

# FIFTH Element

R E S O U R C E S Ltd

ACN 166 025 047

## SUPPLEMENTARY PROSPECTUS

DATED: 04 APRIL 2014

**THIS IS A SUPPLEMENTARY PROSPECTUS INTENDED TO BE READ WITH THE PROSPECTUS DATED 27 FEBRUARY 2014 RELATING TO SHARES OF FIFTH ELEMENT RESOURCES LIMITED (ACN 166 025 047).**

### Important Information

This is an important document which should be read in its entirety. Please consult your professional advisor(s) if you have any questions. The Shares offered by this Supplementary Prospectus should be regarded as speculative.

### **I. IMPORTANT NOTICE**

This supplementary prospectus (Supplementary Prospectus) is dated 4 April 2014.

The Prospectus when read together with this Supplementary Prospectus:

- a) contains all information that would be required by sections 710, 711 and 716 of the Corporations Act; and
- b) does not contain any material statement that is false or misleading.

The Prospectus contains detailed information about Fifth Element Resources Limited ("the Company" or "Fifth Element") and it is advisable to read the Prospectus and this Supplementary Prospectus before completing an Application Form.

A copy of this Supplementary Prospectus was lodged with ASIC on 4 April 2014.

Neither ASIC nor ASX takes any responsibility for the contents of this Supplementary Prospectus.

Unless the context otherwise requires, terms defined in the Prospectus have the same meaning when used in this Supplementary Prospectus.

This Supplementary Prospectus prevails to the extent of any inconsistency with the Prospectus.

The Prospectus together with this Supplementary Prospectus may be viewed on the Company's website [www.fifthelementresources.com](http://www.fifthelementresources.com). During the period of the Offer, a hard copy of the Prospectus together with this Supplementary Prospectus is available free of charge to any person in Australia or New Zealand by calling the Company on 02 4922 2100.

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## **II. REASONS**

Fifth Element has decided to update the Minimum Subscription to 19,000,000 Shares at an issue price of \$0.20 per Shares to raise \$3,800,000.

In consequence:

- a) the table on Page 8 of the Prospectus is updated as follows:

<b><u>FIFTH ELEMENT RESOURCES LIMITED</u></b>					
<b><u>PROPOSED CAPITAL STRUCTURE</u></b>					
<b>SHARES</b>	<b>TYPE</b>	<b><u>MINIMUM SUBSCRIPTION</u></b>		<b><u>MAXIMUM SUBSCRIPTION</u></b>	
		<b>NUMBER</b>	<b>%</b>	<b>NUMBER</b>	<b>%</b>
<b>EXISTING</b>	ORD	20,000,000	51%	20,000,000	44%
<b>ISSUED PURSUANT TO PROSPECTUS</b>	ORD	19,000,000	49%	25,000,000	56%
<b>TOTAL ON ISSUE AT TIME OF ADMISSION</b>	<b>ORD</b>	<b>39,000,000</b>	<b>100%</b>	<b>45,000,000</b>	<b>100%</b>

- b) the table in section 1.4 of the Prospectus is updated as follows:

	<b>Min. Subscription</b>	<b>Max. Subscription</b>
	<b>\$3.8 million</b>	<b>\$5 million</b>
Pre-offer Cash	\$104,467	\$104,467
Total raised in the Offer	\$3,800,000	\$5,000,000
<b>Total Funds Available</b>	<b>\$3,904,467</b>	<b>\$5,104,467</b>
Exploration Expenditure (budget for first two years)	\$2,581,791	\$3,269,970
Expenses of the Offer	\$643,768	\$723,944
Administration	\$50,000	\$50,000
General Working Capital	\$628,908	\$1,060,553
<b>Total Funds Applied</b>	<b>\$3,904,467</b>	<b>\$5,104,467</b>

c) Section 1.6 of the Prospectus is updated as follows:

The Minimum Subscription under the Offer is 19,000,000 Shares at an issue price of \$0.20 per Share to raise \$3,800,000. All Shares issued pursuant to this Prospectus will be issued as fully paid ordinary shares and will rank equally in all respects with the Shares already on issue. If the minimum subscription has not been raised within four months of the date of this Prospectus, all Applications will be dealt with in accordance with the Corporations Act. If only the minimum subscription is raised, those funds will be applied as follows:

Exploration expenditure (budget for first two years)	<b>\$2,581,791</b>
Expenses of the Offer	\$643,768
Administration	\$50,000
General Working Capital	\$628,908
<b>Total</b>	<b>\$3,904,467</b>

d) Section 1.10 of the Prospectus is updated as follows:

The Pro forma capital structure of the Company is set out below to reflect the issued and paid up capital structure of the Company under the two possible scenarios of the Offer:

- Minimum subscription of \$ 3,800,000.
- Maximum subscription of \$ 5,000,000.

