

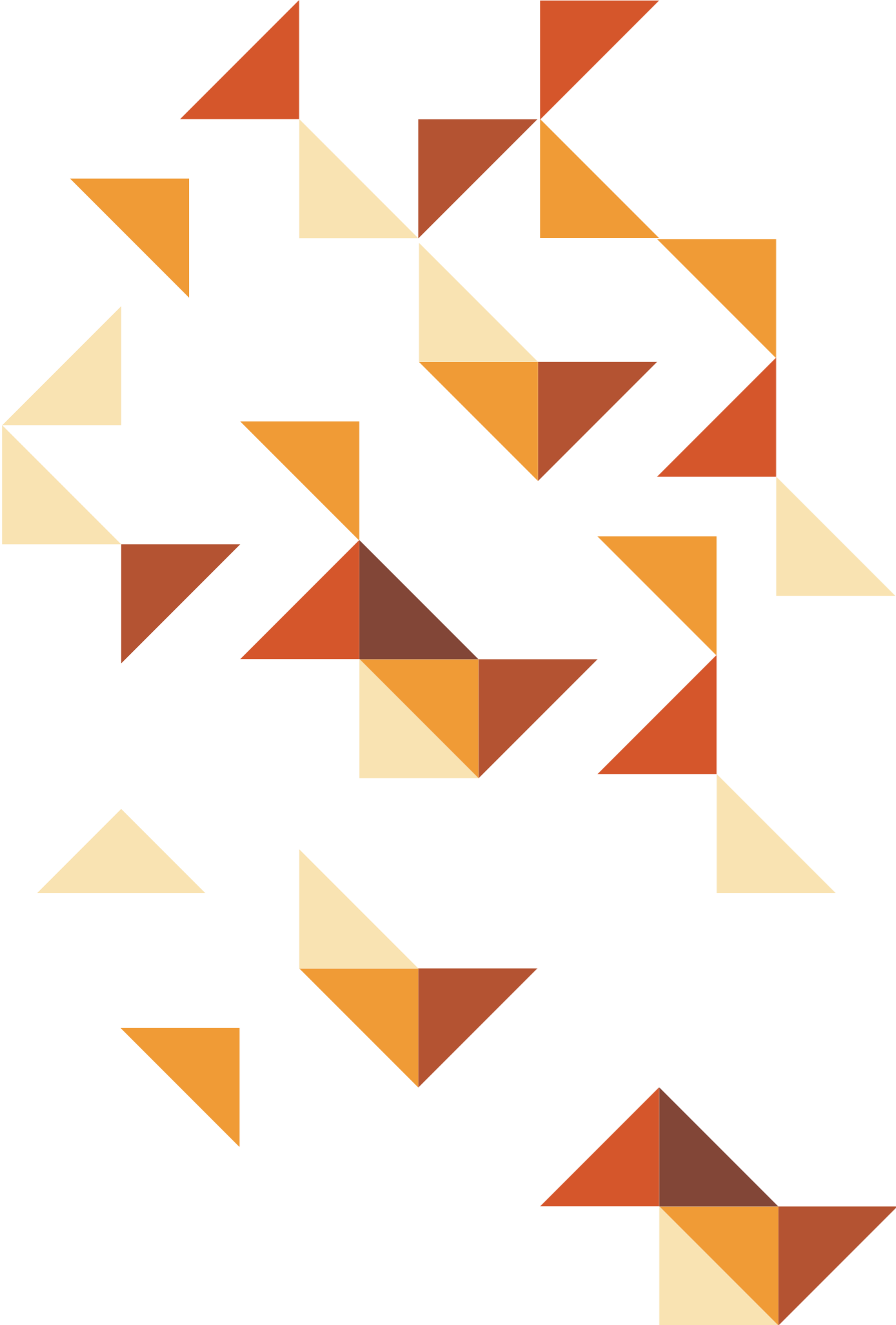


# PROSPECTUS

*For an offer of up to 17,500,000 Shares at an issue price of \$0.20 per Share to raise up to \$3,500,000. Oversubscriptions of up to a further 7,500,000 Shares at an issue price of \$0.20 per Share to raise up to a further \$1,500,000 may be accepted.*

**Fifth Element Resources Limited**  
ACN: 166 025 047

**FIFTH**element  
R E S O U R C E S Ltd



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## Board of Directors

Chi Ho William LO  
*Chairman*

Siu-Wing Selwyn CHAN  
*Non-Executive Director*

Andrew Bryden SKINNER  
*Non-Executive Director*

Noriman Sai Chi MAK  
*Executive Director*

## Company Secretary

Nicholas GEDDES

## Registered Office

C/o SRK Consulting (Australasia) Pty Ltd  
Unit 1, 1 Balbu Close Beresfield,  
PO Box 2184, GREENHILLS NSW 2322

T: +61 (0) 2 4922 2100

F: +61 (0) 2 4922 2101

E: [fifthelementresources@yahoo.com.au](mailto:fifthelementresources@yahoo.com.au)

W: [fifthelementresources.com](http://fifthelementresources.com)

## Share Registrar

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
ABBOTSFORD VIC 3067, Melbourne, Australia

GPO Box 2115 Melbourne, VICTORIA, 3001

T: 1300 465 791 (*investors within Australia*)  
+ 61 (0)3 9415 4318

## Proposed ASX Code

FTH

## Auditors

KN Bromley & Co  
5th Floor 71 Archer St, CHATSWOOD NSW 2067

## Independent Accountants

Bromley Crawford Pty Limited  
5th Floor 71 Archer St, CHATSWOOD NSW 2067

## Independent Reviewer of Titles

Hetherington Exploration and  
Mining Title Services Pty Ltd  
1st Floor, 503 Willoughby Rd,  
WILLOUGHBY NSW 2068

PO Box 765, WILLOUGHBY NSW 2068

T: +61 (0) 2 9967 4844

F: +61 (0) 2 9967 4614

## Independent Geologist

SRK Consulting (Australasia) Pty Ltd  
Unit 1, 1 Balbu Close Beresfield  
PO Box 2184, GREENHILLS NSW 2322

## Corporate Advisors

Breakaway Mining Services Pty Ltd  
Suite 505, 35 Lime St, SYDNEY NSW 2000

## Sponsoring Broker

Veritas Securities Limited  
Level 4, 175 Macquarie St, SYDNEY NSW 2000

Dear Investor

On behalf of the Board of Directors it is my pleasure to offer you the opportunity to become a Shareholder of Fifth Element Resources Limited (*"the Company" or "Fifth Element"*) and to gain exposure to early stage copper and gold exploration projects in an established mining area of Mid-Western New South Wales.

The Company is a junior mineral exploration company that has assembled a diversified portfolio of highly prospective projects located in the mid-west of New South Wales. This portfolio provides exposure to the key commodities of gold and copper. Exploration has been in progress since early 2012 and has resulted in the acquisition of four Exploration Licences. The core objective of the Company is to generate substantial shareholder wealth through the successful exploration and development of mineral deposits in this region.

Fifth Element is based in the offices of its technical managers, SRK Consulting, in Beresfield, New South Wales which has substantial expertise and global experience in mining exploration, engineering and compliance. The Company's philosophy is to identify mineral properties of high potential in which specific prospects can be quickly progressed in a cost effective manner.

The Company will use funds raised to:

- conduct further exploration on the tenements;
- study the possibility of progressing the projects into the drilling phase; and
- generate opportunities and acquire new tenements within and outside Australia.

Our focus is on adding value to the gold and copper potential of the tenements through staged programmes of target identification, delineation and testing by application of high resolution airborne magnetics and gravity studies resulting in the identification of targets for drilling.

The Independent Geologist has reviewed the Company's portfolio and endorsed the Directors' views regarding the overall prospectivity of the Company's portfolio.

Fifth Element aims to grow rapidly, leveraging off the successful track record and significant exploration and management expertise of its team.

I invite your participation in this exciting exploration company and look forward to welcoming you as a Shareholder.

Yours faithfully



**Chi Ho William LO**  
*Chairman and CEO*

IMPORTANT INFORMATION

Date

This Prospectus for Fifth Element Resources Limited (*"Fifth Element" or "the Company"*) is dated 27 February 2014. It was lodged for registration with the Australian Securities and Investments Commission (ASIC) on that date.

Neither ASIC nor Australian Stock Exchange Ltd (ASX) takes any responsibility for the contents of this Prospectus. No Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Application for Quotation

Application will be made within 7 days after the date of this Prospectus for permission for the Shares offered by this Prospectus to be listed for Quotation on the securities market operated by ASX.

Electronic Prospectus

This Prospectus will be issued in paper form and as an electronic Prospectus which may be accessed on the Internet on the Company's website at [www.fifthelementresources.com](http://www.fifthelementresources.com). The offer of Shares pursuant to the electronic Prospectus is only available to persons receiving an electronic version of this Prospectus in Australia. The Corporations Act prohibits any person passing onto another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of the Prospectus. During the Offer Period, any person may obtain a hardcopy of this Prospectus at no cost by contacting the Company by email at [fifthelementresources@yahoo.com.au](mailto:fifthelementresources@yahoo.com.au).

Foreign Jurisdictions

This Prospectus does not constitute an offer in any place in which, or to persons to whom, it would not be lawful to make an offer. Distribution of this Prospectus in jurisdictions outside Australia may be restricted by law, and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No Authority

No person is authorised to give any information or to make any representation regarding the Offer. Any information or representation in relation to the Offer which is not contained in this Prospectus may not be relied upon as having been authorised by Fifth Element or its Directors.

Exposure Period

In accordance with Chapter 6D of the Corporations Act this Prospectus is subject to an Exposure Period of 7 days from the date of lodgement with ASIC. This Exposure Period may be extended by ASIC for a further period of up to 7 days. The purpose of this Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. If this Prospectus is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with Section 724 of the Corporations Act. Applications received prior to the expiration of the Exposure Period will not be processed until after the end of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period and all Applications received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date.

Speculative

The Shares offered by this Prospectus are of a speculative nature. Applicants should read this document in its entirety and, if in any doubt, consult with their professional advisors before deciding whether to apply for Shares. The Shares offered under this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends or the future value of the Shares or Options.

Privacy

When you apply to invest in the Company, you will provide the Company and the Share Registrar with certain personal information to: (i) facilitate the assessment of the Application; (ii) enable the Company to assess the needs of Applicants and provide appropriate facilities and services for Applicants; and (iii) carry out appropriate administration. The Company and the Share Registrar may be required to disclose this information to: (i) third parties who carry out functions on behalf of the Company; and (ii) other third parties to whom disclosure is required by law. Applicants may request access to their personal information held by (or on behalf of) the Company by telephoning or writing to the Company Secretary.

Photographs and Diagrams

The assets depicted in photographs and diagrams in this Prospectus are not assets of the Company, unless otherwise stated. Diagrams appearing in this Prospectus are illustrative only and may be drawn out of scale.

Conditions Precedent

The Offer made under this Prospectus and the Issue of Shares pursuant to this Prospectus are subject to and conditional upon the Company raising the minimum subscription and meeting the Listing Rules of the ASX.

Definitions

Throughout this Prospectus abbreviations and defined terms are used. Those relevant to mineral exploration are contained in the Glossary of Technical Terms in Section 4.2 of this Prospectus, and other abbreviations and legal terms are contained in the Definitions in Section 8.15 of this Prospectus. Defined terms are generally, but not always, identified by the uppercase first letter.



View of the Trangie Tenement

INVESTMENT HIGHLIGHTS

This section is not intended to provide full information on the Shares offered under this Prospectus. Accordingly, potential investors should read this Prospectus in its entirety and, if in doubt, consult their professional advisors before investing in the Company.

The Company

Fifth Element aims to create wealth for its Shareholders through exploration discoveries and the development of mineral properties.

The Board of Directors comprises experienced financial and mining professionals.

The Company has a highly prospective portfolio of projects which have undergone only limited copper and/or gold exploration or none.

Fifth Element Projects comprise...

- ▲ **Project Fairholme EL 8026**  
20km South-East of Condobolin, New South Wales

  - Tenement in an area hosting Cu-Au porphyry
  - Identification of magnetic anomalies
- ▲ **Project Pine Hill EL 8027**  
40km South-East of Condobolin, New South Wales

  - Tenement in an area hosting Cu-Au porphyry
  - Identification of magnetic anomalies
- ▲ **Project Trangie EL 8140**  
40km North-West of Narromine, New South Wales

  - Tenement in an area hosting Cu-Au porphyry
  - Identification of magnetic anomalies
- ▲ **Project Mendooran EL 8141**  
35 km East of Gilgandra, New South Wales

  - Tenement in an area hosting Cu-Au porphyry
  - Identification of magnetic anomalies

Summary of Capital Structure

| FIFTH ELEMENT RESOURCES LIMITED EXISTING CAPITAL STRUCTURE |      |            |      |
|--|------|------------|------|
| SHARES   | TYPE | NUMBER     | %    |
| EXISTING   | ORD  | 20,000,000 | 100% |
| TOTAL  |      | 20,000,000 | 100% |

| FIFTH ELEMENT RESOURCES LIMITED PROPOSED CAPITAL STRUCTURE |      |                      |      |                      |      |
|--|------|----------------------|------|----------------------|------|
|  |      | MINIMUM SUBSCRIPTION |      | MAXIMUM SUBSCRIPTION |      |
| SHARES   | TYPE | NUMBER               | %    | NUMBER               | %    |
| EXISTING   | ORD  | 20,000,000           | 53%  | 20,000,000           | 44%  |
| ISSUED PURSUANT TO PROSPECTUS                              | ORD  | 17,500,000           | 47%  | 25,000,000           | 56%  |
| TOTAL ON ISSUE AT TIME OF ADMISSION                        | ORD  | 37,500,000           | 100% | 45,000,000           | 100% |

BOARD OF DIRECTORS AND DIRECTORS' PROFILES

Fifth Element is led by the Board which has substantial financial and management experience and a technical manager which has strong expertise in the resources industry.



Bachelor of Chemical Process Engineering and Fuel Technology (Sheffield – UK).  
Fellow Member of the Hong Kong Institute of Certified Public Accountants

Mr. Chi Ho William LO qualified as a Chartered Accountant in the United Kingdom in 1994 and is now a Fellow Member of the Hong Kong Institute of Certified Public Accountants. William also holds an honours Bachelor’s degree in Chemical Process Engineering and Fuel Technology from Sheffield University (UK).

William has extensive experience in the resources industry and financial markets. He has been on the board of a number of listed companies in both Hong Kong and China. William started investing in the resources industry in 2006.

William is currently a non-shareholding director of a coal resources company named Ridgeland Coal Resources Pty Limited, a company incorporated in New South Wales. William is also a director and indirectly the largest shareholder of EJ Resources Pty Ltd, a company incorporated in New South Wales, which focuses on minerals exploration in other areas of New South Wales.

He is the founding member and has been the largest shareholder of Fifth Element Resources Limited since inception.



Bachelor of Civil Engineering (UNSW)  
Master of Science (Geotechnical Engineering, Massachusetts Institute of Technology, USA)  
Bachelor of Laws Hons (Wolverhampton, UK)  
Fellow, Chartered Institute of Arbitrators, UK  
Fellow, Institution of Structural Engineers, UK  
Member, Institution of Engineers Australia  
Solicitor, Hong Kong

Mr. Siu-Wing Selwyn CHAN is a chartered professional engineer in both Australia and the United-Kingdom specialising in civil, structural and soils engineering. He has extensive engineering experience and worked in various international consulting engineering firms as well as real estate developers before founding his own multi-disciplined construction project management consultancy in 1988 in Hong Kong. To extend his consulting scope, Selwyn completed his law degree and qualified as a solicitor in 2008

in Hong Kong where he practices law in the areas of corporate finance, mergers and acquisitions, commercial and construction law and litigation. He also advises numerous private and corporate clients in Australia and spends a considerable amount of time in Australia.

Selwyn has been involved with Fifth Element from the outset and has been advising the initial shareholders and senior management of the Company.

Selwyn is also a visiting lecturer with the Polytechnic University of Hong Kong covering subjects such as criminal law, public order and civil liberties.

He is free from any business or other relationship that could materially interfere with the independent exercise of his judgment.



Master of Economics (Macquarie University)  
Member, Australian Institute of Company Directors  
Member, CPA Australia

Mr. Andrew SKINNER qualified as a Chartered Accountant in 1986 with Price Waterhouse Coopers and commenced a specialisation in superannuation governance and taxation. He has been a specialist in superannuation taxation and small business structuring and advice, including working with many in the minerals industry. This work has resulted in Andrew being involved in the initial commencement stage of many businesses and the provision of seed capital. In 2004, Andrew was the founding director of Augur Resources Ltd which went on to list on the ASX under the code AUK.

Andrew's extensive experience with mineral exploration companies resulted in his appointment as a director of Zamia Metals Ltd (code ZGM), which listed on the ASX in January 2007, and he remains on that Board. He is on the Board of the ASX listed Fiji focused gold and copper explorer Dome Gold Mines Ltd (code DME). He is also on the Board of Magma Mines Ltd which is currently preparing for a listing on the ASX.

Involved with Fifth Element since inception, Mr SKINNER has been working with management and shareholders to bring the Company to its current state.

Andrew lectures in the School of Accounting and Corporate Governance at Macquarie University in Business Ethics and is currently completing a Master of Corporate Governance. He has also recently completed a Diploma of Property Development.

He is free from any business or other relationship that could materially interfere with the independent exercise of his judgment.

**Noriman Sai Chi MAK**  
*Executive Director*



BSc, Master of Science (soil mechanics and engineering seismology)  
DIC, MBA, MIEAust, CPEng, NPER, RPEQ

Mr. Noriman Sai Chi MAK is experienced in engineering, innovation, property investments, general management and business development. As an advisor, he has prepared business proposals, investment and risk appraisals, strategic management directives, budget reports, project management reviews and technical audits for many large projects. He has issued numerous technical publications and has pioneered new innovative technologies for the engineering industry.

He is free from any business or other relationship that could materially interfere with the independent exercise of his judgment.

# 1 DETAILS OF THE OFFER

## 1.1 DESCRIPTION OF THE OFFER

This Prospectus invites investors to apply for a minimum of 17,500,000 Shares at an issue price of \$0.20 per Share to raise a minimum of \$3,500,000 with the right to accept oversubscriptions for a total of up to \$5,000,000. 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. The rights attaching to the Shares are summarised in Section 8.6 of this Prospectus.

The Company will pay any stockbroker, licensed securities dealer or other person legally entitled to receive commission in respect of a person subscribing for the Shares (“Dealer”), a commission at a negotiable rate of the amount of Application Monies being the subject of an Application which results in an allotment of Shares, where the Dealer has introduced the Applicant and indicated that introduction by completion of the “brokers reference” section of the Application Form. The commission will be paid within 21 Business Days of the allotment of the Shares on the presentation of a tax invoice.

## 1.2 OPENING AND CLOSING DATES

Subscription lists will open on the Opening Date and will remain open until 5.00pm AEDT on the Closing Date subject to the right of the Company to either close the Issue at an earlier time and date or to extend the closing time and date without prior notice. Applicants are encouraged to submit their Applications as early as possible.

## 1.3 INDICATIVE TIMETABLE

|  |   |
|--|---|
| <b>DATE OF PROSPECTUS</b>                              | <i>Thursday 27 February 2014</i>            |
| <b>OFFER OPENING DATE</b>                              | <i>Friday 7 March 2014</i>                  |
| <b>OFFER CLOSING DATE</b>                              | <i>5.00pm (AEDT) Wednesday 2 April 2014</i> |
| <b>ALLOTMENT OF SHARES</b>                             | <i>Wednesday 9 April 2014</i>               |
| <b>DESPATCH OF STATEMENTS OF SHAREHOLDING</b>          | <i>Friday 11 April 2014</i>                 |
| <b>QUOTATION OF SHARES ON ASX EXPECTED TO COMMENCE</b> | <i>Thursday 17 April 2014</i>               |

*The above dates are indicative only.*

## 1.4 PURPOSE OF THE ISSUE

The purpose of the Offer is to raise adequate funds to allow the continued exploration of the projects described in this Prospectus, in particular:

- to further identify drilling targets;
- to carry out drilling on identified targets; and
- to identify new targets and acquire more tenements for evaluation.

The funds raised from the Issue will be applied as follows (based on the Minimum Subscription and the Maximum Subscription):

|   | <b>MIN. SUBSCRIPTION<br/>\$3.5 MILLION</b> | <b>MAX. SUBSCRIPTION<br/>\$5 MILLION</b> |
|---|--|--|
| <b>PRE-OFFER CASH</b>   | \$104,467                                  | \$104,467                                |
| <b>TOTAL RAISED IN THE OFFER</b>                                      | \$3,500,000                                | \$5,000,000                              |
| <b>TOTAL FUNDS AVAILABLE</b>  | \$3,604,467                                | \$5,104,467                              |
| <b>EXPLORATION EXPENDITURE</b><br><i>(budget for first two years)</i> | \$2,409,746                                | \$3,269,970                              |
| <b>EXPENSES OF THE OFFER</b>  | \$623,725                                  | \$723,944                                |
| <b>ADMINISTRATION</b>   | \$50,000                                   | \$50,000                                 |
| <b>GENERAL WORKING CAPITAL</b>  | \$520,996                                  | \$1,060,553                              |
| <b>TOTAL FUNDS APPLIED</b>  | \$3,604,467                                | \$5,104,467                              |

Details of the exploration programmes proposed and the associated expenditures are provided in Section 2.4 (Review of Fifth Element’s Exploration Projects), Section 2.5 (Comments on Programmes and Budget) and Section 4 (The Independent Geologist’s Report) of this Prospectus.

## 1.5 CAPITAL ADEQUACY

The Directors are satisfied that, subject to receipt of the Minimum Subscription detailed above, Fifth Element will have sufficient working capital to meet its stated objectives, including implementation of its exploration programme, in full as described above and in Section 4 below.

## 1.6 MINIMUM SUBSCRIPTION

The Minimum Subscription under the Offer is 17,500,000 Shares at an issue price of \$0.20 per Share to raise \$ 3,500,000. 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 <i>(budget for first two years)</i> | <b>\$2,409,746</b> |
| Expenses of the Offer                                       | \$623,725          |
| Administration  | \$50,000           |
| General Working Capital                                     | \$520,996          |
| <b>TOTAL</b>  | <b>\$3,604,467</b> |

1.7 OVER-SUBSCRIPTIONS

The Company will accept over-subscriptions. The maximum amount which may be raised under this Prospectus is therefore \$ 5,000,000 by the issue of a maximum of 25,000,000 Shares.

1.8 APPLICATIONS FOR SHARES

Applications must be for a minimum of 10,000 Shares (\$ 2,000) and thereafter in multiples of 1,000 Shares and can only be made by completing the Application Form attached to this Prospectus. The Company reserves the right to reject any Application or to allocate any investor fewer Shares than the number applied for.

1.9 HOW TO APPLY

Applications under the Offer may be made, and will only be accepted, in one of the following forms:

- on the relevant Application Form accompanying this Prospectus; or
- on a paper copy of the relevant electronic Application Form which accompanies the electronic version of this Prospectus, both of which can be downloaded from [www.fifthelementresources.com](http://www.fifthelementresources.com).

Paper Application Forms, whether accompanying a paper copy of this Prospectus or which have been downloaded from [www.fifthelementresources.com](http://www.fifthelementresources.com) must be accompanied by a personal cheque or a bank draft payable in Australian dollars, drawn on an Australian branch of an Australian registered bank for an amount equal to the number of Shares for which you wish to apply multiplied by the Application Price of \$ 0.20 per Share. Cheques or bank drafts should be made payable to “Fifth Element Resources Limited New Issue Account” and crossed “Not Negotiable”.

Applicants should ensure that cleared funds are available at the time the Application is lodged, as dishonoured cheques will result in the Application being rejected.

Applicants should return their completed Application Forms to GPO Box 2115 - Melbourne VIC 3001 by no later than 5.00pm AEDT on 2 April 2014.

Detailed instructions on how to complete paper Application Forms are set out on the reverse of those forms. You are not required to sign the Application Form. The Company reserves the right to reject any Application (including where an Application has not been correctly completed) or allocate any person fewer Shares than that person applied for, or vary the dates and times of the Offer without prior notice and independently of other parts of the Offer. Where Applications are rejected or fewer Shares are allotted than applied for, surplus Application Monies will be refunded. No interest will be paid on any Application Monies refunded.

1.10 PROFORMA CAPITAL STRUCTURE

The Proforma 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 \$ 3,500,000.
- Maximum subscription of \$ 5,000,000.

| FIFTH ELEMENT RESOURCES LIMITED PROPOSED CAPITAL STRUCTURE |      |                      |      |                      |      |
|--|------|----------------------|------|----------------------|------|
|  |      | MINIMUM SUBSCRIPTION |      | MAXIMUM SUBSCRIPTION |      |
| SHARES   | TYPE | NUMBER               | %    | NUMBER               | %    |
| EXISTING   | ORD  | 20,000,000           | 53%  | 20,000,000           | 44%  |
| ISSUED PURSUANT TO PROSPECTUS                              | ORD  | 17,500,000           | 47%  | 25,000,000           | 56%  |
| TOTAL ON ISSUE AT TIME OF ADMISSION                        | ORD  | 37,500,000           | 100% | 45,000,000           | 100% |

1.11 ALLOTMENT AND ALLOCATION OF SHARES

Subject to the ASX granting approval for the Company to be admitted to the Official List, the allotment of Shares to Applicants will occur as soon as possible after the Offer is closed, following which statements of Shareholdings will be dispatched. It is the responsibility of Applicants to determine their allocation prior to trading in Shares. Applicants who sell their Shares before they receive their holding statements will do so at their own risk. Pending the issue of the Shares or return of the Application Monies, the Application Monies will be held in trust for the Applicants.

The Company has the right to allocate the Shares under the Offer. The Company may reject any Application or allocate any investor fewer Shares than applied for under the Offer. If an Application is not accepted, or is accepted in part only, the relevant part of the Application Monies will be refunded. Interest will not be paid on Application Monies refunded.

1.12 STOCK EXCHANGE LISTING

Within seven days after the date of this Prospectus, application will be made to the ASX for the Company to be admitted to the Official List and for the Shares offered by this Prospectus to be granted Quotation. If approval for Quotation is not granted within three months after the date of this Prospectus, the Company will not allot or issue any Shares pursuant to the Offer and will repay all Application Monies without any interest as soon as practicable. The fact that the ASX may admit the Company to its Official

List is not to be taken in any way as an indication of the merits of the Company or the Shares offered pursuant to this Prospectus.

### 1.13 CHESS

The Company proposes to become a Participant in the Clearing House Electronic Subregister System (“**CHESS**”), operated by ASX Settlement and Transfer Corporation Pty Ltd (“**ASTC**”) a wholly owned subsidiary of ASX, in accordance with the Listing Rules and ASTC Settlement Rules.

Under this system, the Company will not issue certificates to investors. Instead, Shareholders will receive a statement of their holdings in the Company. If an investor is Participant sponsored, the ASTC will send them a **CHESS** statement.

The **CHESS** statement will set out the number of Shares allotted to each holder under the Prospectus, give details of the Shareholder’s “holder identification number” and give the Participant the “identification number” of the sponsor Company.

