

ASX ANNOUNCEMENT

31 January 2017

DECEMBER 2016 QUARTERLY REPORT

HIGHLIGHTS:

- Progression of Mining Lease and Environmental approval work.
- Significant Encouragement from the First Phase of an Enhanced Metallurgical Test Work Programme with Tin Recoveries from Tailings Increased by 52% to 72%.
- Ground Magnetic Survey completed at Cleveland
- Appointment of a Senior Geologist

Elementos Limited (ASX: ELT) ("Elementos" or the "Company") is pleased to report on activities during the December quarter, including actively progressing 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.

CLEVELAND PROJECT UPDATE

Approvals and applications

The Cleveland environmental permitting process and Mining License Application are progressing.

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.

Enhanced Processing

The first phase of the metallurgical test work programme, that is aimed at enhancing tin recoveries, has been completed with very encouraging results. Improved tin recoveries will result in greater revenue from any future operation at Cleveland.



Figure 1. Cleveland Project Location

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

As reported by the Company previously, 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 programme was successful in reducing tin losses with the production of a 9.97% tin concentrate with 72% tin recoveries. This represents a 52% 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 programme is currently being carried out at the ALS laboratories in Perth and is scheduled for completion in the next quarter. More detail about this test work will be forthcoming.



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

EXPLORATION

Exploration

The Company has commenced an enhanced development strategy that includes an exploration programme 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 programme 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 the reporting period have included the completion of the data capture phase of a ground magnetic survey 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 programme. The drilling programme is scheduled to commence in the first quarter of 2017. Results of the ground magnetic survey will be reported in the next 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 programme.

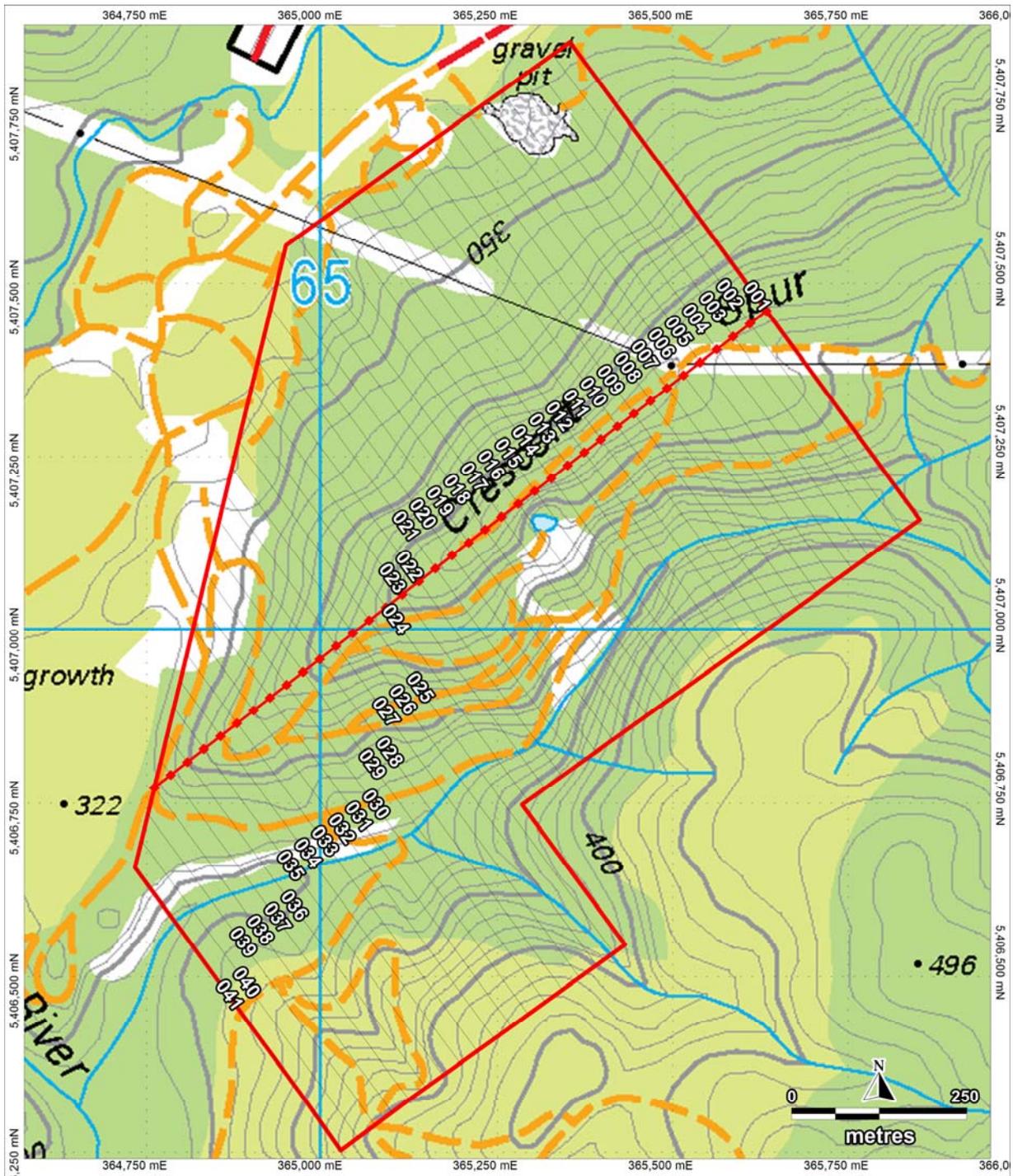


Figure 3. Location of grid lines at Cleveland.

Selwyn Range Project, Queensland, Australia

The Company's board has elected to relinquish the three Selwyn tenements. This will be carried out in the next quarter.

Exploration Tenements

Elementos Ltd held the following interests in tenements at the end of the quarter:

Tenement Name	Tenement Number	Area (Hectares)	Elementos Interest	Location of Tenements
Cleveland	EL7/2005	5993	100%	Tasmania
Selwyn Range	EPM 19371	3732	100%	Queensland
	EPM 19375	6220	100%	Queensland
	EPM 19426	622	100%	Queensland

No new tenements were acquired during the quarter.

CORPORATE

The Company continues to be encouraged by the LME tin price, being US\$19,950 per tonne at the time of reporting.

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

Details of the Company's financial activities during the quarter are set out in the Appendix 5B cash flow report.

Management appointment

The Company has 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.

Capital structure

At the end of the quarter, there were 849,297,823 fully paid ordinary shares and 20.3 million unlisted options on issue.

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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.