<b><u>FIFTH ELEMENT RESOURCES LIMITED</u></b>					
<b><u>PROPOSED CAPITAL STRUCTURE</u></b>					
<b>SHARES</b>	<b>TYPE</b>	<b><u>MINIMUM</u></b>		<b><u>MAXIMUM SUBSCRIPTION</u></b>	
		<b><u>NUMBER</u></b>	<b><u>%</u></b>	<b><u>NUMBER</u></b>	<b><u>%</u></b>
<b>EXISTING</b>	ORD	20,000,000	51%	20,000,000	44%
<b>ISSUED PURSUANT TO PROSPECTUS</b>	ORD	19,000,000	49%	25,000,000	56%
<b>TOTAL ON ISSUE AT TIME OF ADMISSION</b>	<b>ORD</b>	<b>39,000,000</b>	<b>100%</b>	<b>45,000,000</b>	<b>100%</b>

e) Section 2.5 of the Prospectus is updated as follows:

## 2.5 COMMENTS ON PROGRAMMES AND BUDGET

The primary objective of the Issue is to raise funds to advance exploration and target definition. Assuming that the minimum subscription amount of \$3,800,000 is raised, a total sum of \$2,179,235 is allocated for drilling and other exploration activities on the project areas in the first two years. \$402,556 is allocated to administrative costs including directors' fees and other fees.

It is emphasised, however, that the programs and budgets proposed for the current projects and other Company projects that may arise rely on current knowledge and exploration concepts and are based on the assumption that results will be sufficiently encouraging to justify a continuous work program.

The actual activities carried out and the allocation of funds will be subject to frequent rigorous technical review, and may be varied depending on the results achieved as the exploration programs progress. In particular, the allocation of the substantial second year exploration drilling budgets of \$768,685 (based on minimum raising) for the Company's projects is critically dependent on the results achieved from the first year exploration programs, the outcome of which cannot be predicted at this stage given the current level of knowledge.

Unallocated funds may be invested in the evaluation of new exploration opportunities. This surplus of unallocated funds will give the Company the flexibility to secure new opportunities of outstanding merit that may be identified by the ongoing evaluation work.

If the raising exceeds \$3,800,000, the proposed expenditure will increase commensurately. It is anticipated extra funds will be allocated to the second year drilling programmes.

The Directors are of the opinion that following Completion of the Offer, the Company will have sufficient working capital to carry out its stated objectives for a period of at least two years.

	<b>MIN. RAISING \$3.8M</b>	<b>MAX. RAISING \$5M</b>
Project Fairholme	593,098	780,392
Project Pine Hill	467,230	614,776
Project Trangie	581,915	765,677
Project Mendooran	536,992	706,569
Administration	402,556	402,556
<b>TOTAL</b>	<b>2,581,791</b>	<b>3,269,970</b>
<b>TOTAL (excluding Admin)</b>	<b>2,179,235</b>	<b>2,867,414</b>

- f) Section 4 of the Prospectus, page 83, in section 3.6 of the Technical Assessment Report, the Table 3.2 and the preceding paragraph are updated as follows:

The overall proposed two year operational expenditure is \$2,179,235 (Table 3.2). This total includes an expenditure contingency of 10% (\$198,112) to cover possible higher than anticipated operating costs, particularly during the stage 2 exploration drilling phase of the work programme. It is SRK's understanding, that, should the raising exceed \$3.8M, proposed exploration expenditure will increase commensurately. It is anticipated extra funds will be allocated to the second year drilling programmes.

BUDGET EXPENDITURE	MINIMUM SUBSCRIPTION RASIED \$3.8 MILLION	
	Year 1 (A) \$	Year 2 (A) \$
<b>Project Exploration</b>		
Fairholme	150,755	388,425
Pine Hill	156,583	268,171
Trangie	140,588	388,425
Mendooran	172,439	315,737
	620,365	1,360,758
	<b>Total</b>	<b>1,981,123</b>
	<b>10% Contingency</b>	<b>198,112</b>
	<b>Grand Total</b>	<b>2,179,235</b>

- g) Section 4 of the Prospectus, page 84, in section 3.6 of the Technical Assessment Report, the Table 3.4 of the Prospectus is updated as follows:

PROJECT	GEOLOGICAL MANAGEMENT	GEOPHYSICS		DRILLING		LOGISTICS	GEO-CHEMICAL ANALYSIS/ PETROLOGY	TENEMENT ADMINISTRATION	TOTAL
		Airborne Magnetics	Ground Gravity	RC	DD				
	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$
Year 1	Fairholme EL8026	34,790	33,831	58,683				23,451	150,755
	Pine Hill EL8027	36,135	26,311	70,685				23,452	156,583
	Trangie EL8140	32,443	34,242	50,451				23,452	140,588
	Mendooran EL 8141	39,793	33,525	75,669				23,452	172,439
	YEAR 1 TOTAL	143,161	127,909	255,488				93,807	620,365
Year 2	Fairholme EL8026	89,637			32,571	187,286	40,714	14,766	388,425
	Pine Hill EL8027	61,886			21,714	124,857	27,143	9,120	268,171
	Trangie EL8140	89,637			32,571	187,286	40,714	14,766	388,425
	Mendooran EL 8141	72,862			32,572	149,828	32,572	4,451	315,737
	YEAR 2 TOTAL	314,022			119,428	649,257	141,143	43,103	1,360,758
	TOTAL								1,981,123
								10% Contingency	198,112
								<b>GRAND TOTAL</b>	<b>2,179,235</b>

h) the table in section 8.10 of the Prospectus is updated as follows:

	<b>Min. Subscription of \$ 3.8 million</b>	<b>Max. Subscription of \$ 5 million</b>
Independent Accountant's Report	\$ 11,000	\$ 11,000
Corporate Advisory Expenses	\$ 171,811	\$ 171,811
Independent Geologist's Report	\$ 76,395	\$ 76,395
Independent Title Review	\$ 7,700	\$ 7,700
Other miscellaneous offer costs	\$ 4,787	\$ 4,787
ASX listing fees	\$ 33,125	\$ 39,501
Broker or Dealers' commission *	\$ 294,950	\$ 368,750
Accounting Services - IPO Costs	\$ 44,000	\$ 44,000
<b>Total</b>	<b>\$ 643,768</b>	<b>\$ 723,944</b>

Annexed to this Supplementary Prospectus is the updated pro forma financial position of Fifth Element amending sections 6.7, 6.8, 6.9 and 6.10 of the Prospectus.

### **III. DIRECTORS' AUTHORISATION AND CONSENT**

The Directors, each of whom has authorised the issue of this Supplementary Prospectus, accept responsibility for the information contained in this Supplementary Prospectus and consent thereto and have not withdrawn such consent. This Supplementary Prospectus is signed by Mr Chi-Ho William LO being the chairman of Fifth Element who has been authorised by each Director to sign this Supplementary Prospectus on his behalf.

The Directors confirm that they have made all reasonable enquiries and accordingly have reasonable grounds to believe that, other than the matters described above, there is no material information that has arisen between the date of the Prospectus and this Supplementary Prospectus that investors and their professional advisors would reasonably require to make an informed assessment of the offer of Shares made pursuant to the Prospectus.

Dated: 04 April 2014

Signed for and on behalf of the Directors and the Company



Chi-Ho William LO  
Executive Chairman

# FIFTH Element

## R E S O U R C E S Ltd

ANNEXURE TO SUPPLEMENTARY PROSPECTUS DATED 4 APRIL 2014

### 6.6 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following pro forma consolidated statement of financial position has been prepared to illustrate the effects of the pro forma adjustments, including the Offer which are set out below and in Section 6.7 – Pro Forma Adjustments as if they had occurred on or before 31 January 2014.

As at 31 January 2014	Notes	Audited \$'000 <sup>1</sup>	Reviewed Minimum Subscription Pro Forma \$'000 <sup>2</sup>	Reviewed Over Subscription Pro Forma \$'000 <sup>2</sup>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	6.8	104	3,388	4,508
Trade and other receivables		4	4	4
Deferred exploration & evaluation expenditure		69	69	69
Other		26	26	26
<b>TOTAL CURRENT ASSETS</b>		<b>203</b>	<b>3,487</b>	<b>4,607</b>
<b>NON-CURRENT ASSETS</b>				
Deferred exploration & evaluation expenditure		55	55	55
Other assets		20	20	20
<b>TOTAL NON-CURRENT ASSETS</b>		<b>75</b>	<b>75</b>	<b>75</b>
<b>TOTAL ASSETS</b>		<b>278</b>	<b>3,562</b>	<b>4,682</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables		114	114	114
<b>TOTAL CURRENT LIABILITIES</b>		<b>114</b>	<b>114</b>	<b>114</b>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings		162	162	162
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>162</b>	<b>162</b>	<b>162</b>
<b>TOTAL LIABILITIES</b>		<b>276</b>	<b>276</b>	<b>276</b>
<b>NET ASSETS</b>		<b>2</b>	<b>3,286</b>	<b>4,406</b>
<b>EQUITY</b>				
Issued capital	6.9	200	3,630	4,737
Accumulated losses	6.10	(198)	(344)	(331)
<b>TOTAL EQUITY</b>		<b>2</b>	<b>3,286</b>	<b>4,406</b>