If you are registered on the issuer sponsored sub register, your statement will be dispatched by the Share Registrar and will contain the number of Shares allotted under the Prospectus and the Shareholder’s security holder reference number.

A **CHESS** statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their holding changes. A Shareholder may request a statement at any other time however a charge may be made for additional statements.

### 1.14 OVERSEAS INVESTORS

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Lodgement of a duly completed Application Form will be taken by the Company as to constitute a representation that there has been no breach of such laws.

No action has been taken to register or qualify the Shares, or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

The Offer pursuant to an Electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia.

### 1.15 PRIVACY

The Company, and/or the Registrar, may collect, hold and use information about each Applicant from the Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant’s Shareholding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registrar, the Company’s related bodies corporate, agents, contractors and

third party service providers (including mailing houses), ASX, ASIC and other regulatory authorities. If an Applicant becomes a Shareholder of the Company, the Corporations Act requires the Company to include information about the Shareholder (name, address and details of the Shares held) in its public register. This information must remain in the register even if that person ceases to be a Shareholder of the Company. Information contained in the Company’s registers is also used to facilitate distribution payments and corporate communications (including the Company’s financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

You can access your personal information in connection with the Company by logging in to the Registrar’s website [www.computershare.com.au](http://www.computershare.com.au) or by request to the Company.

If you believe your records are out of date, particularly your address or email address, please update your details by logging in on the Registrar’s website [www.computershare.com.au](http://www.computershare.com.au) or for **CHESS** holdings by contacting your broker.

### 1.16 TAXATION

The Australian taxation consequences of any investment in Shares will depend upon the investor’s particular circumstances. It is an obligation of investors to make their own enquiries concerning the taxation consequences of an investment in the Company. If you are in doubt as to the course of action you should take, you should consult your professional advisors.

### 1.17 RESTRICTED SECURITIES

As a condition of admitting the Company to the Official List, the ASX may classify certain Shares held prior to the date of this Prospectus as escrowed securities. Prior to Quotation it will be necessary for these Shareholders to enter into restriction agreements with the Company. The effect of the restriction agreements will be that the restricted securities cannot be dealt with for a period as determined by the ASX.

### 1.18 INVESTMENT RISKS

The investment offered herein is speculative, as the Tenements detailed in this Prospectus are at an exploration stage without proven economic reserves.

Further information on risk is provided in Section 7 of this Prospectus.



# DIRECTORS' REVIEW OF PROJECTS

## 2.1 COMPANY HISTORY

Fifth Element Resources Limited was incorporated on 27 September 2013 with the aim of acquiring and developing four copper and gold exploration projects in the Lachlan Fold Belt of Central New South Wales in Australia.

The Company acquired the mineral properties through the purchase of four licences held by EJ Resources Pty Limited from interests associated with the Chairman – Chi Ho William LO. Chi Ho William LO, as the founder of the company, has subscribed for \$200,000 of the Company’s capital as starting capital.

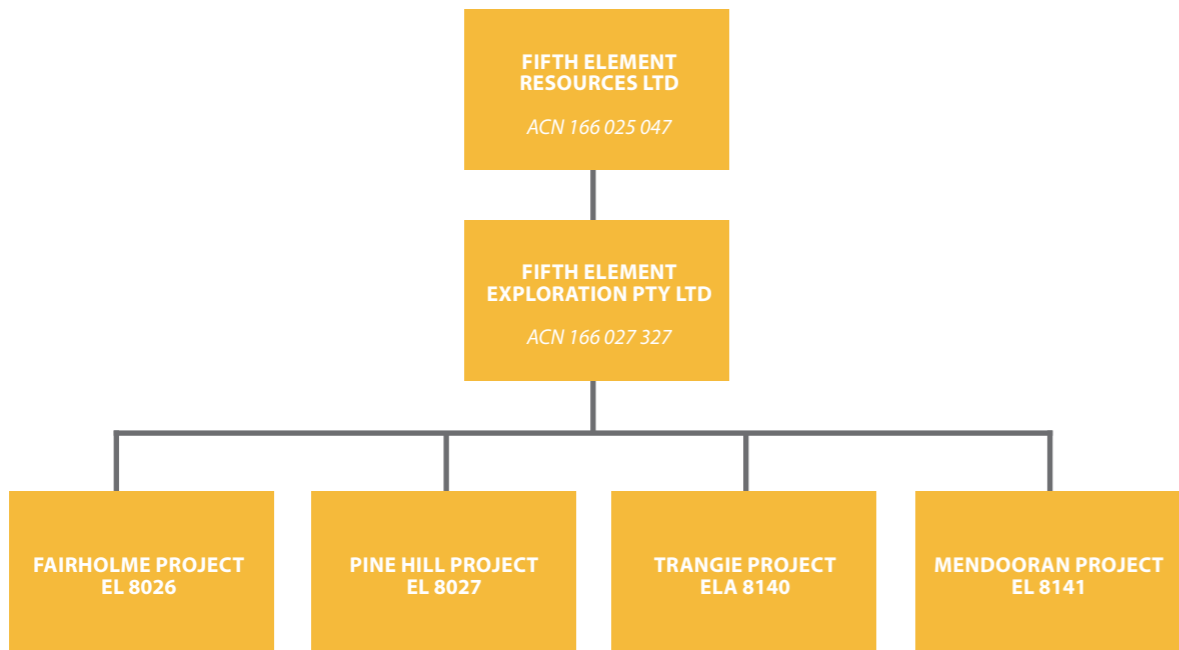


Figure 2.1 - Fifth Element Corporate Structure

## 2.2 MANAGEMENT TEAM

Chi Ho William LO, as Chief Executive Officer, and Noriman Sai Chi MAK, as Executive Director, will provide both the corporate and technical management of Fifth Element’s activities.

In addition, the Company has the following arrangements in place:

- (i) SRK Consulting (Australasia) Pty Ltd (SRK) will provide geophysical consulting services to the Company as required.

Fifth Element Exploration Pty Limited (FEE) has appointed SRK as Technical Managers of their NSW exploration titles. SRK will provide exploration management and technical services support for FEE’s ELs 8026, 8027, 8140 and 8141.

SRK is an independent, international group providing specialised consultancy services. Among SRK’s clients are many of the world’s mining companies, exploration companies, financial institutions, EPCM and construction firms and government bodies.

Formed in Johannesburg in 1974, the SRK Group now employs some 1,500 staff internationally in over 45 permanent offices in 20 countries on 6 continents. A broad range of internationally recognised associate consultants complements the core staff. In Australia, SRK employs close to 175 people in offices located in Brisbane, Melbourne, Newcastle, Perth and Sydney.

The SRK Group’s independence is ensured by the fact that it is strictly a consultancy organisation, with ownership by staff. SRK does not hold equity in any project. This permits SRK’s consultants to provide clients with conflict-free and objective support on crucial issues.

### Scope of professional services

SRK offers focused advice and solutions to resource industries for the entire life cycle of a mining project, from exploration through to mine closure, for large and small projects, in most areas of the world, and across the full range of commodities. In other industries, SRK provides niche-focused services.

### Areas of expertise include:

|                    |                    |                          |                    |
|--------------------|--------------------|--------------------------|--------------------|
| Exploration        | Open pit mining    | Geotechnics              | Environmental      |
| Resources          | Underground mining | Ground and surface water | Tailings and waste |
| Corporate Services | Project evaluation | Geochemistry             | Mine closure       |

### Key Personnel and Expertise

SRK proposes that the project team be led by Chris Woodfull (Principal Consultant, Geology) with 25 years of experience in exploration, mining and consulting for the minerals and coal industries. Chris is based in SRK’s Newcastle office.

The following SRK consultants will be involved in the project:

- **Peter Stuart Smith, (Principal Consultant, Geology).**  
*Peter is an experienced and skilled structural and regional geologist with over 35 years of experience in the mineral and petroleum industry. His mineral industry experience includes structural and tectonic interpretations, regional mapping and mineral project generation and targeting assessments in a range of commodities including Cu, Au, U and iron ore. Peter has extensive mineral assessment experience in NSW and in recent years has worked on a number of mineral targeting/reviews in NSW including for porphyry Cu-Au and Au in the Lachlan Fold Belt and for base metals and Au in the Thomson Fold Belt.*
- **Colin Wood (Principal Consultant, Geology).**  
*Colin has nearly 30 years of experience in base metals and gold exploration and mining in Australia and Africa including significant experience in NSW as an exploration and mine geologist as well as regulatory and permitting assessment work for the NSW Geological Survey. Colin is currently managing and consulting on a Greenfields base metals and Cu-Au exploration project in far SW Queensland.*

is based in SRK's Newcastle office.

(ii) The Board of Directors

- **Chi-Ho William LO** is the executive chairman of Fifth Element. As described above, he has extensive experience in managing companies in the resources sector.
- **Andrew SKINNER** is a non-executive director of Fifth Element. As described above, he has extensive experience in managing listed and unlisted companies in the resources sector.
- **Noriman Sai Chi MAK** is an executive director of Fifth Element. As described above, he has extensive technical experience in management and engineering.
- **Siu-Wing Selwyn CHAN** is a non-executive director of Fifth Element. As described above, he has extensive experience in advising companies and in management.

(iii) Nick GEDDES (**FCA FCIS**) has been retained as Fifth Element’s Company Secretary. Nick is a qualified company secretary, the 2009 President of Chartered Secretaries Australia and a Chartered Accountant with broad international corporate experience. He is the principal of Australian Company Secretaries Pty Ltd. Nick has over 20 years experience as secretary of Australian listed companies. He was the CFO and Finance Controller of BT Innovation Limited, later CFO at Westpac’s venture fund, BLE Capital Limited. His experience overseas is in commerce as a financial controller and company secretary and in development banking in the UK, Middle East, Africa and Asia. Prior to that he worked in the United-Kingdom for one of the forerunners of Ernst & Young where he qualified as a Chartered Accountant.

2.3 COMPANY OBJECTIVES AND STRATEGIES

The Directors of Fifth Element Resources Limited believe that successful exploration programmes employing modern exploration techniques can reap substantial rewards for investors and that the risks can be offset by exploring for high value commodities in favourable geological settings. The mineral deposits that are being sought are of high intrinsic value and, if ultimately proven to be economic, have the potential to generate substantial cash flows from operations that could last well into the future.

The funds raised by the IPO will be applied to carry out a three-stage exploration programme adding value to the tenements, including high resolution airborne magnetics study, complementary follow-up ground gravity surveys targeting magnetic and structural features of interest and finally combined reverse circulation and diamond drill testing of prioritised targets over all four licences.

2.4 REVIEW OF FIFTH ELEMENT’S EXPLORATION PROJECTS

The focus of Fifth Element is to discover and assess gold and copper deposits of >0.5 M oz Au (or equivalent) in under-explored areas of an established well endowed mineral province in New South Wales located on the Molong Volcanic Belt and the Junee-Naromine Volcanic Belt.

A high level review of competitively held prospective Macquarie Arc volcanic belts have identified four available areas of interest for porphyry Cu – Au / epithermal Au mineralisation.

Fifth Element Exploration Pty Limited, the wholly-owned subsidiary of Fifth Element Resources Limited holds a 100% interest in all four areas under four Exploration Licences.

2.4.1 Facts about Gold (Au)

Atomic Number

79

Atomic Weight

196.967

Symbol


Au

Acid-base properties of higher-valence oxides

Electron Configuration

[Xe]4f<sup>14</sup>5d<sup>10</sup>6s<sup>1</sup>


Crystal Structure





Name


gold

Physical State at 20° C (68° F)

 Equal relative strength

 Solid

 Cubic, face centred

 Transition metals

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Gold has been treasured since ancient times for its beauty and permanence and remains the decorative metal par excellence while retaining a high standing among all commodities as a long-term store of value. Worldwide, about 90 percent of the gold supplied to the market each year goes into manufactured products, and the remainder goes to private investors and to monetary reserves. Of manufactures, jewellery is by far the most important quantitatively and accounts for 85 percent, by weight, of world gold fabricated each year, or more than three-fourths of the gold supplied to the world market for fabrication, investment, and monetary uses. Gold has a long history of use as money or as a reserve backing for other forms of money, but that role is shrinking as gold is gradually being demonetized in the industrial nations. A host of applications that take advantage of gold’s unique physicochemical properties, however, have been developed in the 20th century, thus making gold an industrial metal of great technological importance, especially to the electronics industry. Gold is mined in 94 countries.

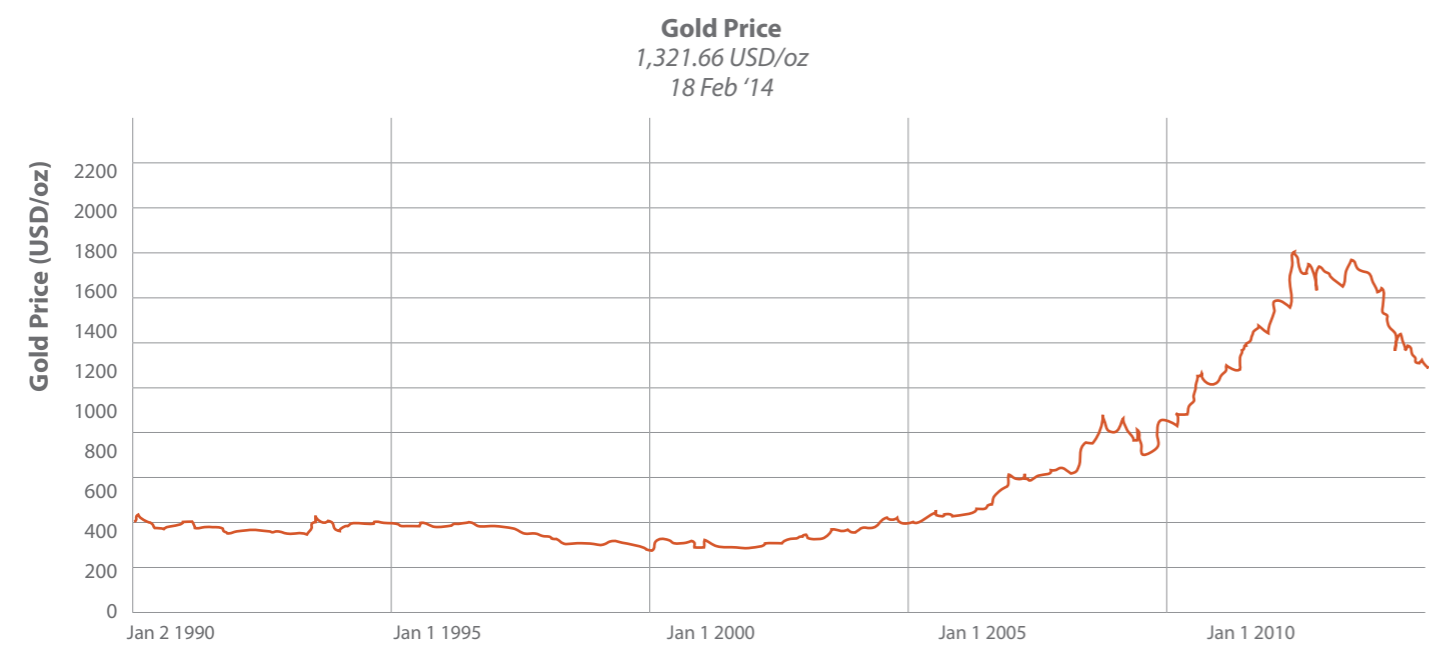
Gold is known as a noble or precious metal. The first adjective refers to gold’s extreme reluctance to combine chemically with non-metallic elements, notably oxygen. The second adjective refers to a combination of rarity, durability, and beauty that until the 19th century made gold by far the most expensive of metals. Of 14 known isotopes, gold is found in terrestrial rocks as the single stable isotope, atomic number 79 and atomic weight 197, located in Group 1b of the periodic table of the elements along with copper and silver. The other 13 isotopes have half-lives that range from a few seconds to a few days. Gold crystallizes in a face-centered cubic lattice, melts at 1,064.18° C, and with a specific gravity of 19.3, is among the densest of metals. It is the most malleable of metals, is soft and highly ductile, has a bright pleasing colour, is highly reflective to infrared radiation and to most of the visible spectrum, alloys readily with common metals, is readily joined by fusion bonding (soldering and brazing), and has high electrical and thermal conductivity. Chemically inert towards most naturally occurring substances, gold does not tarnish or corrode in use.

The name “gold,” as well as the word “yellow,” derives from the Sanskrit word for “to shine”; the chemical symbol for gold, Au, comes from the Latin “aurum,” which means “glowing dawn”. Adapted from USGS (copyright USGS).

FIFTHELEMENT  
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FIFTHELEMENT  
21

Gold Price History



Production

Australia is the world’s second largest producer of gold, producing 258.3 tonnes – or 9.16% of world production – of gold in 2011, worth \$13,050,850,178 (*Goldfacts.org*).

Australia has consistently been one of the world’s largest producers of gold since its first gold rush, centred on Victoria in 1851. During the 1850’s, Australia was producing some 40% of the world’s gold.

| COUNTRY   | AUSTRALIA              | YEAR OF DATE | SOURCE               |
|---|------------------------|--------------|----------------------|
| World production ranking                                      | 2nd                    | 2011         | Thomson Reuters GFMS |
| Annual gold production (tonnes)                               | 258.30                 | 2011         | Thomson Reuters GFMS |
| Percentage of world production                                | 9.16%                  | 2011         | Thomson Reuters GFMS |
| Gold mine reserves (Moz)                                      | 237.92                 | 2011         | USGS                 |
| Official sector gold holdings (tonnes)                        | 79.85                  | 2011         | IMF IFS              |
| Value of gold produced (net revenue)                          | \$13,050,850,178.02    | 2011         |                      |
| GDP of country  | \$1,379,382,221,955.10 | 2011         | World Bank           |
| Estimated value of gold produced as percentage of GDP ranking | 26th                   | 2011         |                      |
| Estimated value of gold produced as percentage of GDP         | 0.95%                  | 2011         |                      |

Adapted from Goldfacts.org (copyright Goldfacts.org)

2.4.2 Facts about Copper (Cu)

Atomic Number

29

Atomic Weight

63.546

Symbol

Cu

Acid-base properties of higher-valence oxides

Electron Configuration

[Ar]3d<sup>10</sup>4s<sup>1</sup>

Crystal Structure

Name

copper

Physical State at 20° C (68° F)

Weakly basic

Solid

Cubic, face centred

Transition metals

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Copper was one of the first metals ever extracted and used by humans, and it has made vital contributions to sustaining and improving society since the dawn of civilization. Copper was first used in coins and ornaments starting about 8000 B.C., and at about 5500 B.C., copper tools helped civilization emerge from the Stone Age. The discovery that copper alloyed with tin produces bronze marked the beginning of the Bronze Age at about 3000 B.C.

Copper is easily stretched, molded, and shaped, is resistant to corrosion, and conducts heat and electricity efficiently. As a result, copper was important to early humans and continues to be a material of choice for a variety of domestic, industrial, and high-technology applications today.

Copper occurs in many forms, but the circumstances that control how, when, and where it is deposited are highly variable. As a result, copper occurs in many different minerals. Chalcopyrite is the most abundant and economically significant of the copper minerals. Copper deposits are broadly classified on the basis of how the deposits formed. Porphyry copper deposits, which are associated with igneous intrusions, yield about two-thirds of the world’s copper and are therefore the world’s most important type of copper deposit. Another important type of copper deposit—the type contained in sedimentary rocks—accounts for approximately one-fourth of the world’s identified copper resources. Individual copper deposits may contain hundreds of millions of tons of copper-bearing rock and commonly are developed by using open-pit mining methods. Mining operations, which usually follow ore discovery by many years, often last for decades.

The world’s production (supply) and consumption (demand) of copper have increased dramatically in the past 25 years. As large developing countries have entered the global market, demand for mineral commodities, including copper, has increased. *Adapted from USGS (copyright USGS).*

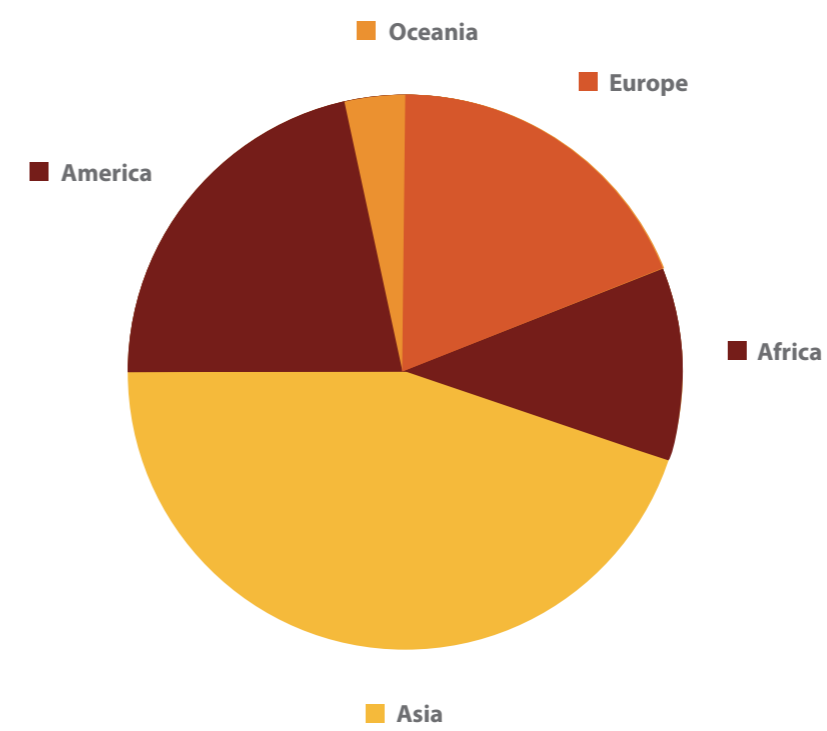
Copper Price History

Copper Price  
3,27 USD/lb  
17 Feb '14



Figure 2.4.2.1 - Average Annual Copper Price History

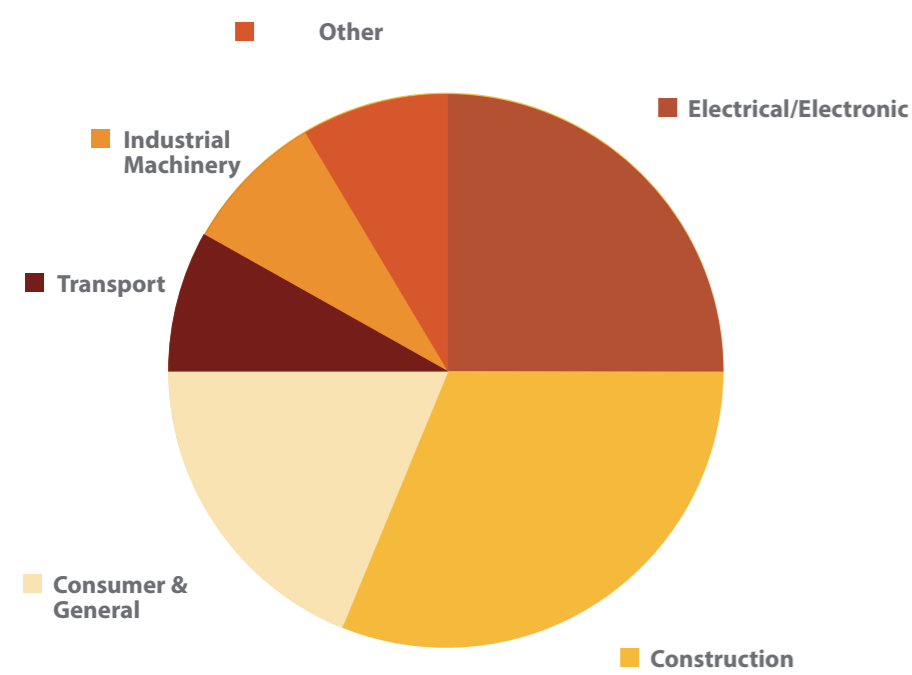
Industrial consumption 2011



| REGION  | %  |
|---------|----|
| Asia    | 46 |
| America | 28 |
| Europe  | 19 |
| Africa  | 5  |
| Oceania | 2  |

Copyright: London Metal Exchange (Source CRU www.crugroup.com)  
Figure 2.4.2.3 - Industrial Consumption 2011

World copper production 2011



| MARKET SECTOR         | %  |
|-----------------------|----|
| Electrical/Electronic | 31 |
| Construction          | 25 |
| Consumer & General    | 17 |
| Transport             | 12 |
| Industrial Machinery  | 10 |
| Other                 | 31 |

Copyright: London Metal Exchange (Source: WBMS www.world-bureau.com)  
Figure 2.4.2.2 - World Copper Production 2011

2.4.3 Description of the Projects

The four projects are located North-West of Bathurst, in Central New South Wales. Greater interest in the region was triggered following the NSW government’s seven year A\$30m initiative Exploration NSW, launched in July 2000, promoting a sustainable mineral and petroleum exploration industry in the state. Exploration NSW programmes aim to enhance the state’s framework of geological, geophysical and mineral resources mapping and information. This has delivered a number of achievements including completed coverage of 70% of the state’s area with high quality airborne magnetic and radiometric surveys and new airborne high resolution geophysical surveys to stimulate petroleum exploration in the vast sedimentary basins of the state.

The four copper and gold projects consist of four exploration licences (ELs) and cover a total of 706.09 km2 as follows:

- Fairholme, EL 8026 covering 109 km2;
- Pine Hill, EL 8027 covering 160.28 km2;
- Trangie, EL 8140 covering 221.16 km2; and
- Mendooran, EL 8141 covering 215.65 km2.



Figure 2.4.3 – General map of the Tenements

2.4.3.1 Project Fairholme EL 8026 - Description

The Fairholme project represents an underexplored section of the Macquarie Arc volcanic belt, centred on the Late Ordovician Fairholme Igneous Complex, and is regarded as prospective for porphyry related Cu-Au mineralisation. The area is located 37 km north of Barrick’s Cowal gold mine and just 15 km north of porphyry related Cu-Au mineralisation at Clancy Exploration’s Dungarvan and Gateway prospects, first identified by Newcrest in 1996.

The complex is overlain by significant thickness (up to 100m) of recent sedimentary cover which has constrained historic exploration activity. However, the geophysical characteristics of the Fairholme Igneous Complex are similar to the Cowal Igneous Complex, as well as Newcrest’s Marsden copper-gold deposit.

Geophysical interpretation by Fifth Element has identified a zone of enhanced magnetics coincident with a gravity low, with prominent cross cutting NW structures. These features are interpreted to represent a previously unrecognised and untested, concealed volcanic centre and will be the focus of exploration activity by Fifth Element. Initial work will involve acquisition of high resolution geophysical data, followed by 3D modelling of geology and structure to define robust drill targets.



Figure 2.4.3.1 - Fairholme location shot

2.4.3.2 Project Pine Hill EL 8027- Description

The Pine Hill project is centred on the extreme northern extent of the Cowal Igneous Complex which forms part of the Junee-Narromine Volcanic Belt and is prospective for large scale porphyry Cu-Au deposits. The topography of the district is flat lying and Quaternary and Cainozoic sediments obscure the prospective Ordovician volcanics which are interpreted from regional airborne magnetic data. The data indicates that depth to top of the Ordovician increases significantly from south to north.



