

31 October 2016

## SEPTEMBER QUARTERLY REPORT

### HIGHLIGHTS:

- Progression of Mining Lease and Environmental approval work.
- Implementation of an enhanced development strategy
- Appointment of an Operations Manager
- \$500,000 placement announced

**Elementos Limited (ASX: ELT) ("Elementos" or the "Company")** is pleased to report on activities during the September 2016 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 towards completion.

The Tasmanian government is very supportive and working with the Company to progress the Cleveland Project towards development.

### Enhanced Processing

A 150kg bulk sample was collected from the two tailings dams at Cleveland for metallurgical test work. The samples are being initially processed at the ALS laboratory in Burnie. The metallurgical test work programme is aimed at enhancing tin recoveries and is scheduled for completion in the next quarter.



Figure 1. Cleveland Project Location

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). A ground magnetics geophysical program to assist with the generation of drill targets will be completed prior to drilling. The geophysics will be used to enhance old geophysical data which demonstrates potential extensions of the mineralisation between the existing open-cut mineral resources and new targets to the south-west of the existing mineralisation.

On completion of the drilling, an updated mineral resource estimate and feasibility study will be completed on processing open-cut and underground mineral resources, and supplementing the flotation stage of the processing plant with a tailings ore stream.

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.

## CORPORATE

The company has 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 based in Phuket, Thailand.

The Company continues to be encouraged by the sustained increase in the LME tin price, steadily rising from US\$13,810 per tonne in January 2016, to US\$20,200 per tonne at the end of the quarter.

The Company is reviewing new business development opportunities as they arise.

On 25 October 2016, the Company announced that it had completed a private placement to sophisticated investors raising \$450,000 before costs (**Placement**). Under the terms of the Placement, a total of 81,818,182 of new shares will be issued at 0.55 cents per share in the Company.

Director participation in the Placement (of \$96,165) will require shareholder approval that will be sought at the Company's upcoming AGM. The balance of the Placement shares (64,333,636 shares) were issued on 26 October 2016 and were issued under the Company's existing ASX placement capacity.

The Company plans to use the funds raised from the Private Placement as follows:

- undertake line cutting, magnetic survey and drilling on the (Cleveland) Open Pit Resource Development;
- undertake further metallurgical test work aimed at increasing recoveries from the proposed mining and processing operations at Cleveland;
- provide working capital; and
- for corporate costs and the costs of the Private Placement.

## **Management changes**

The Company continues to maintain a very low-cost corporate overhead and preserve its cash resources.

During the quarter the Company accepted the resignation of Chief Executive Officer, Tim McManus.

Chris Dunks, will continue the permitting and partnering process in an Executive Director capacity (previously being a non-executive director).

On 24 August 2016 the Company also announced the appointment of Mr Chris Creagh as Cleveland Operations Manager to accelerate the development of the Cleveland tin project towards production. Mr. Creagh is currently an independent consultant, with clients including Orocobre Limited, the successful Australian-based Lithium production company. Mr Creagh is a Geologist with more than 30 years of experience in the Australian and international mining industry. Chris brings significant expertise and experience in project development, which includes the tin industry. His vast previous experience includes 3 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). Chris was also closely involved investigating processing options for the reprocessing of the Renison tailings resource.

Mr Creagh will work closely with Mr Dunks based in the Brisbane office.

## **Capital structure**

At the end of the quarter, there were 767,479,642 fully paid ordinary shares and 38.85 million unlisted options on issue.

## **EXPLORATION**

### **Cleveland Mine, Tasmania, Australia**

The company has commenced an enhanced development strategy that aims to improve tin recoveries and expand the size of the open-pit mineral resource. A ground magnetic survey and diamond drilling 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 review of historical near surface exploration at Cleveland resulted in the location of a ground magnetic and self-potential survey carried out in 1954 by the Tasmanian Government. These surveys clearly detected the magnetic pyrrhotite mineralisation that is associated with the tin mineralisation (predominantly cassiterite and lesser stannite) at Cleveland (Figure 2).

A ground magnetics geophysical program to assist with the generation of drill targets will be carried out to assist in accurately locating near surface diamond drilling targets, in particular, potential along strike extensions and poorly explored zones between the existing open-cut mineral resources. The new ground magnetic survey will be extended beyond the limits of the 1954 Tasmanian Government survey.