*The historical and pro forma consolidated statement of financial position should be read in conjunction with the following notes.*

<sup>1</sup> The historical consolidated statement of financial position has been extracted from the audited statement of financial position.

<sup>2</sup> The pro forma consolidated statement of financial positions as at 31 January 2014 reflect the subsequent events, pro forma adjustments, the application of the funds from the Offer less the costs associated with the Offer (See Note 6.7 – Pro Forma Adjustments).

## NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 6.7 PRO FORMA ADJUSTMENTS

The following transactions and events contemplated in this Prospectus referred to as the Pro Forma Adjustments, which are to take place on or before the completion of the Offer are presented as if they together with the Offer had occurred on or before 31 January 2014.

With the exception of the pro forma adjustments noted below, no other material transactions have occurred between 31 January 2014 and the date of this Prospectus which the Directors consider require disclosure.

#### Pro forma transactions:

##### 6.7.1 The offer (minimum subscription)

The issue of a minimum of 19,000,000 ordinary shares, at \$0.20 each, amounting to \$3.8 million.

##### 6.7.2 The offer costs (minimum subscription)

The expenses associated with the minimum offer (including broker commission, corporate advisory, legal, accounting and administrative fees as well as printing, advertising and other expenses) are estimated to be \$516,000 in addition to an amount of \$129,000 which has already been expensed to 31 January 2014.

##### 6.7.3 The offer (over subscription)

This reflects the allowance for an additional 6,000,000 ordinary shares, at \$0.20 each, amounting to \$1.2 million, resulting in a total amount raised of \$5 million.

##### 6.7.4 The offer costs (over subscription)

Cash expenses associated with the offer and over subscriptions (including broker commission, corporate advisory, legal, accounting and administrative fees as well as printing, advertising and other expenses), are estimated to be \$596,000 in addition to an amount of \$129,000 which has already been expensed to 31 January 2014.

##### 6.7.5 Recognition of a deferred tax asset

A deferred tax asset has not been recognised in relation to the capitalised Offer cost due to the uncertainty surrounding the flow of economic benefit that will flow of economic benefits that will flow in future periods.

### 6.8 CASH AND CASH EQUIVALENTS

The pro forma cash and cash equivalents is set out below:

	Minimum Subscription Pro Forma \$'000	Over Subscription Pro Forma \$'000
Cash and cash equivalents at 31 January 2014	104	104
<i>Pro forma transactions:</i>		
Proceeds from shares issued under the Offer	3,800	5,000
Payment of outstanding cash Offer costs	(516)	(596)
<b>Pro forma cash and cash equivalents</b>	<b>3,388</b>	<b>4,508</b>

## NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 6.9 ISSUED CAPITAL

The pro forma issued capital is set out below:

	<b>Minimum Subscription Pro Forma \$'000</b>	<b>Over Subscription Pro Forma \$'000</b>
Contributed equity at 31 January 2014	200	200
<i>Pro forma transactions:</i>		
Proceeds from shares issued under the Offer	3,800	5,000
Capital raising costs paid under the Offer	(370)	(463)
<b>Pro forma contributed equity</b>	3,630	4,737

	<b>Minimum Subscription Pro Forma No. of Shares</b>	<b>Over Subscription Pro Forma No. of Shares</b>
Number of shares at 31 January 2014	20,000,000	20,000,000
<i>Pro forma transactions:</i>		
Shares issued under the Offer	19,000,000	25,000,000
<b>Pro forma number of shares</b>	39,000,000	45,000,000

### 6.10 ACCUMULATED LOSSES

The pro forma accumulated losses are set out below:

	<b>Minimum Subscription Pro Forma \$'000</b>	<b>Over Subscription Pro Forma \$'000</b>
Accumulated losses at 31 January 2014	(198)	(198)
<i>Pro forma transactions:</i>		
Costs of the Offer expensed to the income statement	(146)	(133)
<b>Pro forma accumulated losses</b>	(344)	(331)