Figure 2.4.3.2 - Pine Hill location shot

The target volcanic and intrusive sequences comprise the majority of the central part of the project and are interpreted to be fault bounded by younger sedimentary rocks on the western, northern and eastern margins of the licence. The contact between Ordovician volcanics and Devonian sediments to the east is inferred to be an extension of the Marsden thrust which has a genetic association with the Marsden gold deposit 26 km to the south.

There has been very limited effective historic exploration carried out in the area. However, interpretation of regional magnetic data has identified an area of enhanced magnetics for the Cowal Complex in the southern section of the licence which may have associated alteration. Fifth Element proposes to undertake high definition airborne magnetic and targeted ground gravity programmes to better define this target.

2.4.3.3 Project Trangie EL 8140 - Description

The Trangie project is located along the NW trending axis of the 10 km wide Narromine Igneous Complex, which is part of the northern section of the productive Junee-Narromine Volcanic Belt. The complex has potential for volcanic and structural settings favourable for Cu-Au and Au mineralisation, but past exploration efforts have been constrained by a cover sequence of Cainozoic sediments.



Figure 2.4.3.3 - Trangie location shot

A prominent <2 km wide northwest trending linear magnetic low runs the full length of the licence and a possible interpretation is that it represents a demagnetised shear zone consisting of argillic altered volcanics and volcanoclastics. If correct, the broad structural feature could represent a northwest extension of the Parkes Shear which hosts the hydrothermal replacement gold deposits of Tomingley and nearby high sulphidation style epithermal deposit at Peak Hill Gold Mine on the eastern side of the Narromine Igneous Complex, located some 60 km south of Trangie.

Fifth Element proposes to acquire more detailed geophysical data throughout the licence to assist with drill target prioritisation.

2.4.3.4 Project Mendooran EL 8141 - Description

The Mendooran project is centred on a 15 km wide concealed northern section of the Molong Volcanic Belt, which is prospective for porphyry Cu-Au deposits. The target Ordovician stratigraphy in the area is concealed by younger sediments and Tertiary basalts which have a combined thickness of <100 m in the more prospective southern half of the licence.

Interpretation of regional magnetic and gravity data sets indicates a large scale feature parallel to and analogous with the geologically significant Lachlan Transverse Feature (LTF) some 170 km to the south. The LTF is interpreted to have had a controlling influence on the location of major Ordovician porphyry intrusive centres and associated Cu-Au mineralisation, including Cadia and Northparkes.



Figure 2.4.3.4 - Mendooran location shot

Mendooran covers an inferred northern transverse cross structure at the point where the intersected Molong Volcanic Belt appears to thicken and be offset by a major deep seated intrusive. The combination of these features is considered prospective for porphyry related mineralisation and has not been effectively evaluated by historic explorers.

Fifth Element proposes to acquire new high definition geophysical data to improve 3D modelling of concealed targets in the project area.

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 \$3,500,000 is raised, a total sum of \$2,007,190 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 programmes 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 programme.

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 programmes progress. In particular, the allocation of the substantial second year exploration drilling budgets of \$708,000 (based on minimum raising) for the Company’s projects is critically dependent on the results achieved from the first year exploration programmes, the outcome of which cannot be predicted at this stage given the current level of knowledge.

|                         | MIN. RAISING \$3.5M | MAX. RAISING \$5M |
|-------------------------|---------------------|-------------------|
| Project Fairholme       | 546,274             | 780,392           |
| Project Pine Hill       | 430,343             | 614,776           |
| Project Trangie         | 535,974             | 765,677           |
| Project Mendooran       | 494,599             | 706,569           |
| Administration          | 402,556             | 402,556           |
| TOTAL                   | 2,409,746           | 3,269,970         |
| TOTAL (excluding Admin) | 2,007,190           | 2,867,414         |

Table 2.5 - Proposed Budget Allocation for Fifth Element

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 \$3,500,000, 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.



# CORPORATE GOVERNANCE

Fifth Element is committed to implementing high standards of corporate governance. The Board of Directors is responsible for corporate governance and monitors the business and affairs of Fifth Element on behalf of the Shareholders by whom they are elected and to whom they are accountable. The Board has endorsed most of the ASX Corporate Governance Principles and Recommendations (2nd edition amended in 2010) adopted by the ASX Corporate Governance Council. At a number of its meetings the Board examined the corporate governance practices of Fifth Element and the progress towards a review of its practice compared to the best practice principles proposed by the ASX Corporate Governance Council. While Fifth Element is attempting to adhere to the principles proposed by ASX, it is mindful that there may be some instances where compliance is not practicable for a company of the size of Fifth Element.

Where the corporate practices of Fifth Element do not correlate with the practices recommended by the Council, Fifth Element does not consider it practicable or necessary to implement these principles due to the size and stage of development of its operations. The Board's reasoning for any departure from such principles is explained hereunder.

Set out below are the fundamental corporate governance practices of Fifth Element and the extent to which Fifth Element complies with ASX Principles.

## Principle 1 - Lay solid foundations for management and oversight

Fifth Element has adopted Recommendation 1.1 to disclose the functions reserved to the Board and those delegated to senior executives.

The role of the Board is to govern the Company. In governing Fifth Element, the Directors must act in the best interests of Fifth Element as a whole. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of Fifth Element. Each candidate will confirm that they have the necessary time to devote to their position as Director of Fifth Element prior to their appointment. In addition, non-executive Directors will receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment.

Fifth Element has a small Board of four Directors (two Non-Executive Directors, the Chairman and CEO and an Executive Director), so roles and functions have to be flexible to meet specific requirements.

Fifth Element has adopted Recommendation 1.2 to disclose the process for evaluating the performance of senior executives. Fifth Element has appointed a Remuneration and Nomination Committee for this purpose.

Fifth Element has appointed a Remuneration 1.3 to provide an explanation of any departure from Recommendations and to disclose whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed.

## Principle 2 – Structure the board to add value

Due to its size, Fifth Element is unable to comply with most of the Recommendations in this area.

Fifth Element departs from the following Recommendations:

**Recommendation 2.1:** Fifth Element does not have a majority of independent directors because Chi Ho William LO is the Chief Executive Officer and Noriman Sai Chi MAK is an executive director;

**Recommendation 2.2:** The Chairman is Chi Ho William LO who is also the Chief Executive Officer and a Major Shareholder;

**Recommendation 2.3:** Chi Ho William LO is the Chairman and Chief Executive Officer.

Fifth Element has appointed a Remuneration and Nomination Committee (Recommendation 2.4). Due to its size, Fifth Element has appointed one independent Director to sit on this Committee, Siu-Wing Selwyn CHAN, and two executive Directors, Chi Ho William LO and Noriman Sai-Chi MAK. Fifth Element follows Recommendations 2.5 and 2.6 by disclosing the process for evaluating the performance of the board, its committees and individual directors.

The Board will ensure that the Directors and Executives of Fifth Element are equipped with the knowledge and information they need to discharge their responsibilities effectively, and that individual and collective performance is regularly and fairly reviewed. The Remuneration and Nomination Committee monitors the performance of Executives. The Chairman monitors the performance of individual Directors. Each Director has access to all governance documents issued by Fifth Element, to Board papers and all relevant documentation and has access to the Company Secretary.

## Principle 3 – Promote ethical and responsible decision-making

Fifth Element actively promotes ethical and responsible decision-making.

Due to its size and to the close interaction of individuals though the organisation, Fifth Element departs from Recommendations 3.1, 3.2, 3.3, 3.4 and 3.5 to set, implement and report on the implementation of a formal code of conduct and of a formal policy concerning diversity.

## Principle 4 – Safeguard integrity in financial reporting

Fifth Element has a structure to independently verify and safeguard the integrity of their financial reporting.

Fifth Element has endorsed Recommendations 4.1, 4.3 and 4.4.

Due to its size, Fifth Element has appointed an Audit Committee consisting of one Executive Director Chi Ho William LO and two Non-Executive Director Siu-Wing Selwyn CHAN and Andrew SKINNER. It has adopted a charter setting out the Audit Committee's role and responsibilities, composition, structure and membership requirements and the procedure for inviting non-committee members to attend meetings.

## Principle 5 – Make timely and balanced disclosure

Fifth Element promotes timely and balanced disclosure of all material matters concerning the Company (Recommendations 5.1 and 5.2). The Board has drafted a Continuous Disclosure Policy to ensure compliance with ASX Listing Rule disclosure requirements and uses strong informal systems

underpinned by experienced individuals. The Board has appointed the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX.

#### **Principle 6 – Respect the rights of shareholders**

Fifth Element respects the rights of shareholders and facilitates the effective exercise of those rights. Fifth Element follows Recommendations 6.1 and 6.2. While Fifth Element does not have a communications strategy to promote effective communication with shareholders as it believes this is excessive for small companies, Fifth Element communicates with shareholders continually and periodically and encourages shareholder participation at annual general meetings. Periodic ASX announcements include quarterly reports, the half-year report, annual report and annual general meeting presentations. Copies of all announcements and reports are made available on the ASX website.

The independent external auditor attends the Annual General Meeting to respond to questions from shareholders on the conduct of the audit and the preparation and content of the audit report.

#### **Principle 7 – Recognise and manage risk**

Fifth Element is a small, exploration company and does not believe that there is significant need for formal policies on risk oversight and management of risk. Risk management arrangements are the responsibility of the Board of Directors, the Audit Committee and senior management collectively. Risk factors are a standing agenda item at Board Meetings. As such, and due to its size, Fifth Element does not comply with Recommendations 7.1, 7.2, 7.3 and 7.4.

#### **Principle 8 – Remunerate fairly and responsibly**

Fifth Element ensures that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear. Fifth Element has appointed a Remuneration and Nomination Committee (Recommendation 8.1) consisting of one Non-Executive Director, Siu-Wing Selwyn CHAN, and two Executive Director, Chi Ho William LO and Noriman Sai-Chi MAK. Due to its size, Fifth Element does not comply with Recommendations 8.2, 8.3 and 8.4.

#### ***Ethical Standards***

The Board's policy is for the Directors and management to conduct themselves with the highest ethical standards. All Directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

#### ***Securities Trading and Trading Windows***

A trading embargo exists in respect of which Key Personnel must refrain from dealing in the Company Shares during the period being 2 weeks prior to the release of the annual accounts and one day thereafter, 1 week prior to company announcements and one day thereafter and 2 weeks prior to the release of ASX quarterly reports and one day thereafter. Because of the nature of the Company's activities as a mining exploration Company, it is not appropriate for the Company to adopt a 'trading windows' approach to Share Trading Policy as reportable events such as mineral discoveries or exploration results may occur unexpectedly or at very short notice at any time throughout the year. The Company has therefore chosen to adopt a 'black out period' approach to Share Trading Policy which is specifically designed to ensure that all reportable events in relation to its exploration activities are included in those periods within which the Directors and Key Management Personnel may not trade the securities of the Company.

# TECHNICAL ASSESSMENT REPORT

**4.1 REPORT PREPARED BY SRK CONSULTING (AUSTRALASIA) PTY LTD**  
**SNL002**  
**FEBRUARY 2014**



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*SRK Project Number SNL002*  
*February 2014*

**Compiled by**  
Colin Wood  
*Principal Consultant (Geology)*

**Peer Reviewed by**  
Deborah Lord  
*Principal Consultant (Project Evaluation)*

E: [cwood@srk.com.au](mailto:cwood@srk.com.au)

Authors: Colin Wood; Chris Woodfull; Peter Stuart-Smith

**The Directors**  
*Fifth Element Resources Limited*  
1 Balbu Close, Beresfield NSW 2322

Dear Directors

Fifth Element Resources Limited (Fifth Element) commissioned SRK Consulting (Australasia) Pty Ltd (SRK) to provide an Independent Technical Assessment Report (Report) on a portfolio of porphyry copper and gold exploration projects located in the Lachlan Fold Belt, central New South Wales (NSW), Australia.

This Report is to be included in a prospectus to be issued in support of a listing on the Australian Securities Exchange (ASX). The prospectus will offer 17.5 million shares at an issue price of \$0.20 per share to raise a total of \$3,500,000 before the costs of the offer (Prospectus).

Fifth Element may accept oversubscriptions of a further 7.5 million shares at an issue price of \$0.20 per share to raise a further \$1,500,000 and an aggregate maximum of \$5,000,000 before expenses of the offer.

Fifth Element proposes to lodge the Prospectus with the Australian Securities and Investment Commission (ASIC) on or about 1 March 2014.

Fifth Element has advised SRK that it intends spending at least \$2,000,000 of the amount raised on exploration of the projects during the first two years post-listing, based on a minimum subscription, which SRK considers is justified given the exploration potential of the projects. SRK understands that, should the maximum subscription be achieved, the unallocated funds will be allocated between the four granted exploration licences depending on results.

### **Standard of the Report**

This Report has been prepared to the standard of, and is considered by SRK to be, a Technical Assessment Report under the guidelines of the JORC and VALMIN Codes. The VALMIN Code is the code adopted by The Australasian Institute of Mining and Metallurgy (AusIMM) and the standard is binding upon all members of AusIMM and Australian Institute of Geoscientists (AIG). The VALMIN Code incorporates the JORC Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves.

This Report is not a Valuation Report and does not express an opinion regarding the value of the mineral assets or tenements involved, nor to the ‘fairness and reasonableness’ of any transaction between Fifth Element and any other parties.

### **Statement of SRK Independence**

Neither SRK nor any of the authors of this Report have any material present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK has previously completed a high level review of untenured areas in central and western NSW and a follow up preliminary review of the tenements that are the subject of this Report. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence. SRK’s fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the Report.

### **Information basis of this Report**

SRK has derived the technical information, which forms that basis of its Report on information provided by Fifth Element, information sourced from the public domain and information sourced from its own extensive regional geological database. However, where discrepancies arise and no alternative comments are provided, interpretations provided by SRK prevail in this Report. The past exploration history for these tenements has been derived from previous explorers reports, which have been sourced from the public domain and reviewed by SRK.

The principal sources of information are included in a reference list at the end of the Report. The Report has been prepared to include information available up to the date of this Report. Fifth Element has stated that all information provided by Fifth Element may be presented in the Report and that none of the information is regarded as confidential.

The work was based mainly on desk-top study reviews; however site visits have been undertaken to the project areas. Since there is overall lack of exposure of target lithologies, the objective of the brief site visits was primarily to review site access to assist planning field operations. Background research was conducted at SRK’s Newcastle office, and included searches of public domain data sources.

The work included development of a recommended exploration programme in line with Fifth Element’s proposed exploration budget.

### **Note on the Tenement Status and Material Contents**

SRK has not independently verified ownership and the current standing of the tenements and is not qualified to make legal representations in this regard.

Instead, SRK has relied on information provided by Fifth Element. SRK has prepared this Report on the understanding that all the tenements of Fifth Element are currently in good standing. SRK has not attempted to establish the legal status of tenements with respect to Native Title or potential environmental and access restrictions.

Within this Prospectus, the current ownership status and legal standing of the tenements within the project areas are dealt with in the Independent Review Tenements.

### **SRK and Authors**

The SRK Group comprises more than 1600 staff, offering expertise in a wide range of resource engineering disciplines. The SRK Group’s independence is ensured by the fact that it holds no equity in any project. This permits the SRK Group to provide its clients with conflict-free and objective recommendations on crucial judgement issues. The SRK Group has a demonstrated track record in undertaking independent assessments of exploration assets, resources and reserves, project evaluations and audits, competent person’s reports, independent audits and independent feasibility evaluations to bankable standards on behalf of exploration and mining companies and financial institutions worldwide.

This Report was prepared by SRK Consultants Colin Wood, Principal Consultant (Geology); Chris Woodfull, Principal Consultant (Geology); and Peter Stuart-Smith, Principal Consultant (Structural Geology). Deborah Lord, Principal Consultant (Project Evaluation) undertook internal peer review. All are permanent employees of SRK.

The information in this Report that refers to Exploration Results is based on information compiled by Colin Wood. Colin Wood is a Member of the AusIMM and has sufficient experience, which is relevant to the style of mineralisation and the type of deposit under consideration, and to the activity 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” (the JORC Code). Colin Wood is a permanent full time employee of SRK and consents to the inclusion of such information in the Report in the form and context in which it appears.

**Colin Wood, (BSc Hons, MAusIMM) – Principal Consultant.** Colin has nearly 30 years of experience in base metals and gold exploration and mining in Australia and Africa including significant experience in NSW as an exploration and mine geologist as well as regulatory and permitting assessment work for the NSW Geological Survey. Colin is a Member of the AusIMM and he completed project management, report compilation, reviewed the historical Exploration Results and provided recommendations for the exploration programmes.

**Chris Woodfull (MSc, BSc Hons, MAIG, MAusIMM) – Principal Consultant.** Chris is a geologist with over 24 years’ experience in exploration, mining geology and environmental management, in industry or as a consultant. He is an experienced project director and manager in a range of areas including geological risk, exploration and independent technical reviews for the resource sector. Chris has worked on numerous exploration targeting, assessment and/or structural geological risk studies for minerals and coal companies. In recent years, he has managed or worked on a number of mineral exploration/targeting/review projects in NSW and Queensland including for porphyry Cu-Au and Au in the Lachlan Fold Belt, for Au in the New England Fold Belt and for base metals, Au and phosphate in far western Queensland. Chris is a Member of the AIG and AusIMM and he completed initial peer reviews of the geological and geophysical data assessments, assisted with the preparation of the Report and assisted with the exploration programme recommendations.

**Peter Stuart Smith, (PhD, MSc, BA Hons, MAusIMM (CP), MGSA,) – Principal Consultant.** Peter is an experienced and skilled structural and regional geologist with over 35 years of experience in the mineral and petroleum industry. His mineral industry experience includes structural and tectonic interpretations, regional mapping and mineral project generation and targeting assessments in a range of commodities including Cu, Au, U and iron ore. Peter has extensive mineral assessment experience in NSW and in recent years has worked on a number of mineral targeting/reviews in NSW including for porphyry Cu-Au and Au in the Lachlan Fold Belt and for base metals and Au in the Thomson Fold Belt. Peter is a Member of the AusIMM and he completed geological and geophysical data assessments, preliminary target evaluation and assisted with the preparation of the Report and recommendations for the exploration programmes.

**Deborah Lord (BSc Hons, FAusIMM, MAIG, GAICD) – Principal Consultant.** Deborah has over 20 years’ experience in the mineral exploration industry and has consulted with SRK for more than a decade based in Australia and South America. Her expertise is in the development of valuation techniques for assessment of exploration assets and the application of these principles in valuation reports to VALMIN standard for release to the ASX and independent technical assessments or due diligence. Deborah is a Fellow of the AusIMM, Member of the AIG and completed the internal peer review.

**Warranties and Indemnities**

Fifth Element has warranted in writing to SRK that full disclosure has been made of all material

information and that, to the best of its knowledge and understanding, such information is complete, accurate and true.

As recommended by the VALMIN Code, Fifth Element has provided SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required which:

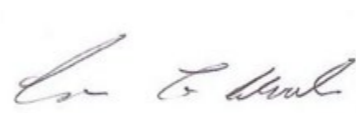
- Results from SRK’s reliance on information provided by Fifth Element or to Fifth Element not providing material information; or
- Relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

**Consents**

SRK consents to this Report being included, in full, in the Fifth Element prospectus, in the form and context in which the technical assessment is provided, and not for any other purpose.

SRK provides this consent on the basis that the technical assessments expressed in the Summary and in the individual sections of this Report are considered with, and not independently of, the information set out in the complete Report and the Cover Letter.

Yours faithfully



**SRK Consulting**

Colin Wood, (BSc Hons, MAusIMM), Principal Consultant (Geology)  
*Newcastle, 15 January 2014*

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**Disclaimer:** *The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd (SRK) by Fifth Element Resources Limited (Fifth Element) and from information sourced from the public domain. The opinions in this Report are provided in response to a specific request from Fifth Element to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK’s investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.*

LIST OF ABBREVIATIONS

| Abbreviation | Meaning  |
|--------------|--|
| AAL          | Australian Assay Laboratories  |
| AIG          | Australian Institute of Geoscientists  |
| Ag           | Silver   |
| ALS          | ALS Limited (Australian laboratory services)   |
| As           | Arsenic  |
| ASIC         | Australian Securities and Investment Commission  |
| ASX          | Australian Securities Exchange   |
| Au           | Gold   |
| AusIMM       | Australasian Institute of Mining and Metallurgy  |
| Bi           | Bismuth  |
| CA           | Calc-alkaline  |
| CCAZ         | Community Conservation Area Zone   |
| CRAE         | CRA Exploration Pty Ltd  |
| Cu           | Copper   |
| Cu-Au        | Copper Gold  |
| DD           | Diamond Drill hole   |
| E            | East   |
| EJR          | EJ Resources   |
| EL           | Exploration licence  |
| EM           | Electromagnetic  |
| Epi          | Epithermal   |
| E–W          | east-west  |
| FAusIMM (CP) | Fellow of the Australasian Institute of Mining and Metallurgy (Chartered Professional)   |
| GAICD        | Graduate of the Australian Institute of Company Directors  |
| JORC Code    | Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC), November 2012. Mercury |
| Hg           | High Sulphidation  |
| HS           | Induced Polarisation   |
| IP           | Potassium  |
| K            | Kilometre  |



|         |  |
|---------|--|
| Km2     | Square Kilometre   |
| LTF     | Lachlan Transverse Feature   |
| m       | metre  |
| MAIG    | Member of Australian Institute of Geoscientists  |
| MAusIMM | Member of the Australasian Institute of Mining and Metallurgy  |
| MGSA    | MGSA Member of Geological Society of Australia   |
| MPESA   | MPESAMember of Petroleum Society of Australia  |
| Mo      | Molybdenum   |
| Mt      | million tonnes   |
| Mtpa    | million tonnes per annum   |
| MVT     | Mississippi Valley Type  |
| N       | north  |
| NE      | northeast  |
| NSW     | New South Wales  |
| NW      | northwest  |
| Pb      | Lead   |
| ppm     | parts per million  |
| Ppb     | parts per billion  |
| RC      | Reverse Circulation  |
| RTP     | Reduced to Pole  |
| S       | south  |
| Sb      | Antimony   |
| SCA     | State Conservation Area  |
| SE      | southeast  |
| SRK     | SRK Consulting (Australasia) Pty Ltd   |
| SW      | southwest  |
| t       | tonne  |
| TMI     | Total Magnetic Intensity   |
| U       | Uranium  |
| VALMIN  | Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Experts Reports |
| VMS     | Volcanogenic massive sulphide  |
| W       | West   |
| Zn      | Zinc   |

## 1. SUMMARY AND SCOPE OF REPORT

Fifth Element Resources Limited (Fifth Element) is a related party of EJ Resources Pty Limited. EJ Resources Pty Limited (EJR) is a privately owned mineral exploration company registered in Australia. Fifth Element, through EJR, has assembled four copper and gold projects in the Lachlan Fold Belt, central NSW, Australia, by reviewing untenured mineral exploration areas in the prospective Ordovician-aged Macquarie Arc of the Lachlan Fold Belt, which have undergone only limited or no copper and/or gold exploration. These projects offer the investor an opportunity to gain exposure to early stage copper and gold exploration projects in an established mining area.

The four copper and gold projects consist of four exploration licences (ELs) and cover a total of 706.09 km2 as follows:

- Fairholme - EL 8026 covering 109 km2
- Pine Hill - EL 8027 covering 160.28 km2
- Trangie - EL 8140 covering 221.16 km2; and
- Mendooran - EL 8141 covering 215.65 km2.

All four projects can be considered at an early exploration stage and are located on remnants of Ordovician to earliest Silurian volcanic arc-related rocks that are prospective for porphyry-skarn Cu-Au, epithermal Au and lode Au deposits (Figure 2-1). Although the volcanic belts that form the Macquarie Arc are separated by younger rock sequences, each belt contains a similar geological depositional and deformational history over time.

Fairholme and Pine Hill are located within the Cowal block of the Temora Porphyry belt, 20-40 km to the north of the Cowal Au Mine and 30-55 km NW of the Marsden Cu-Au project respectively.

Trangie is located within the central or Junee-Narromine Volcanic Belt, along an interpreted extension of the Parkes Shear Zone. The volcanic belt hosts the Tomingley Au deposit 70 km to the south of the Trangie project. The Peak Hill Au deposit and large Northparkes Cu-Au Mine are also located within this volcanic belt, further to the south.

Mendooran is located within the Molong Volcanic Belt 55 km to the north of the Kaiser Cu-Au prospect. Further to the south, the Molong Volcanic Belt hosts a number of porphyry-skarn-epithermal Cu-Au deposits including the large tonnage, low grade Copper Hill Cu-Au deposit and the large Cadia-Ridgeway Cu-Au deposit.

On all four projects, the prospective Ordovician to earliest Silurian volcanic arc-related rocks occur under a cover of younger rocks. This depth of cover is not yet established in detail but is interpreted to be in the order of 100-300 m across initial project target areas. This has resulted in overall lack of exposure of target lithologies in each of the four ELs. Consequently the focus of proposed exploration will be the acquisition of new higher resolution geophysics data with follow up drill sampling and analysis. There has been limited drilling across the four project areas, this has tended to be shallow and not to depth of conceptual targets. It is considered the prospective volcanic arc-related rocks and fault structures are yet to be effectively drill tested and in the case of the Mendooran and Trangie projects, the

prospective rock sequences have yet to be drill tested at all. The Fairholme project has some shallow drill testing along the eastern boundary and southern area and the results of the limited sampling programme highlights the prospective nature of this project area. The Pine Hill project has one shallow drill test near the south western boundary which encountered elevated (with respect to background) Cu and Au levels over a narrow interval.

The mineral tenements held by Fifth Element are considered to be “exploration projects”, which are inherently of a speculative nature. Nevertheless, each is considered to be prospective to varying degrees for Cu and Au and in SRK’s opinion, further exploration is justified at the budgetary level proposed by Fifth Element.

Using the budgetary level proposed by Fifth Element, SRK has recommended an initial exploration programme over the next two years that is in accordance with the current understanding of the project areas and the perceived prospectivity. Note that this document reports the exploration budget with regard to a minimum \$3.5M listing. In the event of a higher subscription, the exploration budget will be increased commensurately. The exploration programme and budget are reasonable and in excess of the annual statutory expenditure requirements. Note that all recommended work programmes and individual tenement exploration budgets are subject to initial results and therefore, it can be assumed that budgets may be diverted to more prospective projects as warranted.

**1.1 Note on Tenement Status and Material Contracts**

The current ownership and legal standing of the tenements which form the four project areas is dealt with in the Independent Review of Tenements. SRK has not independently verified ownership and the current standing of the tenements and is not qualified to make legal representations in this regard. Instead, we have relied on information provided by Fifth Element. SRK has prepared this Report on the understanding that all the tenements of Fifth Element are currently in good standing.

SRK has not attempted to establish the legal status of the tenements with respect to Native Title or potential environmental and access restrictions.