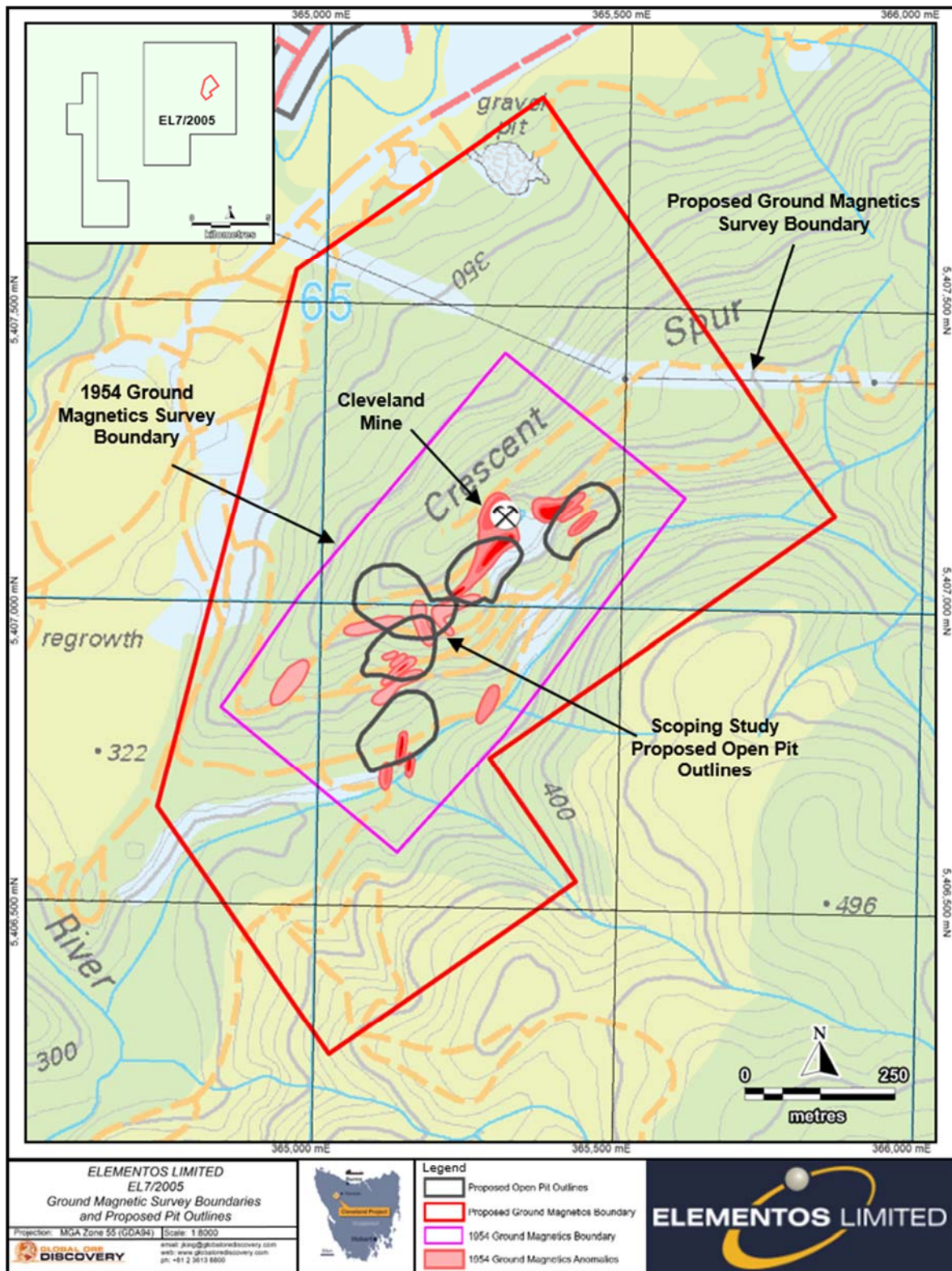


Figure 2. Location of 1954 Tasmanian Govt. ground magnetic anomalies



Approval has been received from Mineral Resources Tasmania (MRT) to carry out the grid line construction and complete the ground magnetic survey.

On completion of the drilling, an updated mineral resource estimate and feasibility study will be completed on processing open-cut and underground mineral resources, and supplementing the flotation stage of the processing plant with a tailings ore stream.

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.

## Selwyn Range Project, Queensland, Australia

No exploration activity occurred within the Selwyn Range Project during the 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.

For more information, please contact:

**Duncan Cornish**

Company Secretary

Phone: +61 7 3212 6299

Email: [admin@elementos.com](mailto:admin@elementos.com)

Please visit us at: [www.elementos.com.au](http://www.elementos.com.au)

## **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% WO<sub>3</sub> cut-off) <sup>1</sup>

Category	Tonnage	WO <sub>3</sub> Grade
Inferred	4 Mt	0.30%

Table subject to rounding errors; WO<sub>3</sub> = tungsten oxide

<sup>1</sup> 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.