting date that required disclosure in this financial report.

NOTE 8: SEGMENT REPORTING**Description of Segments**

Operating segments have been determined on the basis of reports reviewed by the board of directors and the Chief Executive Office (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 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 half-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 9: ISSUED CAPITAL

	31 Dec 2016	30 June 2016
	\$	\$
(a) Issued and paid up capital		
Ordinary shares fully paid	12,857,382	12,437,377
Share issue costs	(14,268)	(29,995)
	12,843,114	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.

	31 Dec 2016		31 Dec 2015	
	Number of shares	\$	Number of shares	\$
(b) Reconciliation of issued and paid-up capital				
Opening balance as at 1 July	767,479,642	12,407,382	767,479,642	12,437,377
Shares issued (1)	64,333,636	353,835	-	-
Shares issued (2)	17,484,545	96,165	-	-
Closing Balance as at 31 December	849,297,823	12,857,382	767,479,642	12,437,377

- On 26 October 2016, 64,333,636 ordinary shares @ \$0.0055 each were issued by Elementos Ltd as part of a private placement.
- On 14 December 2016, 17,484,545 ordinary shares @ \$0.0055 each were issued by Elementos Ltd as part of a private placement.

	31 Dec 2016	30 June 2016
	No. of Options	No. of Options
(c) Options		
Unlisted Share Options	23,650,000	43,850,000
Balance at the beginning of the reporting period	43,850,000	17,850,000
Options issued during the period:		
Issued to staff and consultants (see Note 11)	-	31,000,000
Expired	(20,200,000)	(5,000,000)
Balance at the end of the reporting period	23,650,000	43,850,000

NOTE 10: BORROWINGS

	31 Dec 2016	30 June 2016
	\$	\$
Current:		
Unsecured:		
Loan from related party	500,000	-
Accrued interest	30,658	-
Total unsecured current	530,658	-
Non-Current:		
Unsecured:		
Loan from related party	-	500,000
Accrued interest	-	15,658
Total unsecured non-current	-	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.

NOTE 11: SHARE BASED PAYMENTS

	31 Dec 2016	31 Dec 2015
	\$	\$
Share based payment expense recognised during the period:		
Options issued to employees under employee share options plan	-	133,930
Options issued to consultant	-	63,200
	<u>-</u>	<u>197,130</u>

During the half-year ended 31 December 2015, 31 million options were granted, 21 million to employees (includes 20 million 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 10 million to a consultant. The options vested on grant date and expire on 31 July 2019, except for 1 million which expire 31 July 2018.

The weighted average fair value of options granted was 0.64 cents. The fair values at grant date were determined by an independent valuation 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 half-year ended 31 December 2015 were as follows:

- grant dates: 26 August 2015 (for 21 million options) and 21 December 2015 (for 10 million options)
- share price at grant date: 1.0 cent (for the 21 million options issued on 26 August 2015) and 0.9 cents (for the 10 million options issued on 21 December 2015)
- exercise prices: 1.2 cents to 1.5 cents
- expected volatility: 100%
- expected dividend yield: nil%
- risk free rates: 1.91% (for 1 million options expiring 31 July 2018) and 2.12% (for 30 million 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.

Following the resignation of the CEO, the 20 million options issued during the half-year ended 31 December 2015 have since expired in accordance with the terms of the options. The value of these options (\$128,100) was transferred from the Option Reserve to Accumulated Losses.

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements comprising the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the financial statements, are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. 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.



Corey Nolan
Director

2 March 2017
Brisbane

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Elementos Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Elementos Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Elementos Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

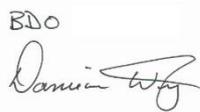
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Elementos Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating 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 consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

BDO Audit Pty Ltd



D P Wright
Director

Brisbane, 2 March 2017