**2. BACKGROUND**

**2.1 Regional Geology**

**2.1.1 Geology and metallogenic setting of the Lachlan Orogen**

The Macquarie Arc-related or ‘Lachlan’ portfolio of exploration projects occurs within the Palaeozoic (490–430 Ma) Lachlan Orogen, which forms part of the broader and long-lived Tasmanides orogenic system. The Lachlan Orogen consists of three distinctive age-related packages of rocks.

The oldest package (~489 to ~438 Ma) is dominated by Early to Middle Ordovician quartz-rich turbidites (or deep marine sedimentary rocks), Late Ordovician black shales and four belts of Ordovician basaltic-andesitic volcanic and volcanoclastic rocks, which have been intruded by broadly coeval igneous rocks (including porphyry intrusions and associated Cu-Au mineralisation). These broadly north-trending volcanic belts, collectively known as the Macquarie Arc, extend over a strike length of at least 450 km and while poorly exposed can be traced on regional geophysical data sets, including under younger sedimentary sequences into southern Queensland. The Ordovician porphyry Cu-Au mineralisation is the primary focus of Fifth Element’s Lachlan portfolio.

While there is ongoing debate as to the setting of the volcanic rocks – as a back arc or intra-arc setting – it is recognised that the lavas and associated intrusive rocks formed on a primitive igneous crust in an intra-oceanic island arc setting (Crawford et al., 2007; Ferguson, 2009; Glen 2013), similar to what is occurring in parts of the south western Pacific today.

The younger packages of rocks (~438 to ~291 Ma) consist of:

- Silurian and Devonian rift-related predominantly sedimentary-fill basins that separate the early Ordovician to early Silurian turbidite-rich and remnant volcanic belts. This package of rocks hosts numerous volcanogenic massive sulphide (VMS) deposits including Woodlawn, McPhillamy’s and Captains Flat; and
- These sedimentary and volcanic sequences have been periodically intruded by Silurian, Devonian and Carboniferous predominantly granitic rocks.

In various locations but most notably in the north, the Lachlan Orogen is covered by younger Mesozoic sedimentary basins.

**Arc formation**

The Macquarie Arc has evolved episodically with an initial phase of development occurring during the Early Ordovician (~489–474 Ma). This early period of magmatism, volcanoclastic and carbonate sedimentation formed marginal to, or fringing, interpreted major submarine volcanic centres (Simpson et al., 2005). This oldest phase of arc development is preserved in both the Junee- Narromine Volcanic Belt and Molong Volcanic Belt. (Percival & Glen, 2007; Glen et al., 2007; Crawford et al., 2007). The Early Ordovician volcanic activity is characterised by high-K calc-alkaline to shoshonitic basalts, basaltic-andesites and andesites (i.e. mafic to more intermediate igneous rocks) (Figure 2-1).

A second period of magmatism occurred during the Middle to Late Ordovician and is a much more widely preserved and documented event (Percival & Glen, 2007). This later Ordovician volcanic activity is characterised by high-K calc-alkaline submarine to inferred subaerial magmatism and includes basalts,

andesites and lesser volumes of dacitic and tholeiitic mafic rocks (Crawford et al., 2007). Volcanic centres were flanked by extensive aprons of predominantly coarse-grained volcanoclastic rocks emplaced into a marine environment by debris flows and turbidity currents. Some of these volcanoclastic apron deposits host the mineralised monzonitic porphyries, for example the Northparkes (Simpson et al., 2005) and Cadia-Ridgeway deposits (Squires and McPhie, 2007).

A third phase of magmatism is represented by shallow intrusive rocks, most notably the Copper Hill suite in the Molong Volcanic Belt (Percival & Glen, 2007; Crawford et al., 2007). This magmatic event is characterised by medium K calc-alkaline porphyritic dacites and associated diorites and granodiorites (Crawford et al., 2007).

The final phase of magmatism is characterised by more compositionally evolved shoshonitic lavas and associated volcanoclastic rocks followed by the emplacement of co-eval monzonitic porphyries. In the Northparkes and Cadia areas, economic Cu-Au mineralisation is associated with the monzonitic porphyry events (Lickfold et al., 2007; Cooke et al., 2007; Harris et al., 2013).

Each volcanic belt displays a general progression from medium to high-potassium calc-alkaline to shoshonitic magmatism and gradual evolution from mafic to felsic shoshonitic magmatism with time (Crawford et al., 2007).

**Magmatism and mineralisation**

While all phases of volcanism and associated sedimentation have been subject to coeval intrusive events, the Late Ordovician to Early Silurian intrusions are the ones that host the large Cu-Au mineral systems, most notably to date the large Cu-Au deposits at Northparkes, Cadia-Ridgeway, Copper Hill and Marsden and also the large low sulphidation epithermal Au deposit at Cowal (Barrick, 2009). Northparkes, Cadia-Ridgeway and Cowal are now large operating mines.

The Northparkes and Cadia-Ridgeway porphyry systems are well-documented deposits. These Cu-Au mineral-rich porphyries are quartz monzonites that intrude volcanic centres/volcanoclastic aprons and from complex intrusive bodies including pipes, dykes and porphyry stocks with associated broad-scale and complex hydrothermal alteration patterns (Cooke et al., 2007). A distinctive sequence of potassic, calc-potassic, sodic, propylitic and late-stage phyllic assemblages has been documented. The late stage phyllic assemblages are typically fault and fracture controlled. The altered host rock sequences are also characterised by a distinctive pink to brown colour due to a haematite dusting (Cooke et al., 2007).

Mineralisation at both Northparkes and Cadia formed quartz-sulphide ±magnetite ±carbonate veins and in terms of Cu mineralisation, the deposits are bornite, chalcopyrite and Au-rich. A pyritic halo is also present. Gold occurs with bornite in most of the deposits and to a lesser degree with chalcopyrite (Cooke et al., 2007).

The monzonite porphyry mineralising events have been documented to occur between ~444–439 Ma at Cadia-Ridgeway (Harris et al., 2013) and between ~444–437 Ma at Northparkes (Lickfold et al., 2007).

**2.1.2 Porphyry Cu-Au deposits**

Porphyry style mineralisation forms during emplacement of co-genetic porphyritic intrusions. A parent intrusive is located at depth with stocks forming elongate extensions above coarse grained intrusions. The vertical extent of mineralisation can occur over depths of one to two km. Several different zones of alteration may occur including argillic, phyllic and potassic (Figure 2-2). Diatremes are commonly present as are peripheral hydrothermal and epithermal mineralisation associated with the porphyry centres. Mineralisation may be at depths of at least one to two km (Cooke et al., 2007).

Porphyry Cu-Au deposits are generally associated with oxidised I-type subvolcanic intrusions in volcanic arc environments that can be separated into calc-alkalic and alkalic varieties based on the whole-rock geochemical analysis (Cooke et al., 2007). Calc-alkalic porphyry systems are the more common and some of the characteristics of alkali and calc-alkalic porphyry systems are summarised in Table 2-1. Rapid uplift and erosional rates in modern arc environments imply that older porphyry deposits are less likely to be preserved over time and evidence to date indicates that younger porphyry deposits dominate the geological record (Cooke et al., 2007). However, a number of older (post Cainozoic) porphyry deposits are preserved in the geologic record, most notably in western North America.

The Ordovician Macquarie Arc is one of the oldest arc provinces in which large porphyry Cu-Au systems have been discovered and successfully mined.

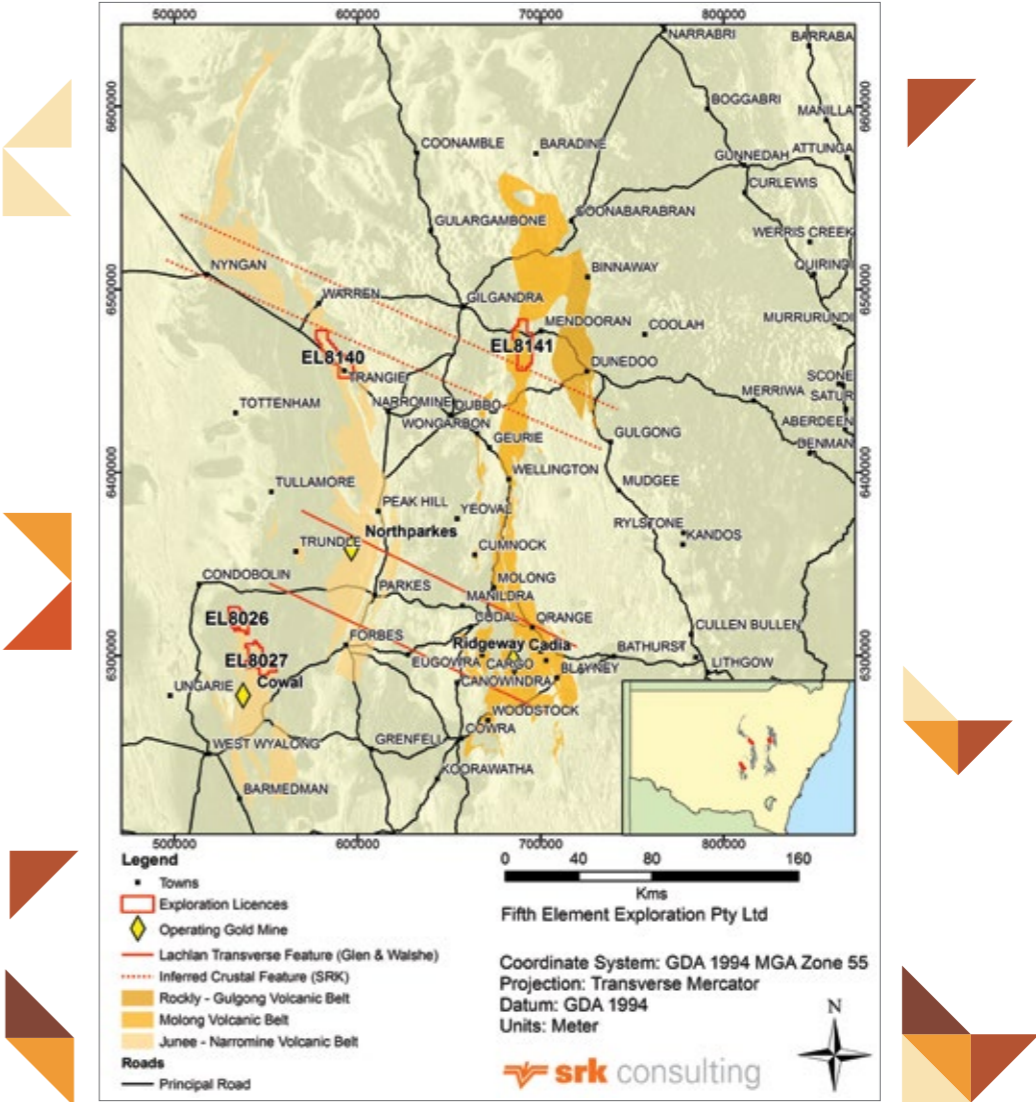


Figure 2-1: Fifth Element Exploration Pty Limited Exploration Licences and Macquarie Arc Volcanic Belts with major porphyry-related systems

While the metallogeny of the Macquarie Arc includes calc-alkalic and alkali porphyry Cu-Au, skarn and high sulphidation and low sulphidation epithermal Au deposits, the Arc is now recognised as a major alkalic porphyry deposit province. Furthermore, the Cadia-Ridgeway deposit is ranked as one of the largest Au-rich porphyry systems in the world (Cooke et al., 2007). However, hydrothermal alteration associated with the alkali porphyry intrusive events is much less than in calc-alkalic deposits. The smaller alteration footprint of an alkali porphyry system, along with a limited amount of the Arc sequence exposed at surface, can make these porphyry deposits a more challenging exploration target.

| FEATURE          | ALKALIC  | CALC-ALKALINE  |
|------------------|--|--|
| TECTONIC SETTING | Submarine to subaerial island arcs (e.g., Cadia, Mount Polley); to post collisional continental arcs e.g., Mount Milligan  | Continental back-arc basin (e.g., Bingham Canyon, Bajo de la Alumbrera) to collisional (e.g., Grasberg, OK Tedi) |
| MAGMATISM        | Mineralisation is associated with oxidised I-type (magnetite series) subvolcanic intrusions of alkali or high-K calc-alkalic character<br>Depth to emplacement <1 to 4 km<br>Rock types include porphyritic monzodiorite, monzonite, quartz monzonite to syenite stocks (multiple intrusions common) |  |
| STRUCTURE        | Syn- and post-mineralisation breccias occur in many systems with some being important hosts for mineralisation   |  |
| ALTERATION#      | Complex alteration patterns including zones of: Potassic: biotite, magnetite, orthoclase, quartz, anhydrite, carbonate, apatite, bornite, chalcopyrite, gold   |  |
|                  | Calc-Potassic: actinolite, epidote, orthoclase, biotite, magnetite, quartz, carbonate, apatite, bornite, chalcopyrite, gold  |  |
|                  | Calc-Silicate: garnet, pyroxene, wollastonite, magnetite, quartz, carbonate, epidote, chlorite, chalcopyrite, pyrite   |  |
|                  | Propylitic: chlorite, epidote, actinolite, calcite, pyrite, hematite, rutile prenhite  |  |
|                  | No high sulphidation epithermal deposits known associated with alkaline systems  | Phyllic alteration assemblages (quartz-sericite-pyrite are more widespread in high calc-alkaline systems)        |
|                  | No advanced argillic (clay) altered lithocap   |  |

Table 2-1:Some key features of Alkalic and calc-alkalic porphyry systems

To date, twenty-four porphyry Cu-Au deposits have been identified in the Macquarie Arc sequences (Mowat and Smith, 2012) and although the largest deposits found to date are alkalic porphyry systems, large, low grade, calc-alkalic porphyry Cu-Au systems such as the Copper Hill deposit have also been identified.

A notable characteristic of major porphyry deposits in the Macquarie Arc, including the Cadia-Ridgeway and Northparkes regions is that the porphyry systems are located within the intrusive centres of the Ordovician volcanic arc sequence. The intrusive porphyritic stocks form apophyses or pipe-like extensions to coarser grained intrusions at depth and together define major volcanic centres of the Arc. The broadly north-south linear volcanic belts consist of dense magnetic intermediate to mafic flows, sills and volcaniclastics and are readily identified in the magnetic and gravity data (Figure 2-3). Major volcanic centres, with a higher proportion of intrusive/volcanic rocks, are likely to have resisted later deformation,

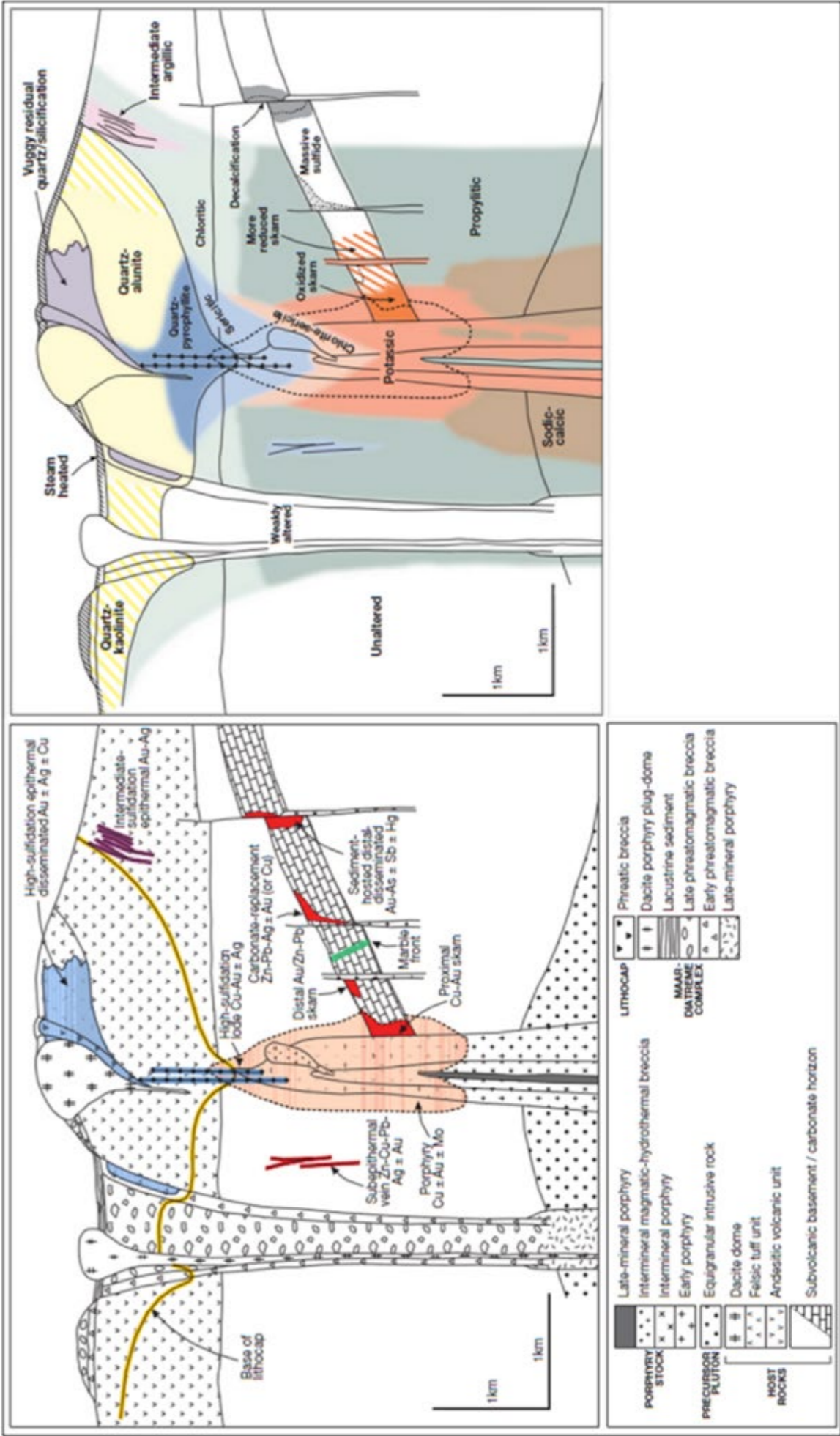


Figure 2-2: Schematic ore deposit model for NSW porphyry Cu-Au deposits (Modified from Sillitoe, 2010)  
Note: Deposit styles shown on the left and typical associated alteration on the right

with partitioning of strain taken up mainly within the adjacent volcanic and volcanoclastic rocks. Thus, the centres commonly form relatively low-grade, less deformed blocks surrounded by more steeply dipping higher strain zones. Within the centres, the more evolved ( $\pm$ mineralised) felsic intrusions have lower densities than the surrounding and potentially overlying volcanic sequences and may therefore be distinguished in gravity data. In comparison, dioritic intrusions are likely to have similar magnetisation and densities to the volcanic rocks and may only be identified by shape or a discordant relationship with the surrounding sequences.

Two types of hydrothermal alteration/mineralisation can be distinguished in these volcanic rocks:

- Broad zones of enhanced magnetisation that potentially represent zones of alteration that may occur above an Ordovician intrusion/s (this is sometimes recognised by a gravity low suggesting an underlying intrusion); and
- Porphyry intrusions – these may be recognised as small discordant magnetic lows within a broadly enhanced magnetic zone within the Ordovician volcanic sequence.

Additionally, shear zone epithermal deposits are related to demagnetised zones within major structures truncating Ordovician volcanic sequences. The most prospective of these are associated with Ordovician intrusions. The Tomingley deposit in the Junee-Narromine Volcanic belt however, is an example of a younger orogenic lode-type Au deposit (Meares et al., 2013).

In the latest Ordovician to Early Silurian, late in the evolution of the magmatic arc, large mineral-rich alkalic porphyries intruded the Macquarie Arc sequences following shoshonitic volcanism, most notably in the Northparkes and Cadia regions (Lickfold et al., 2007; Cooke et al., 2007; Harris et al., 2013). Major structures or structurally-controlled pathways are required for magma ascent from the lower crust and in the case of the Northparkes and Cadia-Ridgeway regions, it is thought that the location of shoshonitic volcanism and alkali porphyry intrusions was controlled by the intersection of a cross-arc structure, termed the Lachlan Transverse Zone (Glen & Walshe, 1999) and the Macquarie Arc (Cooke et al., 2007). The relationship between high resolution airborne magnetics and Cu-Au mineralisation in the Cadia district is represented in Figure 2-4.

While Fifth Element is focussing on all Cu and Au mineralisation styles found in the Macquarie Arc, it is most focussed at this early stage of exploration on targeting mineralised porphyry systems.

2.2 Ground Selection Criteria

To date, Fifth Element’s ground acquisition strategy is focussed on identifying and securing untenured areas with identified exploration targets based on the characteristics of porphyry Cu-Au deposits described above. To support this exploration approach, the following selection criteria were used to identify untenured target areas:

| NAME <i>(abbreviation)</i> | TYPE | STYLE      | PRODUCTION |         | OWNER, NOTE                          |
|----------------------------|------|------------|------------|---------|--------------------------------------|
|                            |      |            | Au (Moz)   | CU (KT) |                                      |
| Cadia Hill (CA)            | M    | Porph – A  | 1.36       | 125     | Newcrest <sup>1</sup>                |
| Ridgeway (RI)              | M    | Porph - A  | 0.89       |         | Newcrest                             |
| Cadia + Ridgeway           |      |            | 2.25       | 230     |                                      |
| Peak Hill (PH)             | M    | Epi - HS   | 0.26       |         | Alkane                               |
| Northparkes (NP)           | M    | Porph - A  | 0.32       | 320     | China Molybdenum Co Ltd <sup>2</sup> |
| Cowal (CO)                 | M    | Orog       | 0.23       |         | Barrick                              |
| Gidginbung (GI)            | I    | Epi – HS   | 0.46       | 675     | Goldminco                            |
| Totals                     |      |            |            |         |                                      |
| PRE-RESOURCE PROJECTS      |      |            |            |         |                                      |
| Cargo (CG)                 | P    | Porph - CA |            |         | Golden Cross                         |
| Junction Reefs (JR)        | P    | Skarn      |            |         |                                      |
| Copper Hill (CH)           | P    | Porph - CA |            |         | Golden Cross                         |
| Marsden (MA)               | P    | Porph      |            |         | Newcrest                             |
| Wyoming (WM)               | P    | Orog       |            |         | Alkane                               |
| The Dam (DA)               | P    | Porph      |            |         | Goldminco                            |

Table 2-2: Significant Gold and Copper Mines/Projects in the Macquarie Arc

**Notes:**  
1. Includes Cadia East and Cadia Quarry.  
2. Includes E26, E22, E27 & E48.  
Abbreviations: M = mine; P = prospect; I = inactive; Porph = porphyry; Epi = epithermal; Orog = orogenic; A = alkaline; CA = calc-alkaline; HS = high-sulphidation.

**Sources:** Company websites, stock exchange releases and Smith et al., (2004).

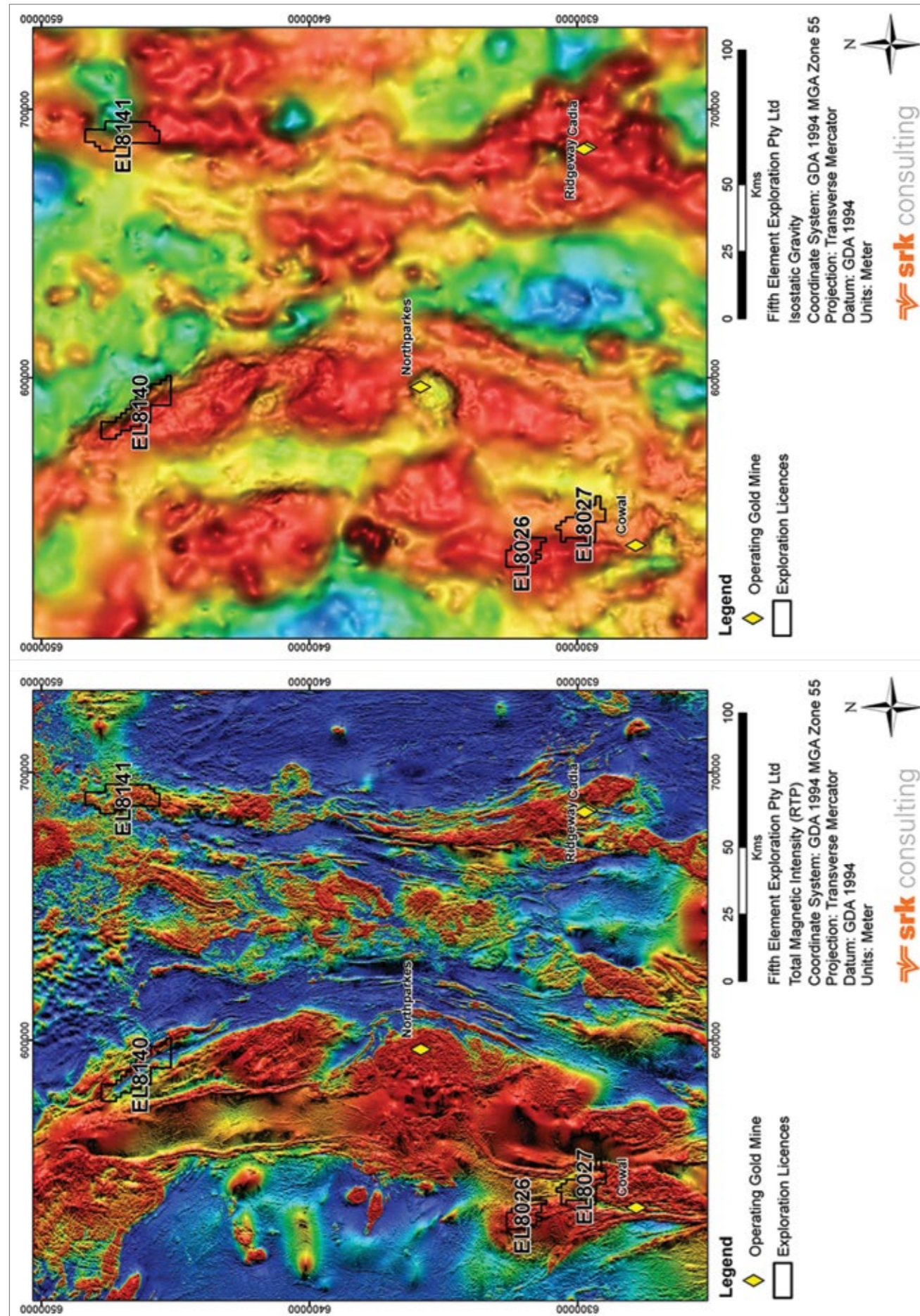


Figure 2-3: Lachlan Fold Belt regional gravity and magnetic data showing location of Fifth element ELs

- Proximity to a favourable host rock sequence (i.e., where there is direct evidence for, or an interpretation can define, a thickened Arc sequence that potentially defines a higher proportion of volcanic/intrusive rocks);
- Favourable fault and/or regional structure present with known mineral association. This included an assessment of geological and geophysical data for potential cross-arc structures (Figure 2-1), as well as the potential for shallower/secondary structures associated with porphyry and/or epithermal mineralisation systems;
- Favourable signatures/alteration patterns in regional magnetic survey: to assess the potential for smaller-scale porphyry bodies, enhanced magnetic or demagnetised zones;
- Presence of target style deposit(s) in selected area or nearby, for example along strike;
- Depth of cover estimated to be under 300 m;
- Limited cultural impediments for exploration, such as towns, parks, reserves; and
- Untenured area in km<sup>2</sup>, with available areas >50 km<sup>2</sup> considered to provide greater opportunity for early phase reconnaissance style exploration.

Using this approach, initially nine areas were identified and four were subsequently selected to establish their current portfolio of exploration licences (ELs 8026, 8027, 8140 & 8141). Fifth Element may increase the current portfolio of exploration licences as and when prospective areas become available.

### 2.3 Exploration Tenements

Ground selection work was initiated in early 2012 and in May 2012 EJR applied for two exploration tenements covering the identified target areas. These licence applications were granted on 30 November 2012 (ELs 8026 and 8027). Subsequently, two additional applications were lodged in December 2012 and these were granted on 23 July 2013 (ELs 8140 and 8141).

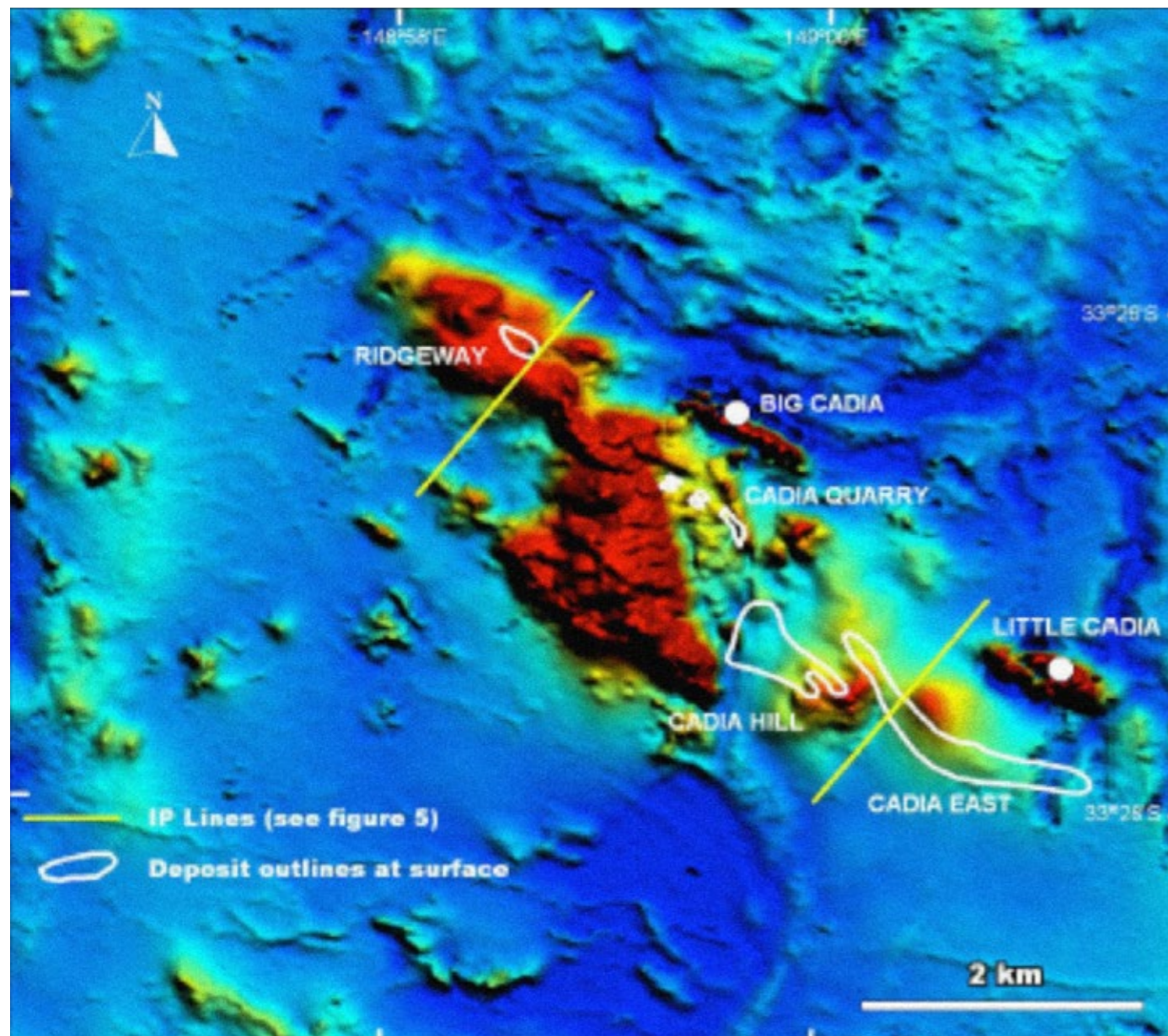


Figure 2-4: Location of Au-Cu deposits relative to RTP magnetic image of the Cadia district

**Note:** High resolution airborne magnetics 50 m line spacing, 30 m flying height. Colour range is red high TMI, blue low TMI.  
**Source:** (Holliday JR, 2007).

In March 2013, SRK was further contracted to carry out additional desktop assessments of the four project areas. Over the next few months further tenement-scale data review occurred. This work included open file data compilation and assessment, enhancement processing of regional magnetic and gravity data, and the integration of available geology, geophysics and exploration data.

A further review of the additional geophysics images for potential shallow structures and/or enhanced magnetic/demagnetised alteration zones that may be evidence for a porphyry and/or epithermal-style model was subsequently carried out.

An initial site reconnaissance visit was made to gain a better understanding of the geographical and logistic issues. Note that landholder negotiations are yet to be undertaken.

Second generation, more detailed targeting for tenement-scale porphyry Cu-Au and related epithermal Au targets should form the next stage of exploration.

The current tenement portfolio consists of four ELs covering 706 km<sup>2</sup> of Ordovician magmatic arc rocks prospective for Cu-Au deposits (Figure 2-1 and Figure 2-5).

### 2.3.1 Location and Access

All four Fifth Element project areas are in close proximity to major roads servicing the NSW regional centres of Condobolin, Parkes, Forbes, Dubbo and Nyngan (Figure 2-5). The Fairholme project (EL 8026) and Pine Hill project (EL 8027) areas in the southern section of the Junee-Narromine volcanic belt are accessible via the Lachlan Valley Way 20 km and 40 km south east of Condobolin respectively.

The Trangie project area (EL 8140) at the northern end of the Junee-Narromine volcanic belt is traversed by the Mitchell Highway and encompasses the township of Trangie 40 km north-west of Narromine. The fourth project area Mendooran (EL 8141), at the northern end of the Molong volcanic belt, is traversed by the Castlereagh Highway near the township of Mendooran 35 km west of Gilgandra.

Topography within the Fairholme, Pine Hill and Trangie project areas is predominantly flat. Land use generally comprises open grazing and mixed broad-acre cropping. Access throughout these exploration licences is considered good and is via a favourable network of gazetted country roads and well maintained unsealed station tracks. The northern half of the Mendooran project area (EL 8141) consists of private land with mixed open grazing and native woodland. The southern half contains an extensive section of the Goonoo State Conservation Area (CCAZ3 SCA) comprising of generally low relief, mixed density native forest (Figure 3-16). Access throughout the SCA is restricted to a network of forest tracks, some negotiated access track clearance may be required in these areas depending on the nature of proposed staged exploration work.

By condition of title, exploration cannot be carried out on any land without having entered into an access arrangement with the landowner. In areas subject to seasonal cropping, it is expected that conditions of entry will take cropping activities into consideration. With respect to the SCA on Mendooran EL 8141, exploration must not commence without the prior written consent of the Minister for Resources and Energy given with the approval of the Minister for Climate Change and the Environment. As a State Sensitive Area, proposed exploration within the SCA may require further approvals with stipulated conditions.

2.3.2 Total Statutory Commitments

Fifth Element has a combined total of \$202,000 in annual exploration expenditure commitment on its 100% interest in the four Exploration Licences. Two of the licences were granted on 30 November 2012 and two on 23 July 2013. All were granted for Group 1 minerals (gold and base metals) for initial two year periods, with options to renew for further periods. The licences cover a combined area of approximately 660 km2 and have a combined minimum annual exploration commitment required by the NSW Department of Trade & Investment ranging from \$39,000 to \$58,000 as presented in Table 2-3.

| FIFTH ELEMENT EXPLORATION PTY LTD 100% HELD TITLE |         |            |            |             |             |                                       |
|---|---------|------------|------------|-------------|-------------|---------------------------------------|
| Title Name  | Status  | Licence No | Area (km2) | Grant Date  | Expiry      | Annual Minimum Expenditure Commitment |
| Fairholme   | Granted | EL 8026    | 109        | 30 Nov 2012 | 30 Nov 2014 | \$39,000.00                           |
| Pine Hill   | Granted | EL 8027    | 160.28     | 30 Nov 2012 | 30 Nov 2014 | \$48,000.00                           |
| Trangie   | Granted | EL 8140    | 221.16     | 23 Jul 2013 | 23 Jul 2015 | \$58,000.00                           |
| Mendooran   | Granted | EL 8141    | 215.65     | 23 Jul 2013 | 23 Jul 2015 | \$57,000.00                           |
|   |         |            | 706.09     | TOTAL       |             | \$202,000.00                          |

Table 2-3:Fifth Element Exploration Pty Ltd Exploration Licence Portfolio

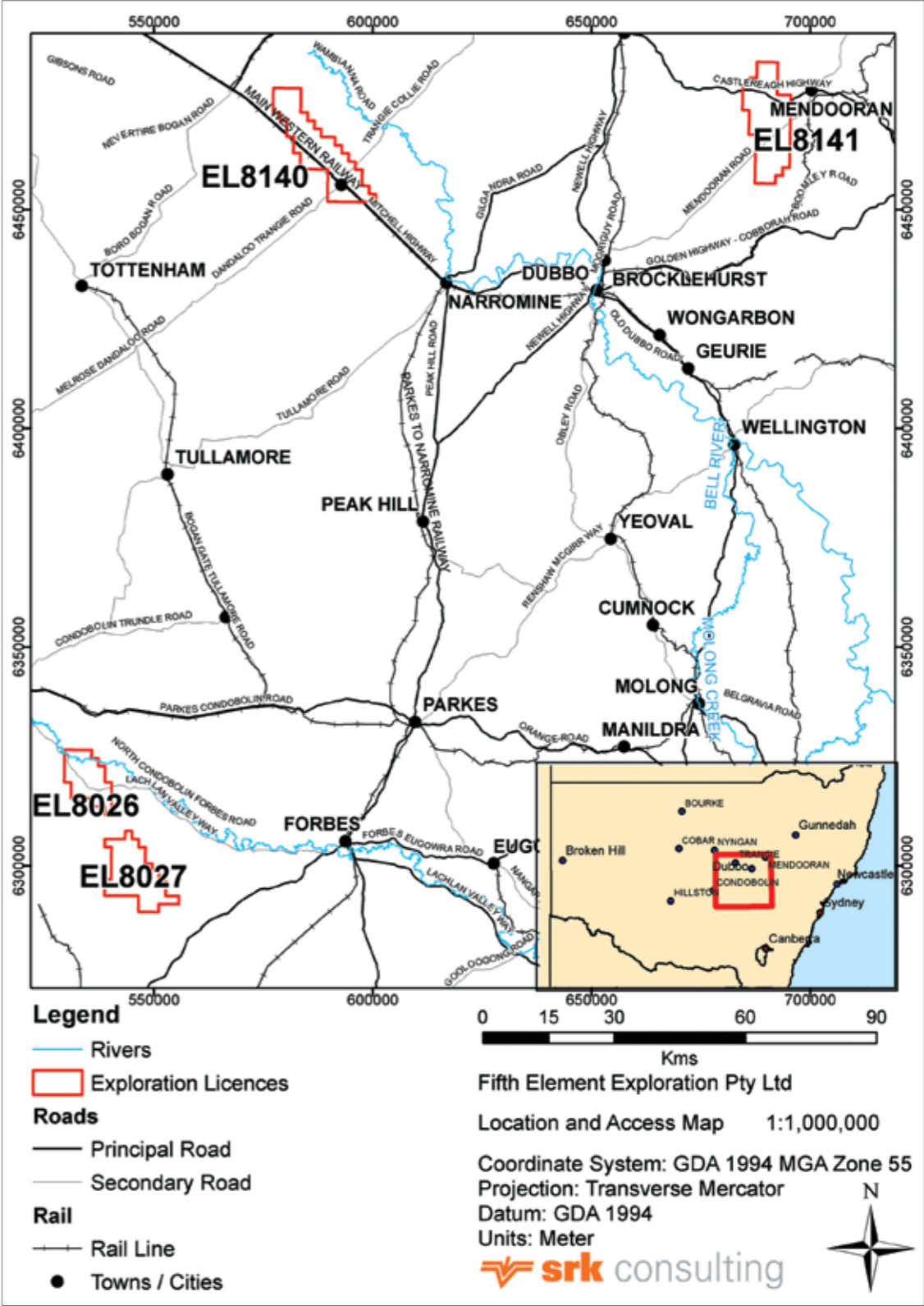


Figure 2-5: Location of Fifth Element Exploration Pty Limited Exploration Licences

3. PROJECT DESCRIPTIONS

Fifth Element’s granted exploration licences are all located in the Junee-Narromine and Molong Volcanic Belts (refer Section 2.1). Project specific geology and exploration history of each of the four project areas are presented below. A combined proposed exploration programme and budget for Fifth Elements four EL Lachlan portfolio is provided in Section 3.6.

3.1 Fairholme EL 8026

3.1.1Geology and Previous Exploration

The 109 km2 Fairholme project is situated 20 km southeast of Condobolin. Topography across the tenement is generally flat lying (Figure 3-1). Predominant land usage in the project area is mixed seasonal crop cultivation and open grazing country. The Lachlan River traverses east to west across the northern section of the title, with numerous tributaries in the central section of the licence (Figure 3-3).

EL 8026 is centred on a 15.5 x 8 km section of the Late Ordovician Fairholme Igneous Complex. This is considered to be a prospective fragmented section of the larger, 420 km long north-south trending Junee-Narromine volcanic belt (Figure 3-4). The complex comprises undifferentiated basic igneous volcanics and (monzo) diorite intrusives (Lyons P, 2000). Location and extent of the target volcanics is inferred from regional airborne magnetics. Consistent with the majority of the Junee-Narromine volcanic belt, the target volcanics within EL 8026 are deeply weathered and very poorly exposed, being masked throughout by an estimated >100 m thickness of Quaternary alluvial cover and minor Cainozoic undifferentiated sediments. Several discontinuous low ridges of Siluro-Devonian age sediments are situated on the eastern, northern and western margins of the title.



Figure 3-1: Northern section of Fairholme (EL 8026) – Open flat country predominantly grazing and seasonal cropping

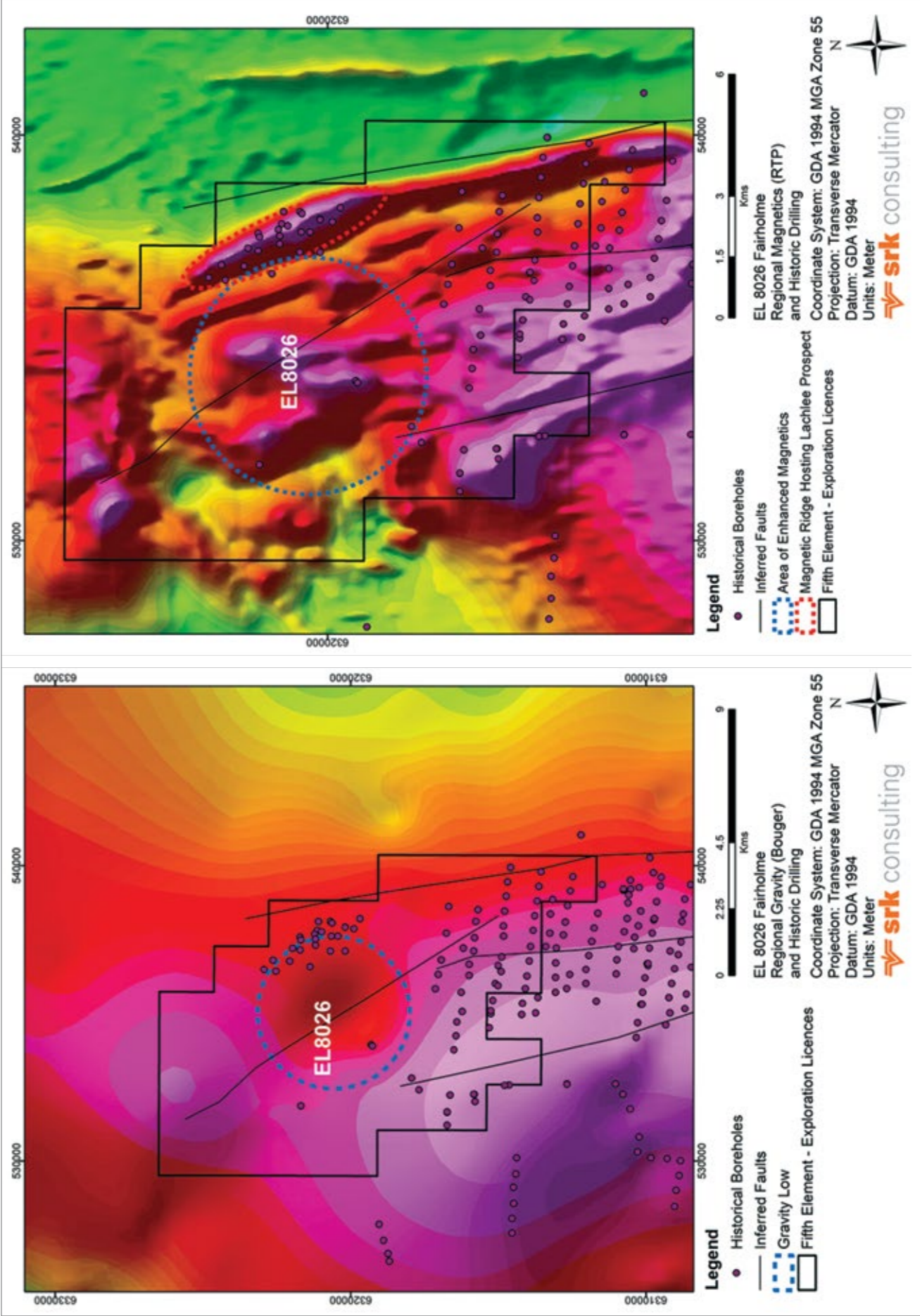


Figure 3-2: Conceptual Target Areas of Interest EL 8026  
Note: Regional Gravity image on left and regional magnetic image (RTP) on right.

In comparison to other sections of Macquarie Arc volcanic belt, the area currently within Fifth Element’s EL 8026 is relatively under-explored. Despite being held under title by numerous explorers, only three companies have conducted drilling within the current licence area. The large majority of the eighty one holes drilled (Figure 3-5), consists of relatively shallow vertical aircore drillholes (<100 m depth), and include the following;

- Geopeko Ltd 1988; 3 holes, maximum 141 m;
- North Ltd 1995; 14 holes, majority <90 m, max 105 m; and
- Newcrest Mining Ltd 1991-96; 64 holes mostly <100 m, max 132 m.

Collar details for all holes are provided in Appendix A.

Geopeko Ltd (Geopeko) abandoned exploration after a limited three hole programme in the centre of current EL 8026 due to depth of alluvial cover and difficult drilling conditions (RCH1888-1,1A & 2). North Ltd (North) had greater success in 1994/1995 with a 14 hole aircore drilling programme at Lachlee Prospect in the NE of EL 8026 (Figure 3-4). Drilling targeted a linear magnetic high on the edge of the volcanic belt (Figure 3-6). Seven holes encountered partially weathered intermediate to mafic intrusive rocks and volcanoclastics between ~40–100 m depth. Sampling was restricted to holes that intersected “bedrock”, where 3 m composite samples were taken and analysed at either AAL or ALS laboratories in Orange for Au, As, Cu, Pb and Zn (assay method not specified). Only one of North’s holes, LRA1, returned significant assay values; 9.5 m @ 0.11 ppm Au from 95 m, including 3.0 m @ 0.214 ppm Au from 96 m. North considered the ground conditions too difficult to warrant continuation and withdrew from the prospect. SRK considers the sampling rationale and assay method used by North appropriate for the reconnaissance nature of the exploration drilling program. However, given the thickness of unconsolidated cover and levels of ground water encountered, the effectiveness of the aircore drilling method to adequately test the full extent and depth of the target magnetic feature is questionable, as demonstrated by the number of holes that failed to reach target depth.

| FAIRHOLME PROJECT EL 8026 SIGNIFICANTLY ANOMALOUS HISTORIC INTERSECTIONS |         |           |      |           |             |   |
|--|---------|-----------|------|-----------|-------------|---|
| Prospect   | Hole ID | Company   | Year | Hole Type | Total Depth | Significant intersection  |
| Lachlee  | LRA1    | North Ltd | 1995 | Aircore   | 105 m       | 9.5 m @ 0.11 ppm Au from 95 m; including 3.0 m @ 0.214 ppm Au from 96 m |
| Lachlee  | ACWW197 | Newcrest  | 1996 | Aircore   | 128 m       | 3 m @ 0.63ppm Au from 93 m  |

Table 3-1:Fairholme Project EL 8026 Significant Historic Intersections

In 1996 Newcrest Mining Ltd (Newcrest) undertook follow up exploration drilling at North’s Lachlee prospect in the north east of EL 8026. The aircore drilling method adopted by Newcrest was similar to that previously used by North. Of Newcrest’s nine widely spaced (~500 m centres) aircore holes at Lachlee Prospect, only two exceeded 100 m depth. The best intersection from the programme was an isolated narrow interval in hole ACWW197; 3 m @ 0.63 ppm Au from 93 m. (McIntosh C, MacCorquodale F, 1997). Drilling intersected thick clay cover from surface to 84 m depth. Assay of drilling samples was restricted to saprolite and strongly weathered igneous bedrock from 84 m to end of hole at 128 m. The saprolite was sampled at between 3 m to 6 m intervals and bedrock at 1 m intervals. Samples were

pulped to 5 microns prior to splitting and analysed for Au by Fire Assay and Cu, Pb, Zn, Ag, As, Mo, Bi and Co by ICP at ALS laboratory in Orange. SRK considers the sampling rationale and assay method used by Newcrest appropriate for the reconnaissance nature of the exploration drilling program, however questions the effectiveness of aircore drilling in an area with difficult ground conditions. Newcrest also undertook limited petrological analysis of drill samples. The oxidised nature of the sample material made lithological determinations difficult and results were inconclusive. No further work was undertaken by Newcrest at the Lachlee prospect.

Newcrest completed a further 53 wide spaced holes in the southern section of EL 8026 in 1996 (Figure 3-5). The work was part of a larger regional reconnaissance aircore drilling programme testing the Fairholme volcanic complex extending southward towards the Cowal Mine (Figure 3-4). Although no significant assay results were returned from holes within the current Fifth Element EL 8026 boundary, sporadic anomalous assay values were returned from samples of the Fairholme volcanics suit up to 15 km south of EL 8026 (Newcrest holes ACWW055, 113, 170,176 and 200). This area now hosts Clancy Exploration’s current Dungarvan porphyry Cu-Au prospect 18 km south of EL 8026 (Figure 3-4).

Clancy Exploration Limited (Clancy) are currently exploring ELs 6915 and 6552 and have reported significant Au and Cu drilling intercepts at their Dungarvan prospect (Figure 3-4). These intersections, which were part of a Newcrest 1996 exploration drilling program, are reported as porphyry related replacement and vein-hosted mineralisation (www.clancyexploration.com and McIntosh C, 1997). The porphyry related source of this vein style mineralisation has yet to be identified. In January 2014 Canadian explorer Kaizen Discovery announced a A\$4M earn-in agreement with Clancy Exploration to explore ELs 6915 and 6552 for porphyry related Cu-Au mineralisation.

**Fifth Element Targets EL 8026**

The Fairholme project was identified as an area of interest during the initial high level regional review of the Lachlan Fold Belt. Interpretation of regional magnetics and gravity data identified an area of enhanced magnetics coincident with a poorly defined gravity low, with inferred cross cutting NW structures. It is considered these features may represent a previously unrecognised and relatively untested, concealed volcanic centre within the Fairholme Igneous Complex. This area of interest is located 37 km north of the Cowal porphyry deposit and only 15 km north of porphyry related Cu-Au mineralisation identified by Newcrest (1996) at Dungarvan and Gateway prospects, which are also hosted within the Fairholme Igneous Complex (Figure 3-4). The Dungarvan and Gateway prospects have yet to be fully evaluated.

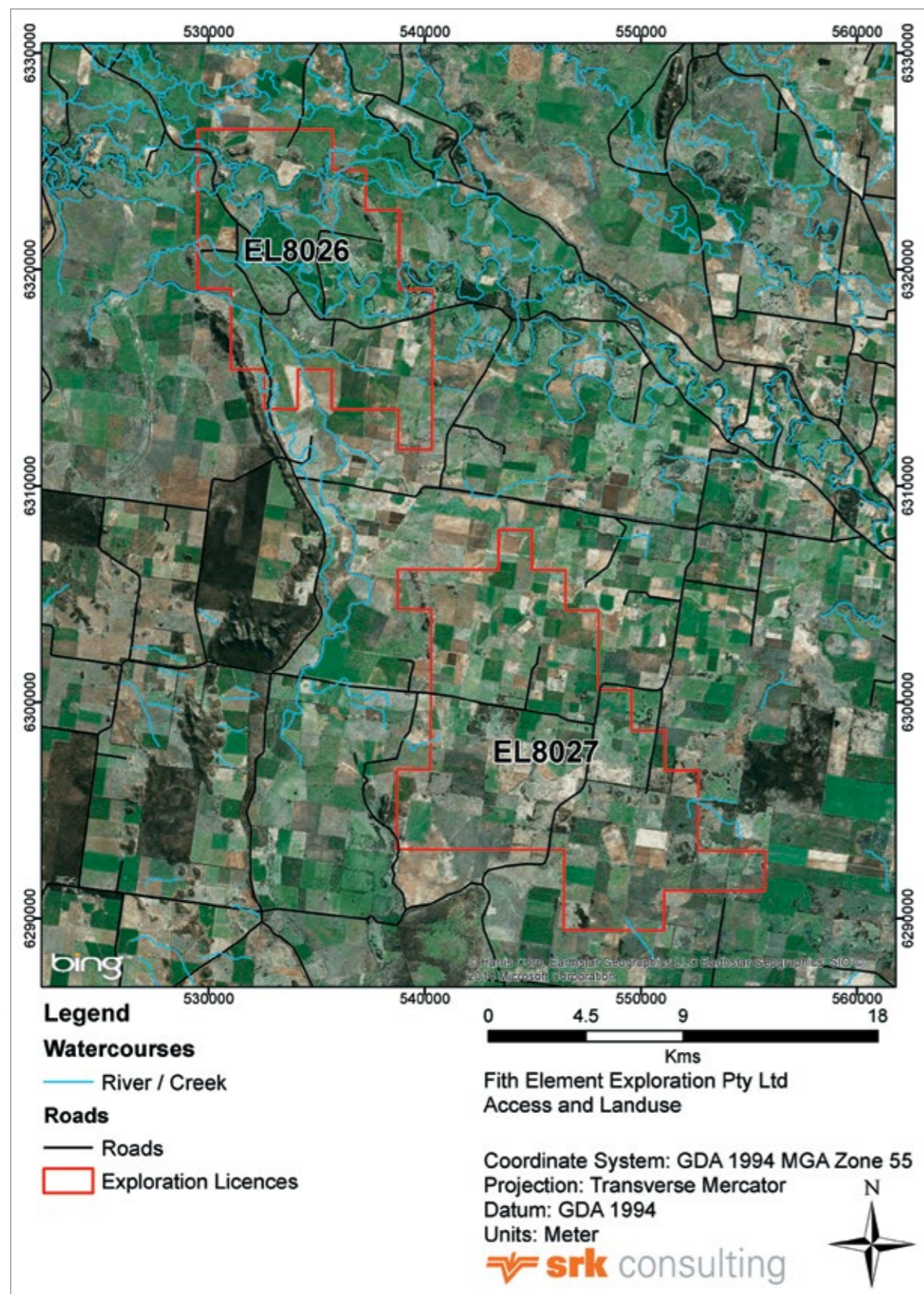


Figure 3-3: Fairholme (EL 8026) and Pine Hill (EL 8027) Access and Land use

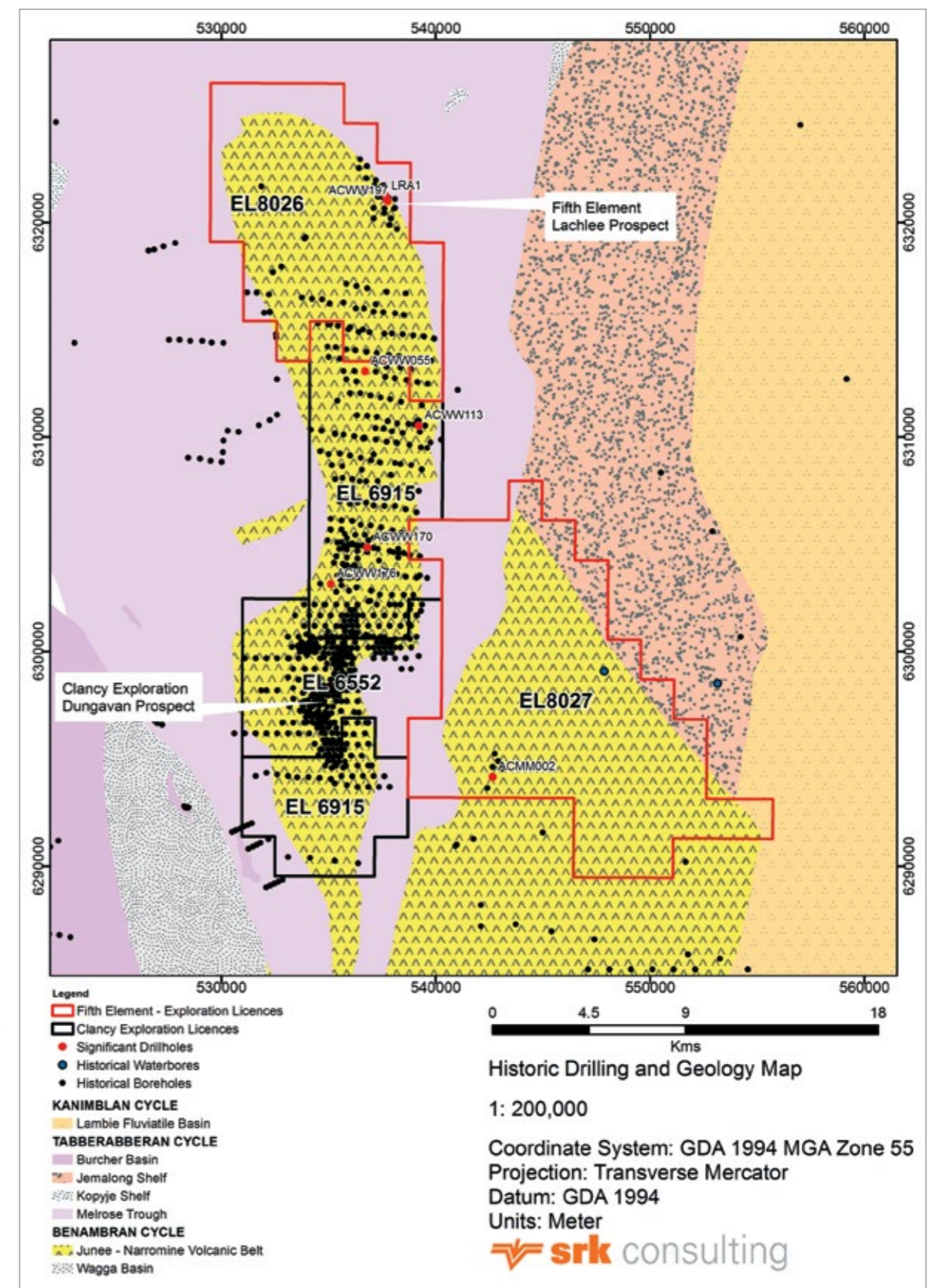


Figure 3-4: Historic exploration across EL 8026 (Fairholme) and EL 8027 (Pine Hill)

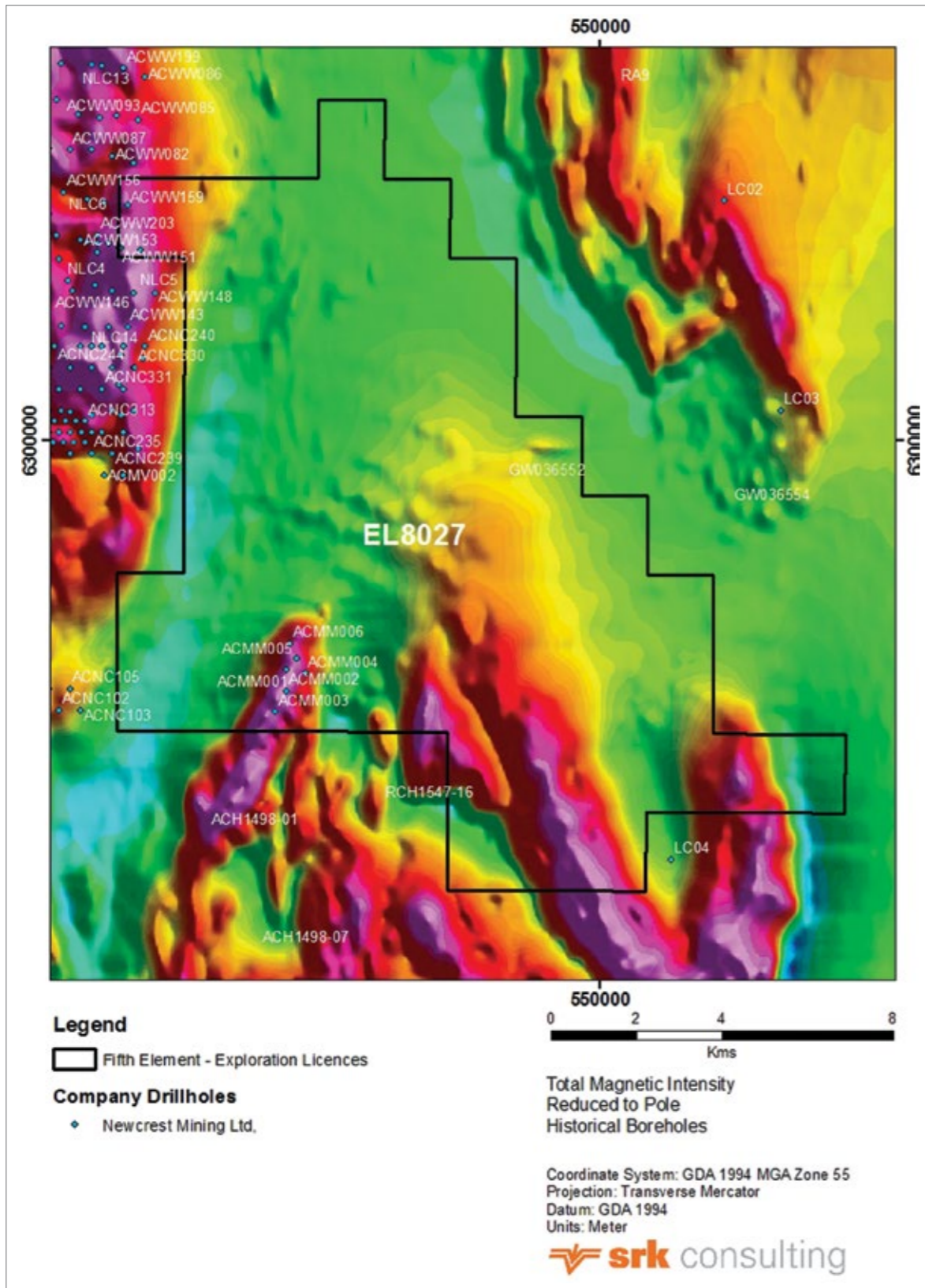


Figure 3-5: Location of historic drilling over RTP magnetics EL 8026

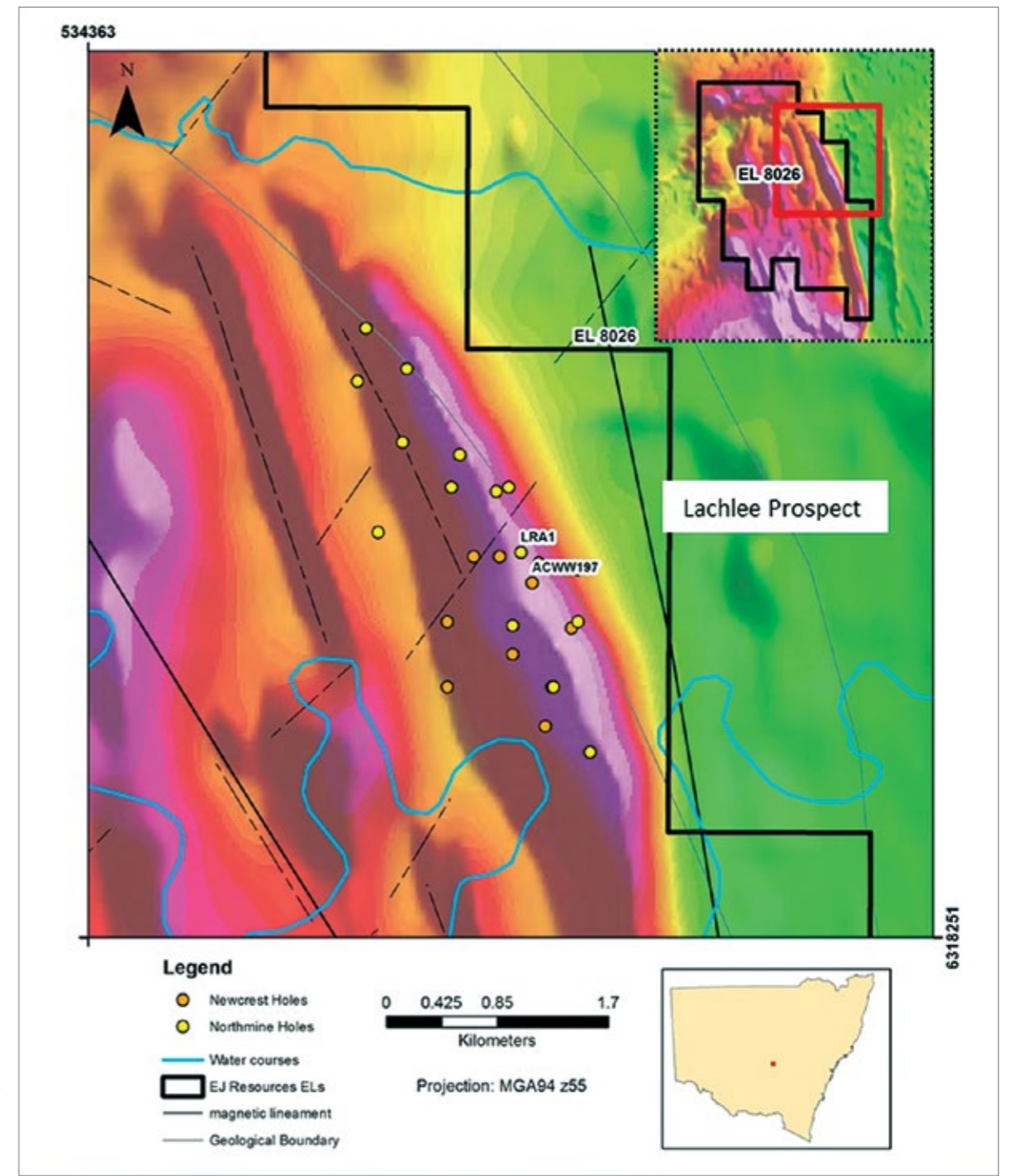


Figure 3-6: Location of historic drilling over RTP magnetics – Lachlee Prospect EL 8026

### Project potential and SRK comment

Although the area covered by EL 8026 has been targeted for porphyry mineralisation in the past by a small number of proven explorers, only limited amount of drilling was conducted. Given the majority of these holes were drilled to <100 m depth and large areas of the licence have had no drilling at all, including the central zone of enhanced magnetics and gravity low identified as a priority target area, SRK regards the licence as significantly under-explored. Fifth Element's conceptual target areas remain untested to the proposed target depths of up to 300 m. Although of limited tenor and extent, recognition of anomalous Au at the small Lachlee prospect in the northeast of the licence on the margin of an inferred Ordovician volcanic centre, is considered very encouraging (Figure 3-6). Identification of non-outcropping porphyry related Cu-Au mineralisation associated with enhanced magnetic features in same age Fairholme Igneous Complex south of Fifth Element EL 8026, is also considered to heighten FEE's Fairholme project potential. Current understanding of the underlying target Ordovician volcanic belt within EL 8026 is limited by lack of effective exploration and the extent of younger sedimentary cover, which appears from results of previous drilling to be between 70–100 m thick. Improved 3D modelling of the geology and associated prospective structures through acquisition of high resolution magnetics and gravity data is considered the most effective way of advancing the project and defining robust drill targets. The reported thickness of conductive overburden is likely to make use of electrical geophysical methods ineffective.

### 3.2 PINE HILL EL 8027

Pine Hill EL 8027 located 40 km south east of Condobolin covers an area of 160 km<sup>2</sup> and is situated 10 km southwest of FEE's Fairholme EL 8026 (Figure 2-5). Topography across the tenement is generally flat lying and land use is predominantly broad acre cultivation.

#### 3.2.1 Geology and Previous Exploration

Pine Hill EL 8027 is centred on the extreme northern extent of the Cowal Igneous Complex which is part of the Junee-Narromine Volcanic Belt (Figure 2-1). The target volcanics are totally obscured by younger Quaternary and Cainozoic sediments and the occurrence of underlying prospective Ordovician volcanics is inferred from regional airborne magnetics (Figure 3-8). Interpretation of the available magnetic data indicates that depth to top of the Ordovician increases significantly from south to north. As described by the Geological Survey (Lyons P, 2000), the geology of the Cowal Igneous Complex comprises undifferentiated calc-alkaline volcanic, volcanoclastic and epiclastic units. To the south, the complex is also known to host syenite, granodiorite, diorite and gabbro intrusions. The target volcanic and intrusive sequences which comprise the majority of the central part of EL 8027, are interpreted to be fault bounded by younger sedimentary rocks on the western, northern and eastern margins of the licence (Figure 3-4). On the west these are interpreted to be marine, to deep marine early Silurian to Middle Devonian basin conglomerates and sandstones of the Melrose Trough. On the east and northeast they are inferred to be conglomerates and sandstones of the Jemalong Shelf. The contact between Ordovician volcanics and Devonian sediments to the east of the Pine Hill project is inferred to be an extension of the Marsden thrust which has a genetic association with the Marsden gold deposit 26 km to the south of Pine Hill.

There has been very limited effective historic exploration carried out within Fifth Element's Pine Hill project EL 8027. Since 1990, five exploration companies have held a total of eight licences covering sections of the present EL. These have included North Mine Limited, BHP Gold Mines Limited (BHP), Newcrest Operations Limited, Newcrest and CRA Exploration Pty Limited (CRAE). Only 10 shallow aircore holes are recorded for this 20 year period, all drilled by Newcrest as part of large regional geochemical surveys, mostly west and south of EL 8027 (Figure 3-9). Four holes were completed in the extreme NW

of EL 8027, these targeted the eastern flank of the adjacent Fairholme Volcanic Complex and failed to return any values of significance. The remaining six holes were drilled on the extreme southern margin of the licence as part of Newcrest's Morra Morra programme. Target for these holes was series of magnetic features outlined by a NSW government regional airborne survey. No results of significance were reported from these holes. Collar details of historic drilling within EL 8027 are provided in Appendix A.



Figure 3-7: View of Fifth Element Exploration PTY Limited's Pine Hill Project (EL 8027)

### Fifth Element Targets

The Pine Hill project was identified as an area of interest during the initial high level regional review of the Lachlan Fold Belt. Interpretation of regional magnetic data identified an area of enhanced magnetics at the northern end of the Cowal magnetic Complex in the southern section of the licence (Figure 3-8). Characteristics of these magnetic features suggest the underlying inferred volcanics may have associated alteration. Due to the greenfields nature of the Pine Hill project area and lack of detailed data, specific targets have yet to be developed within EL 8027. High definition airborne magnetics and targeted ground gravity programmes are proposed for 2014 to assist with target definition (Section 3.6).

### Project potential and SRK comment

The inferred Cowal Igneous complex underlying EL 8027 (inferred from regional aeromagnetics) is considered prospective for large scale porphyry Cu-Au deposits. The complex is part of the regional scale volcanic belt which hosts the large Cowal operating gold mine (Barrick) and the Marsden Cu-Au deposit (Newcrest), 16 km and 26 km south of EL 8027 respectively. Current geological understanding of EL 8027 is poor due to the cover of younger sediments. SRK regards the Pine Hill project as speculative and conceptual in nature, however it is considered that the area remains significantly under-explored given its geological setting.

### 3.3 TRANGIE PROJECT EL 8140

Trangie Project EL 8140 covers an area of 221 km<sup>2</sup> and is situated 40 km north west of Narromine Central western NSW. The township of Trangie on the Mitchell Highway is located in the southern portion of the licence and the NSW State Government run Trangie Agricultural Research Station (classified as a Nature Conservation Reserve) lies on the highway 4 km north west of the township in the central section of the EL. Topography across the tenement is generally flat lying and land use is mixed broad acre cultivation and open pasture (Figure 3-10).

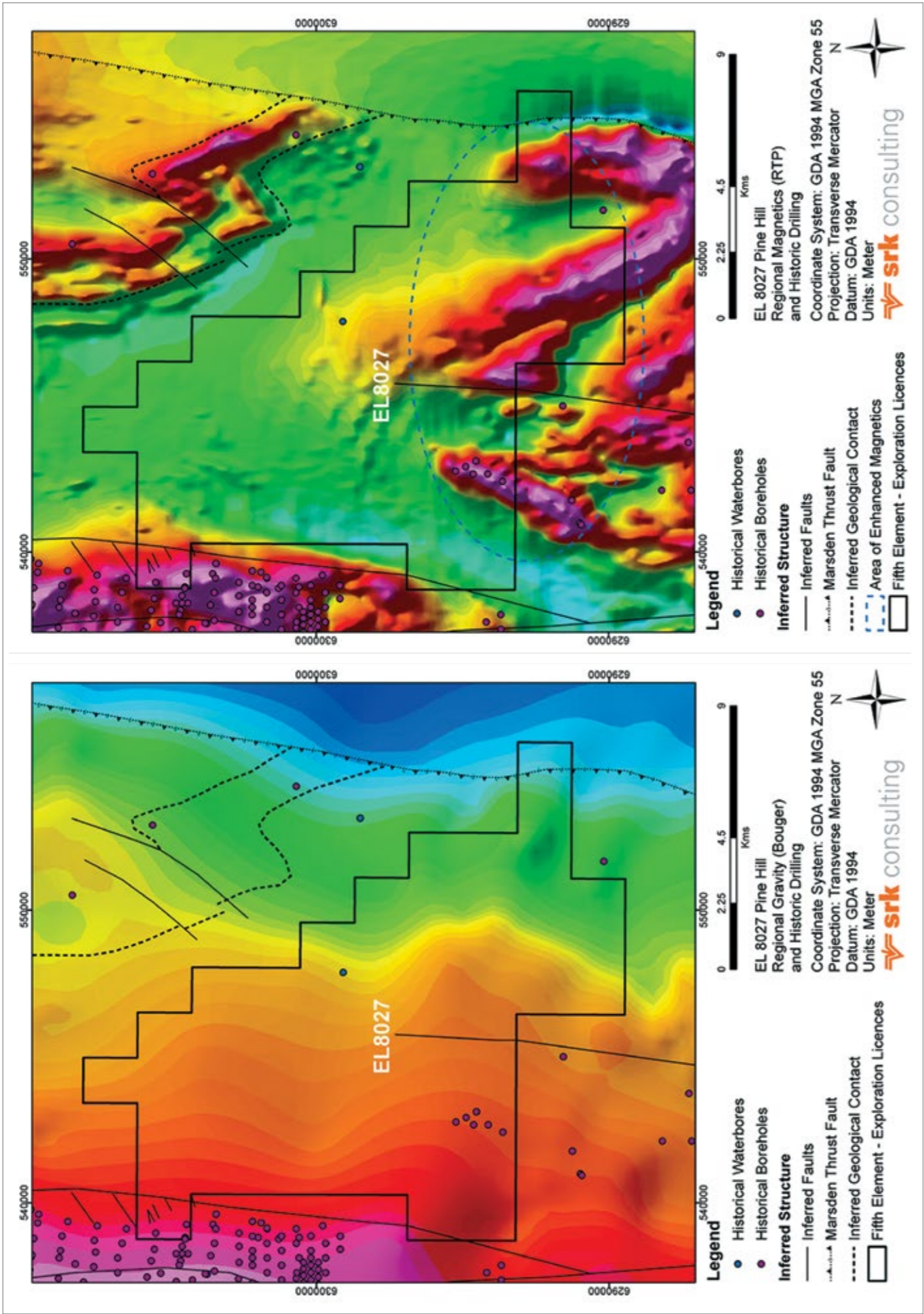


Figure 3-8: Conceptual Target Areas of Interest EL 8027

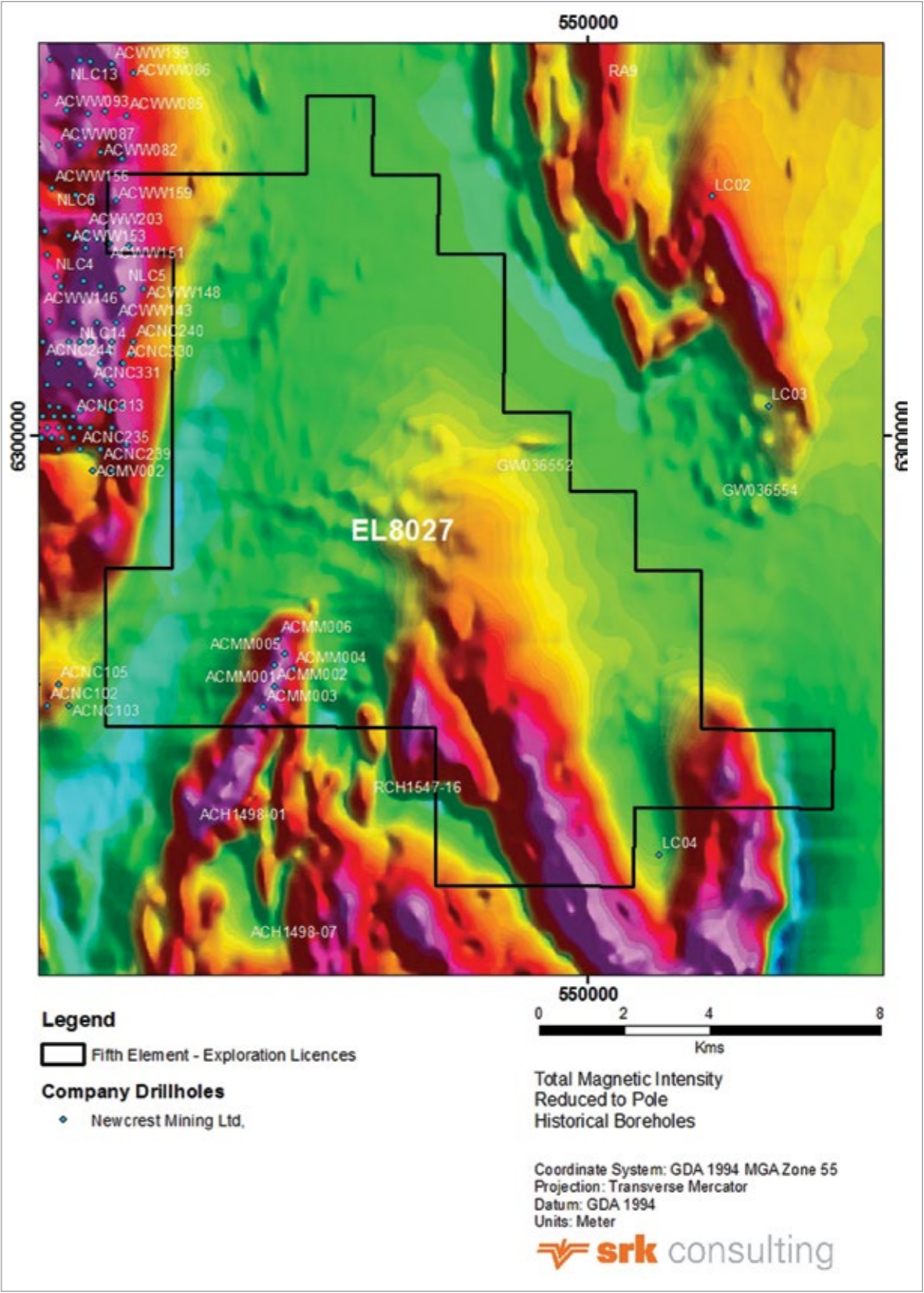


Figure 3-9: Location of historic drilling over RTP magnetics EL 8027

3.3.1 Geology and Previous Exploration

EL 8140 is located along the NW trending axis of the 10 km wide Narromine Igneous Complex, which is part of the northern section of the regional Junee-Narromine Volcanic Belt (Figure 2-1).

The non-outcropping volcanic complex comprises undifferentiated andesitic lavas, volcanoclastics sediments and intrusives (Watkins, 1996), and is masked by an estimated 60–100 m thick cover of Cainozoic sediments. A prominent <2 km wide northwest trending linear magnetic low runs the full

length of the central section of the licence (Figure 3-12) The Geological Survey interprets this as a younger Devonian sedimentary basin comprising conglomerates, sandstone and siltstones.

An alternative interpretation, developed during the regional scale target generation review, is the linear magnetic low may represent a northwest trending demagnetised shear zone consisting of argillic altered volcanics and volcanoclastics. If this interpretation is correct, the broad structural feature could potentially represent a northwest extension of the Parkes Shear which hosts the hydrothermal replacement gold deposits of Tomingley and nearby high sulphidation style epithermal deposit at Peak Hill Gold Mine on the eastern side of the Narromine Igneous Complex 60 km south of the Trangie project area (Figure 3-19). Work conducted by Alkane Resources Ltd (Alkane) in the vicinity of the Tomingley Gold Project, has identified up to 45 gold prospects (Chalmers, ID). Importantly, these occurrences include styles of mineralisation atypical of the Ordovician magmatically derived porphyry deposits found throughout the Lachlan Orogen. The variable geological settings for these deposits include orogenic style vein gold within altered massive siltstones and gold focused in differential strain zones at positions of rheological competency contrast at the contact between porphyritic intrusives and bounding volcanoclastic sediments.

Fifth Element’s review of previous exploration undertaken within EL 8140 determined that only 12 exploration holes have been drilled (Figure 3-13). In 1992, BHP Gold Mines Ltd (BHP) completed five aircore holes targeting mafic igneous basement on the western and eastern sections of EL 8140. Of these only TR05 intersected target basement between 34 and 36 m. Hole TR01 in the west of the tenement was BHP’s deepest hole, however it failed to hit target basement volcanics at 90 m depth. Only the last two metres of each hole was sampled and all results were disappointing. Petrographic analysis of the basement in TR05 described it as a ‘medium grained mafic rock.’ BHP also completed two 60 m RC holes in the north of the lease; EL 01 and EL 02. The holes terminated in semi-lithified siltstone and loose sands, again failing to intersect basement volcanics. The final two metre intervals (58-60 m) of the holes were assayed for Au and returned very low grade 0.20 and 0.25ppb Au results respectively.

Other explorers in the area included CRA Exploration Pty Ltd (CRAE) and Goldfields Exploration (Goldfields). CRAE drilled one aircore hole in the lease which terminated in gravel at 18 m. No samples were assayed. Goldfields drilled four aircore holes on the lease with holes TAC012, TAC016 and TAC017 averaging ~105 m, and TAC019 reaching 174 m depth. Despite their greater depths all holes failed to intersect target intrusives, terminating in younger quartzite or sandstones sediments. Drill hole locations are provided in Figure 3-12 and Figure 3-13. Collar details are provided in Appendix A.

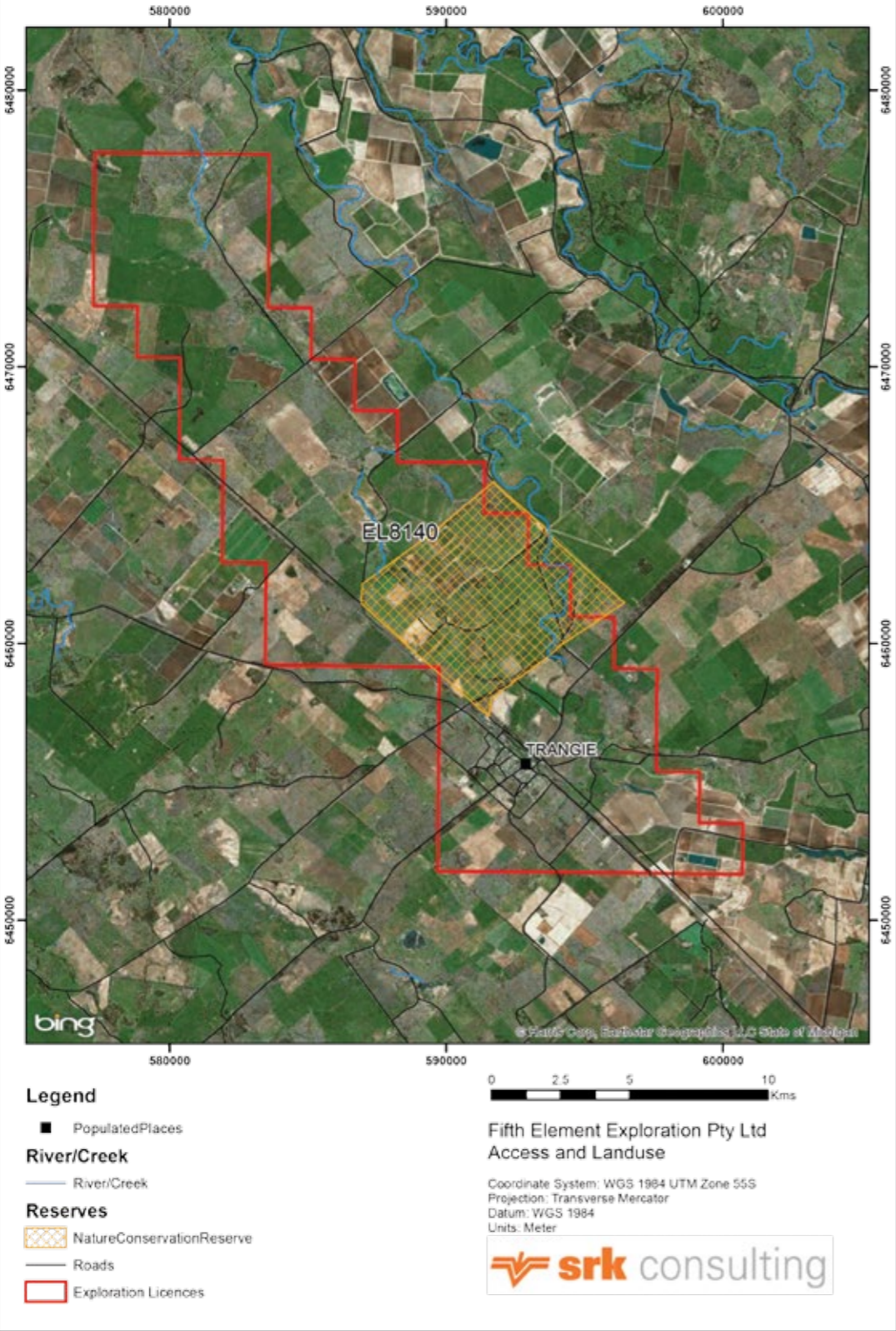


Figure 3-10: Trangie Project EL 8140 Access and Land use



Figure 3-11: Central section of EL 8140 looking NW

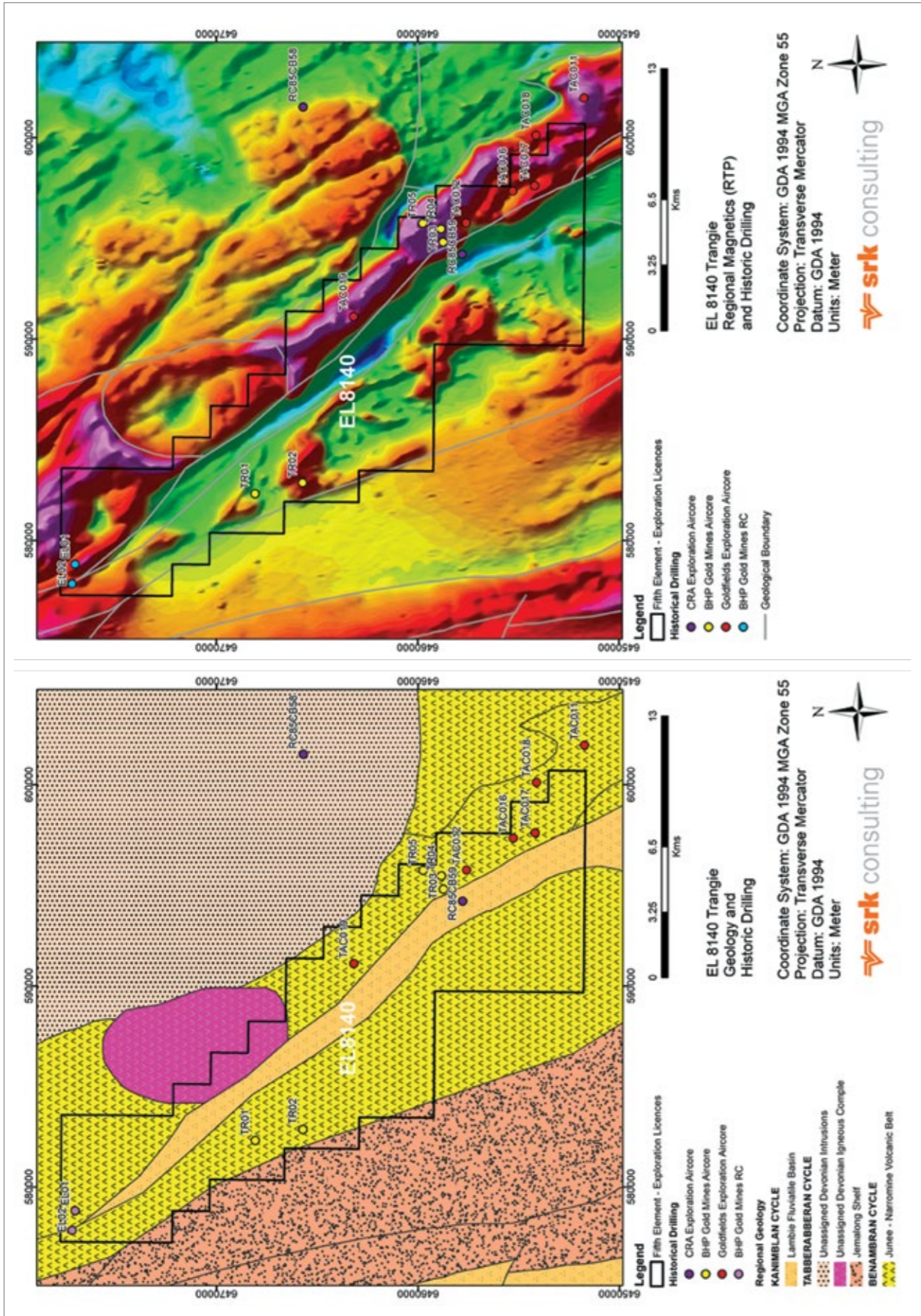


Figure 3-12: Historic exploration across EL 8140 (Triangie) on Geological Survey NSW geology and TMI magnetic image

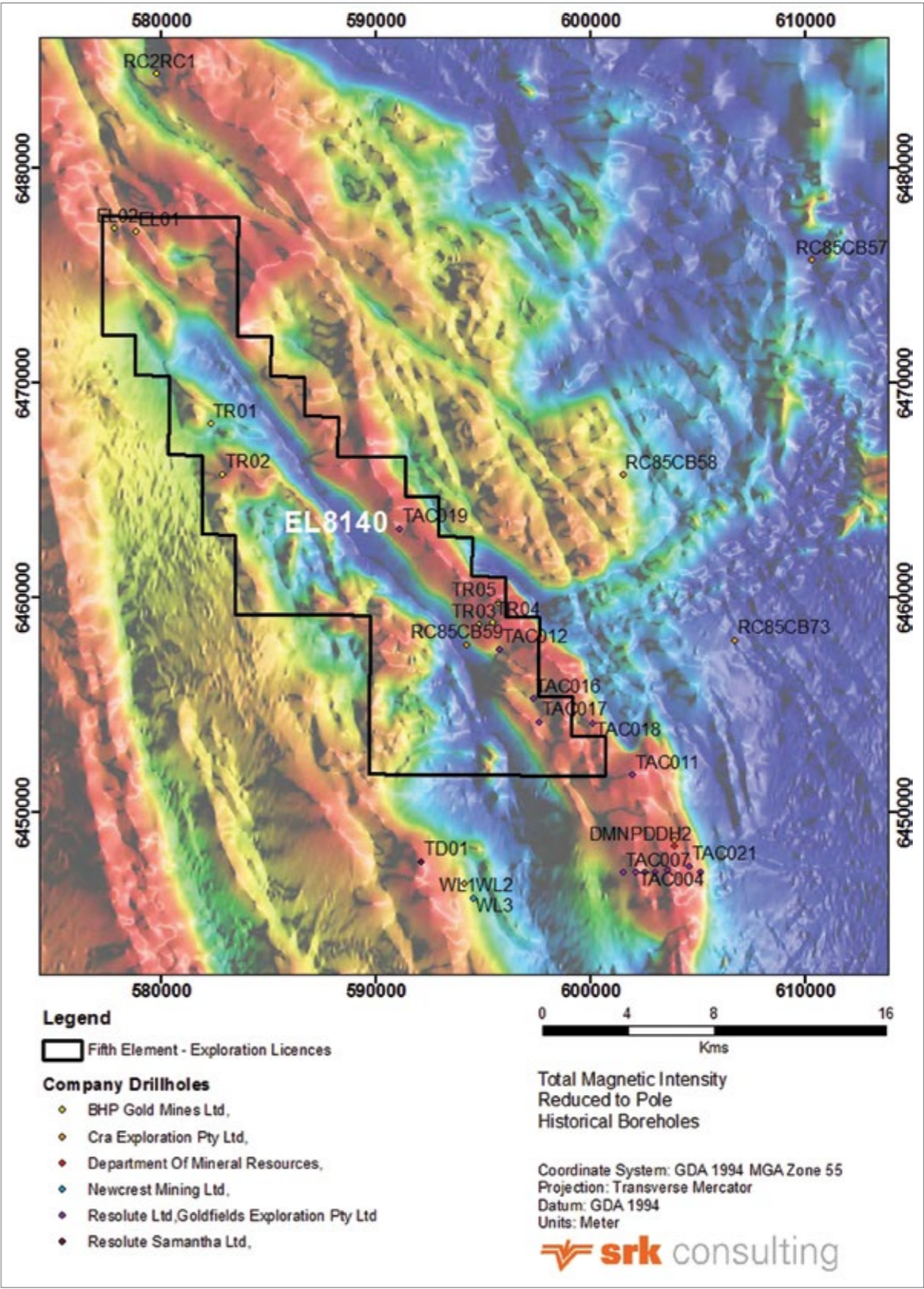


Figure 3-13: Location of historic drilling over RTP magnetics EL 8140

**Fifth Element Targets**

The Trangie project was identified as an area of interest during the initial high level regional review of the Lachlan Fold Belt. Interpretation of regional magnetics and gravity data identified areas of enhanced magnetics on the western flank of a prominent NW trending linear magnetic low. Both features lie within the prospective Junee-Narromine volcanic belt. The areas of enhanced magnetic character remain untested at depths greater than 100 m and may represent volcanic centres with potential porphyry Cu-Au association. The linear low is interpreted to represent a demagnetised shear with potential to host Tomingley style structurally associated mineralisation (Figure 3-14).

**Project potential and SRK comment**

The productive nature of the Junee-Narromine belt and the potential for a variety of styles of Au mineralisation in the Trangie project area is clearly demonstrated by Alkane’s detailed drilling at Tomingley 60 km to the south. SRK considers that interpretation of currently available airborne geophysics over EL 8140 indicates potential; for both volcanic and structural settings favourable for Cu-Au and Au mineralisation beneath cover within the Trangie project area. It is also concluded that exploration to date over the Trangie project area has failed to adequately test the full potential of the 10 km wide Ordovician volcanic belt. SRK considers Fifth Element’s proposal to acquire more detailed geophysical data throughout the licence to assist drill target prioritisation a valid and worthwhile strategy.

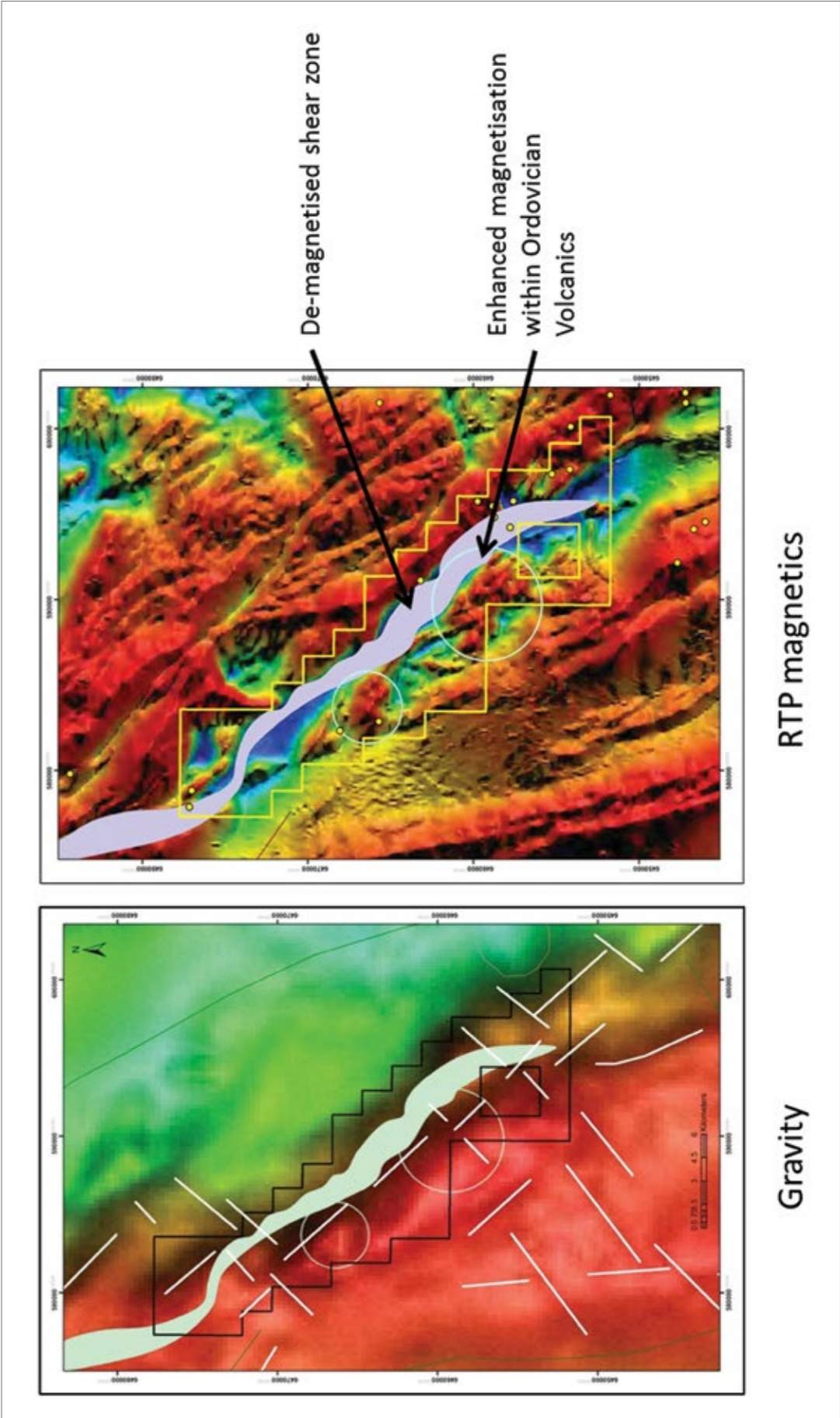


Figure 3-14: Trangie Project EL 8140 Airborne gravity and magnetic images showing initial features of interest

### 3.4 MENDOORAN PROJECT EL 8141

The Mendooran project area (EL 8141) covers an area of 216 km<sup>2</sup> and is situated 35 km east of Gilgandra. Topography within the licence is generally low relief and the southern two thirds of the EL are covered with extensive woodland which includes the Goonoo State Conservation Area (CCAZ3 SCA).

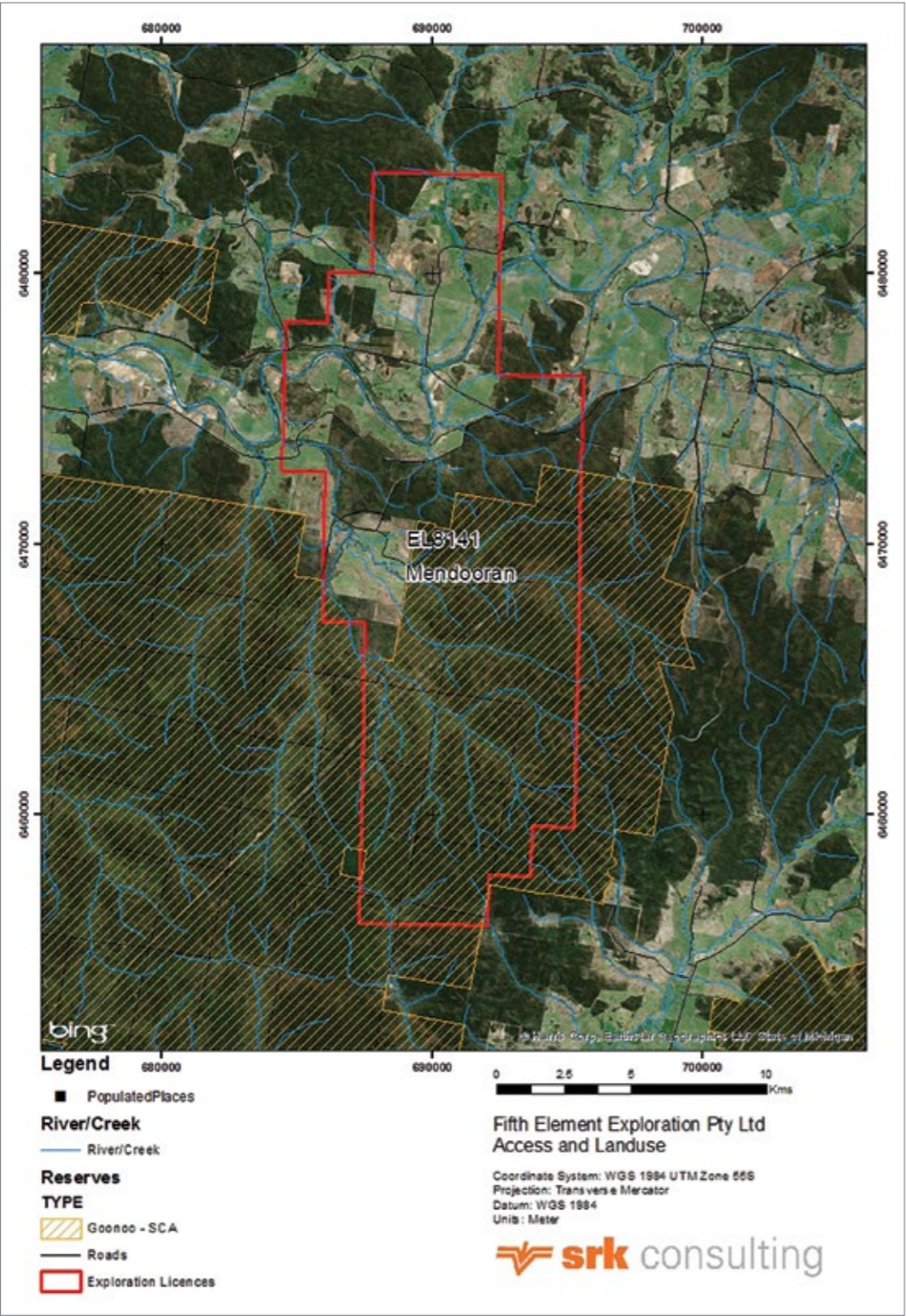


Figure 3-15: Mendooran Project EL 8141 Access and Land use

### 3.4.1 Geology and Previous Exploration

The Mendooran project area is centred on a thickening 15 km wide concealed northern section of the Molong Volcanic Belt (Figure 3-17). The Geological Survey of NSW interprets the belt to contain andesitic submarine volcanics and marine sediments of the Chessman's Creek Formation (Matson 1975). This prospective Ordovician stratigraphy is blanketed by younger Jurassic sediments and Tertiary basalts. In the north of the project area these are estimated to have a combined thickness of up to 200 m, thinning to <100 m in the more prospective southern half of the licence. A prominent circular gravity low in the northeast of the project area is interpreted as a granitic intrusion.



Figure 3-16: Central and southern sections of EL 8141 extensively covered by State Conservation Area (Goonoo CCAZ3), generally low relief with limited existing track access

Review by Fifth Element of historic exploration within EL 8141 identified a total of 13 exploratory drill holes within the current licence boundary.

In 1970 Kerr McGee Exploration drilled two wide spaced RC holes in the central section of EL 8141. The target for drilling was speculative uranium mineralisation in the Jurassic Ballimore formation situated above Fifth Elements target Ordovician volcanics. Hole D-8 encountered sandstone down to 143.26 m depth, followed by Permian shale until termination of the hole at 161.54 m. D-9 similarly intersected sandstone to 112.78 m, followed by shale to end of hole at 131.06 m. No assays were submitted for base or precious metals. Neither hole drilled deep enough to provide information on Fifth Element target stratigraphy in the underlying older Ordovician volcanics.

BHP drilled 12 air core holes in the lease in 1990 as part of an expansive regional programme targeting heavy mineral sands. The average hole depth across the programme was 22.4 m with the deepest hole, ME0018, reaching 33 m. Holes intersected sands, clays and conglomerates. Samples were not analysed for base or precious metals. Drill hole locations are presented in Figure 3-18.

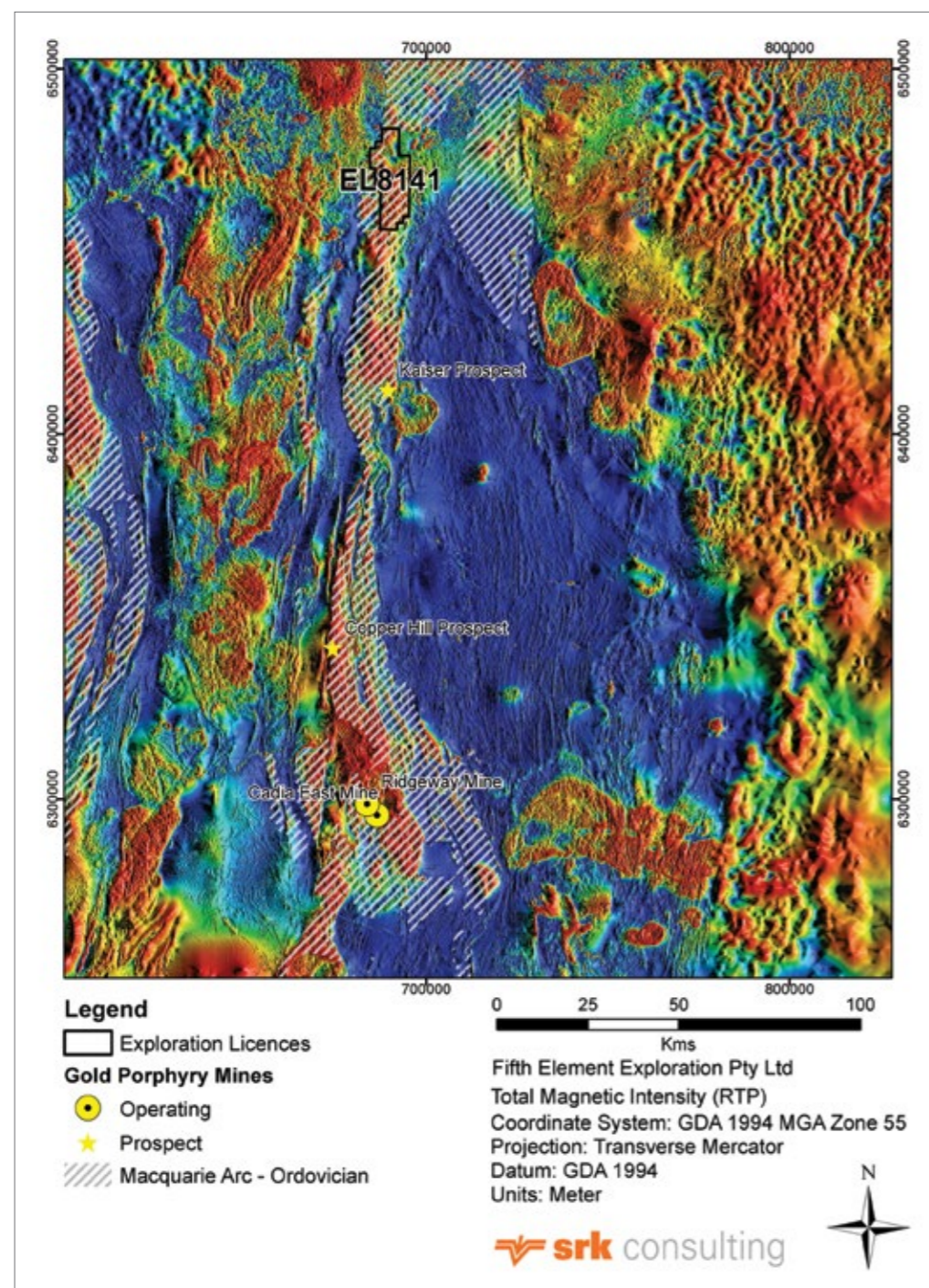


Figure 3-17: TMI Image of the Molong Volcanic Belt showing the Fifth Element Mendooran project areas location on the belt relative to Newcrest Mining Limited's Cadia and Ridgeway mining operations

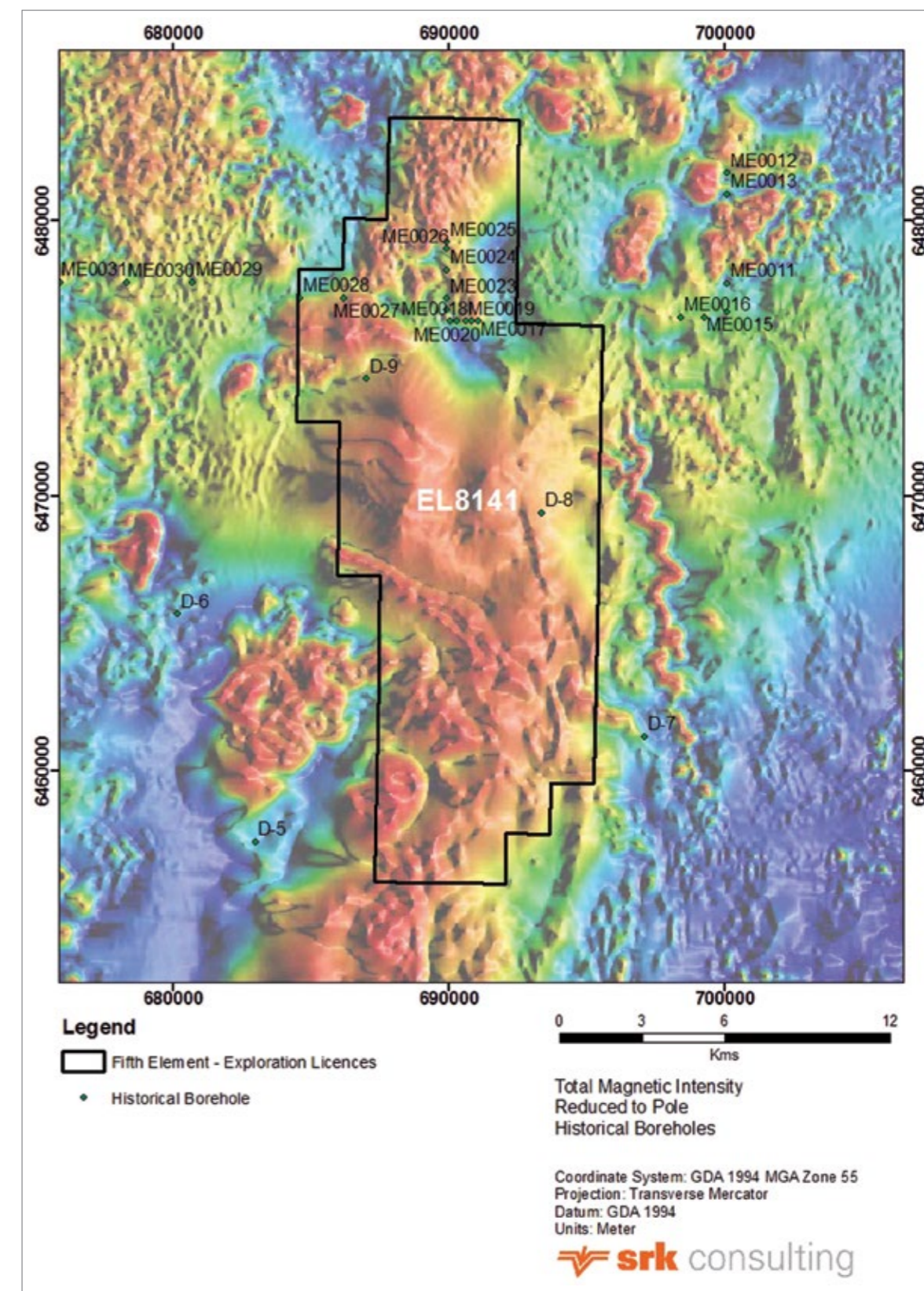


Figure 3-18: Location of previous exploration drillholes within EL 8141 (Mendooran)

### Fifth Element Targets

The focus for project area selection in the northern section of the Molong volcanic belt, was in part due to recognition of a potential northwest trending cross arc structure in regional magnetic and gravity data sets (Figure 2-1). This large scale feature is inferred to run parallel to, and be analogous with the Lachlan Transverse Feature (LTF) 170 km to the south. The southern LTF is interpreted to be a long lived fundamental crustal break that was irregularly reactivated throughout the geological development of the Lachlan Orogen. It is interpreted to have had a controlling influence on the location of major Ordovician porphyry intrusive centres and associated Cu-Au mineralisation (Cadia, Northparkes), particularly where the structures intersect and occasionally offset the arc parallel volcanic belts (Glen & Walshe, 1999). EL 8141 is positioned proximal to the inferred northern transverse cross structure at point where the intersected Molong volcanic belt appears to thicken and be offset by a major deep seated intrusive. The combination of these features is considered prospective for porphyry related mineralisation.

The large intrusion mapped by airborne magnetics and gravity in the northeast of the Mendooran project area, is recorded by the NSW Geological Survey as an I-Type Carboniferous age granite. However, Fifth Element considers that the apparent wrapping of the Ordovician volcanics around the granite body indicates that it maybe pre- or syn-tectonic, possibly Ordovician and not Carboniferous age. If this proved to be the case, the occurrence of a large deep seated volcanic centre in the Mendooran project area would significantly increase the areas prospectivity for Ordovician porphyry associated Cu-Au mineralisation. Due to the greenfields nature of the Mendooran project and lack of detailed geophysical data, specific targets have yet to be developed within EL 8141. To overcome this Fifth Element proposes to acquire new high definition airborne magnetics and targeted ground gravity programmes during 2014 (Section 3.6).

### Project potential and SRK comment

Interpretation of regional magnetic and gravity data sets indicates the potential for a crustal scale NW trending transverse structure at the northern end of the Molong volcanic belt running approximately parallel to the Lachlan Transverse Fault in the Cadia district 170 km to the south.

Previous exploration has primarily targeted uranium and mineral sands suggesting the area has yet to be effectively evaluated for porphyry related mineralisation.

SRK considers that the Mendooran project area is speculative and potentially difficult to explore given the apparent depth to target Ordovician volcanics which are >160 m in the centre of the licence, although magnetic data suggests this shallows to the south. The presence of the SCA confers a higher level of access approvals which may prove to be an extra impediment. The area is also however considered to have unrecognised potential based on the new interpretation of the regional geophysical data sets. The proposed acquisition of new high definition geophysical data to improve 3D modelling of concealed targets is considered a sound and worthwhile approach to the project area.

### 3.5 EXPLORATION STRATEGY

Fifth Element's exploration strategy in the Ordovician aged Macquarie Arc Lachlan Fold Belt sequences is to explore for large tonnage porphyry related copper and gold deposits.

The geological setting is suitable for this exploration strategy as is demonstrated by;

- The discovery and mining of the Cowal Au deposit and the discovery of the Marsden Au deposit, which are located within 17–22 km south of Fifth Elements Fairholme and Pine Hill projects;
- The Cadia-Ridgeway Au-Cu deposit south of Mendooran project; and
- The Northparkes Au-Cu mine and Au deposit south of Trangie project (Figure 3-19).

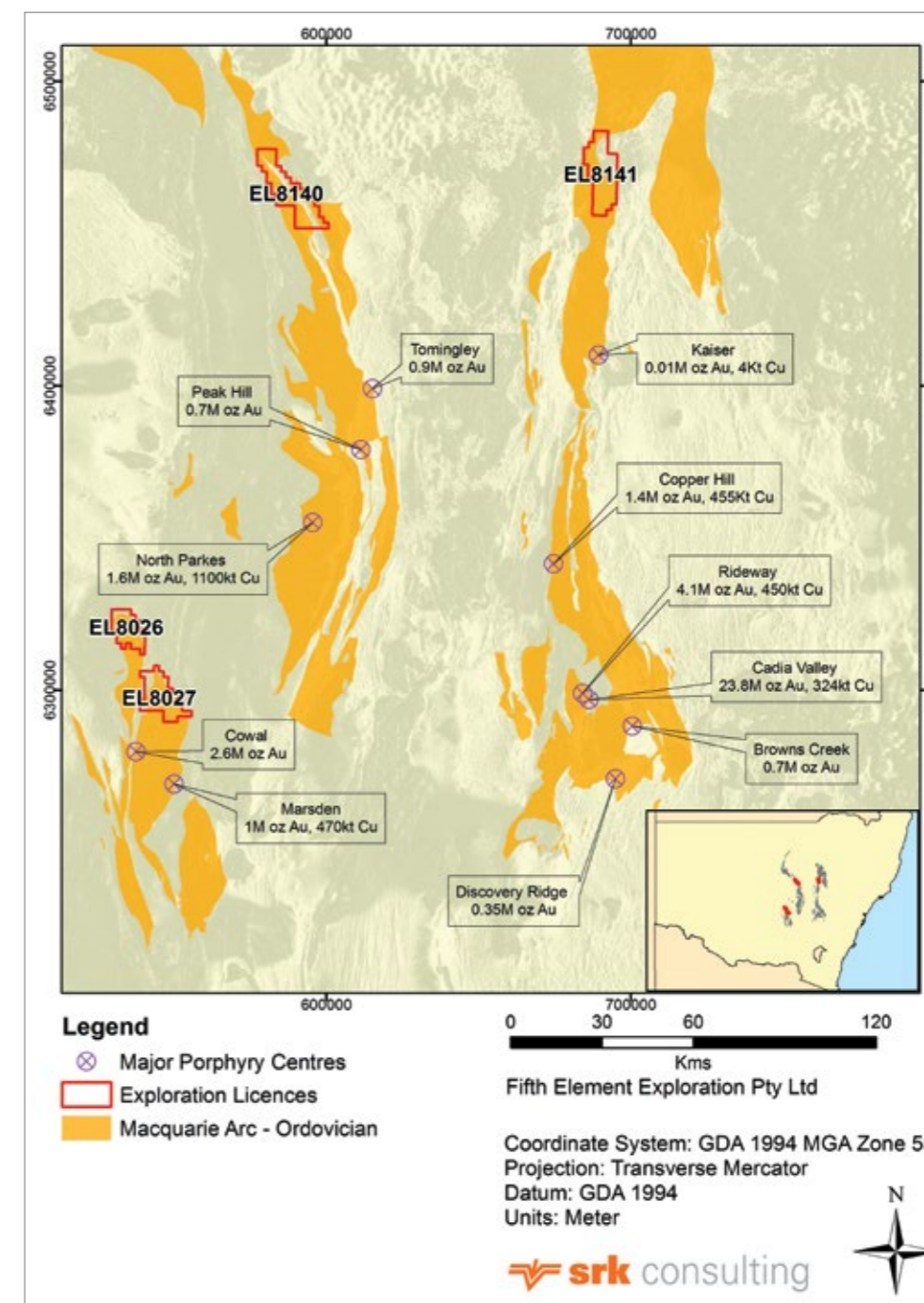


Figure 3-19: Volcanic belts of the Macquarie Arc and associated major Cu-Au and Au deposits and selected prospect locations

Given the thickness of younger rock sequence cover, and early stage nature of exploration across the four project areas, including very limited or no geochemical data, the most effective method to rapidly determine or refine prospect-scale targets across the tenements is through the acquisition and careful interpretation of high resolution magnetic and follow up gravity data. The proposed exploration programme has high resolution geophysics data acquisition and interpretation as the initial task. This

strategy is based on well published observations of known mineral systems in the province, which commonly have a coherent geological and geophysical character. The majority of Cu-Au porphyry related intrusive complexes have detectable magnetic physical property contrasts that can be used to develop exploration targeting strategies. The association between magnetism and mineralisation can be complex (Figure 2-4). Characteristics of individual known systems throughout the Lachlan Porphyry Province vary greatly due to complex interrelationships between local geology and nature and timing of the Cu-Au mineralisation. SRK considers Fifth Elements proposed programme of acquiring high resolution geophysical data (both magnetic and gravity) as a sound investment at the early stage of their porphyry exploration programme. 3D modelling and interpretation of this data will greatly enhance selection of drill targets as a second phase exploration strategy.

Based on the results of the results of first phase geophysical acquisition, follow up drill testing of the priority target areas will be undertaken. The general approach to drilling will be to advance holes to a depth of ~350 m, principally as a direct targeting method for Cu-Au mineralisation, but also as a means of sampling the prospectivity of the Ordovician Macquarie Arc sequence for characteristic porphyry-associated alteration and mineralisation. To this end, application of improved methods of determining mineralogy such as continuous, multi wavelength HyLogger™ core analysis and possible sulphur isotope geochemical analysis of selected drill samples, will be considered as exploration methods to help identify outer unmineralised portions of the large zoned intrusive systems and vector towards ore grade mineralisation.

3.6 PROPOSED WORK PROGRAMME AND BUDGET

Fifth Element’s objective over the next two years is to add value to the four ‘greenfield’ tenements through staged programmes of target identification, delineation and drill testing. The four ELs have extensive cover of younger sediments concealing the target Ordovician volcanics providing limited potential for surface mapping and sampling. Selective application of high resolution airborne magnetics/gravity is considered the most cost effective way to advance target identification and ranking over the large areas. Given sufficient data resolution, these methods also have the proven ability to identify large scale alteration systems and related structures potentially associated with Cu-Au mineralisation. 3D modelling of identified features will also improve drill target selection and optimise drilling funds.

Given the current relatively low level of geological data resolution across the four project areas and consequent limited targeting confidence, an indicative staged programme scenario would be as follows, with stage 1 and 2 target identification and delineation phases to be completed in year 1 and stage 3 target testing in year 2 (Table 3-4):

- 1). Conduct high resolution, 50 m to 100 m spaced, airborne magnetics over all four licences. This would enable improved 3D geological and structural modelling across the overall project area, to both refine ranking of current areas of interest and potentially identify new areas of interest.
- 2). Subsequent to the airborne magnetic survey, undertake complimentary follow-up ground gravity surveys targeting magnetic and structural features of interest identified from the preceding airborne magnetic programmes.
- 3). Combined reverse circulation and diamond drill testing of prioritised targets throughout the four ELs. Provisional plans are for 10 drill holes totalling 3,700 m (1,100 m RC and 2,600

m DD). Given the estimated thickness of cover, drilling depths are expected to be in the 300 to 400 m range. The overall drilling programme is expected to be completed in year 2 (Table 3-4). Drilling cost estimates are based on total contractor costs including rig mobilisation and associated operating costs in addition to standard per metre drilling rates.

The overall proposed two year operational expenditure is \$2,007,190 (Table 3-2). This total includes an expenditure contingency of 10% (\$182,472) to cover possible higher than anticipated operational costs, particularly during the stage 2 exploration drilling phase of the work programme. It is SRKs understanding, that should the raising exceed the minimum \$3.5M, proposed exploration expenditure will increase commensurately. It is anticipated extra funds will be allocated to the second year drilling programmes.

| BUDGET EXPENDITURE  | MINIMUM SUBSCRIPTION RAISED \$3.5 MILLION |              |
|---------------------|---|--------------|
|                     | Year 1 (A)\$                              | Year 2 (A)\$ |
| Project Exploration |   |              |
| Fairholme           | 138,853                                   | 357,760      |
| Pine Hill           | 144,221                                   | 247,000      |
| Trangie             | 129,489                                   | 357,760      |
| Mendooran           | 158,825                                   | 290,810      |
|                     | 571,388                                   | 1,253,330    |
|                     | Total                                     | 1,824,718    |
|                     | 10% Contingency                           | 182,472      |
|                     | Grand Total                               | 2,007,190    |

Table 3-2:Proposed Exploration Budget

| BUDGET EXPENDITURE | MINIMUM SUBSCRIPTION RAISED \$3.5 MILLION |      |        |       |
|--------------------|---|------|--------|-------|
|                    | Year 1                                    |      | Year 2 |       |
| Drilling Method    | m RC                                      | m DD | m RC   | m DD  |
| Fairholme          |   |      | 300    | 750   |
| Pine Hill          |   |      | 200    | 500   |
| Trangie            |   |      | 300    | 750   |
| Mendooran          |   |      | 300    | 600   |
| TOTAL              |   |      | 1,100  | 2,600 |

Table 3-3:Combined drilling allocation for Fifth Element’s Projects

As a priority, Fifth Element needs to establish a management team to direct this exploration programme and budget.

| PROJECT     | GEOLOGICAL<br>MANAGEMENT | GEOPHYSICS            |                   | DRILLING |         | LOGISTICS | GEO-<br>CHEMICAL<br>ANALYSIS/<br>PETROL-<br>OGY | TENEMENT<br>ADMINISTRATION | TOTAL     |
|-------------|--------------------------|-----------------------|-------------------|----------|---------|-----------|---|----------------------------|-----------|
|             |                          | Airborne<br>Magnetics | Ground<br>Gravity | RC       | DD      |           |   |                            |           |
|             |                          | A\$                   | A\$               | A\$      | A\$     | A\$       | A\$   | A\$                        | A\$       |
| Year 1      | Fairholme EL 8026        | 32,043                | 54,050            |          |         |           |   | 21,600                     | 138,853   |
|             | Pine Hill EL 8027        | 33,282                | 65,105            |          |         |           |   | 21,600                     | 144,221   |
|             | Trangie EL 8140          | 29,882                | 46,468            |          |         |           |   | 21,600                     | 129,489   |
|             | Mendooran EL 8141        | 36,652                | 69,695            |          |         |           |   | 21,600                     | 158,825   |
|             | YEAR 1 TOTAL             | 131,859               | 235,318           |          |         |           |   | 86,400                     | 571,388   |
| Year 2      | Fairholme EL 8026        | 82,560                |                   | 30,000   | 172,500 | 37,500    | 13,600  | 21,600                     | 357,760   |
|             | Pine Hill EL 8027        | 57,000                |                   | 20,000   | 115,000 | 25,000    | 8,400   | 21,600                     | 247,000   |
|             | Trangie EL 8140          | 82,560                |                   | 30,000   | 172,500 | 37,500    | 13,600  | 21,600                     | 357,760   |
|             | Mendooran EL 8141        | 67,110                |                   | 30,000   | 138,000 | 30,000    | 4,100   | 21,600                     | 290,810   |
|             | YEAR 2 TOTAL             | 289,230               | 0                 | 110,000  | 598,000 | 130,000   | 39,700  | 86,400                     | 1,253,330 |
| TOTAL       |                          |                       |                   |          |         |           |   |                            | 1,824,718 |
|             |                          |                       |                   |          |         |           |   | 10% Contingency            | 182,472   |
| GRAND TOTAL |                          |                       |                   |          |         |           |   |                            | 2,007,190 |

Table 3-4:Proposed exploration expenditure by project area

|        | PROJECT           | LANDOWNER<br>LIAISON/<br>ACCESS<br>AGREEMENTS | CULTURAL<br>HERITAGE &<br>ENVIRONMEN-<br>TAL CLEAR-<br>ANCE | GEOPHYSICS            |                      | FINALISE DATA<br>MODELLING/<br>TARGET<br>GENERATION | DRILLING/<br>GEOCHEMICAL<br>ANALYSIS |
|--------|-------------------|---|---|-----------------------|----------------------|---|--------------------------------------|
|        |                   |   |   | AIRBORNE<br>MAGNETICS | GROUND<br>GRAVITY    |   |                                      |
| Year 1 | Fairholme EL 8026 | March 2014                                    | March-<br>May 2014  | June-<br>July2014     | August-<br>Sept 2014 | Oct-2014  |                                      |
|        | Pine Hill EL 8027 |   |   |                       |                      |   |                                      |
|        | Trangie EL 8140   |   |   |                       |                      |   |                                      |
|        | Mendooran EL 8141 |   |   |                       |                      |   |                                      |
| Year 2 | Fairholme EL 8026 | Nov-<br>Dec 2015                              | Jan-<br>March 2015  |                       |                      |   | May-<br>August 2015                  |
|        | Pine Hill EL 8027 |   |   |                       |                      |   |                                      |
|        | Trangie EL 8140   |   |   |                       |                      |   |                                      |
|        | Mendooran EL 8141 |   |   |                       |                      |   |                                      |

Table 3-5:Indicative 2 year exploration work schedule ELs 8026, 8027, 8140, and 8141

4. CONCLUSIONS

The mineral exploration assets of Fifth Element that are the subject of this report offer investors exploration exposure to a combined area of 706 km2 of predominantly speculative to moderately prospective tenements in NSW. The company is targeting large Ordovician porphyry Cu-Au systems in the Lachlan Fold Belt of NSW which is Australia’s most significant porphyry mineral province, hosting the world class Cadia-Ridgeway Au-Cu, and large Northparkes Cu-Au deposits and numerous other deposits. Fifth Element has adopted the strategy of acquiring 100% title to untenured areas of Ordovician volcanic belts that have had little or no effective exploration, due primarily to the concealed nature of the target volcanics and intrusives beneath younger sedimentary cover. To secure a portfolio of title, Fifth Element contracted SRK to conduct a high level review of available areas within the Lachlan Fold Belt, the outcome of which was the acquisition of exploration licences ELs 8026, 8027, 8140 and 8141, each for two year tenure periods. SRK understands that Fifth Element intends to strengthen its target portfolio by acquiring additional project areas with Cu-Au porphyry potential in the Lachlan Fold Belt.

SRK’s rationale for individual area selection is based on a conceptual mineral systems approach using all available public domain geophysical and geological data. There are no defined resources within any of the four titles and few (only one minor) known prospect. The properties are therefore speculative by nature and involve a high degree of exploration risk. However, the Lachlan porphyry province is a proven geological terrane with potential for further discoveries and SRK considers that the projects described within this report are sufficiently prospective to warrant exploration at the budgetary levels proposed by the company.


Given the speculative nature of the project areas, SRK considers the proposed two year staged exploration programmes are of sound technical merit and are appropriately funded to achieve the stated objectives of early stage work in ‘greenfield’ exploration areas.

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# APPENDICES

Appendix A: Tables of historic drill holes within ELs 8026, 8027, 8140 & 8141.

| EL      | BOREHOLE ID | HISTORICAL<br>LICENSE<br>NUMBER | LICENCEE            | REPORTS    | YEAR<br>DRILLED | TD  | LAT94    | LONG94   | IN-<br>CLI-<br>NA- | AZI-<br>MUTH |
|---------|-------------|---------------------------------|---------------------|------------|-----------------|-----|----------|----------|--------------------|--------------|
| EL 8026 | LRA7        | EL 4507                         | North Ltd           | GS1995/224 | 1995            | 78  | -33.2347 | 147.395  |                    |              |
| EL 8026 | LRA12       | EL 4507                         | North Ltd           | GS1995/224 | 1995            | 72  | -33.2567 | 147.4072 |                    |              |
| EL 8026 | LRA11       | EL 4507                         | North Ltd           | GS1995/224 | 1995            | 52  | -33.2522 | 147.4092 |                    |              |
| EL 8026 | LRA8        | EL 4507                         | North Ltd           | GS1995/224 | 1995            | 66  | -33.2319 | 147.3916 |                    |              |
| EL 8026 | LRA2        | EL 4507                         | North Ltd           | GS1995/224 | 1995            | 36  | -33.246  | 147.3927 |                    |              |
| EL 8026 | LRA14       | EL 4507                         | North Ltd           | GS1995/224 | 1995            | 30  | -33.2612 | 147.4102 |                    |              |
| EL 8026 | LRA5        | EL 4507                         | North Ltd           | GS1995/224 | 1995            | 87  | -33.2406 | 147.3994 |                    |              |
| EL 8026 | LRA13       | EL 4507                         | North Ltd           | GS1995/224 | 1995            | 60  | -33.2525 | 147.4038 |                    |              |
| EL 8026 | LRA4        | EL 4507                         | North Ltd           | GS1995/224 | 1995            | 72  | -33.2432 | 147.4024 |                    |              |
| EL 8026 | LRA3        | EL 4507                         | North Ltd           | GS1995/224 | 1995            | 70  | -33.2429 | 147.4034 |                    |              |
| EL 8026 | LRA9        | EL 4507                         | North Ltd           | GS1995/224 | 1995            | 99  | -33.2356 | 147.391  |                    |              |
| EL 8026 | LRA1        | EL 4507                         | North Ltd           | GS1995/224 | 1995            | 105 | -33.2474 | 147.4045 |                    |              |
| EL 8026 | LRA10       | EL 4507                         | North Ltd           | GS1995/224 | 1995            | 79  | -33.2398 | 147.3947 |                    |              |
| EL 8026 | LRA6        | EL 4507                         | North Ltd           | GS1995/224 | 1995            | 61  | -33.2429 | 147.3987 |                    |              |
| EL 8026 | FM01        | EL 3623                         | Newcrest Mining Ltd | GS1991/103 | 1991            | 42  | -33.3034 | 147.3934 | -90                | 0            |
| EL 8026 | FM02        | EL 3623                         | Newcrest Mining Ltd | GS1991/103 | 1991            | 68  | -33.3034 | 147.3933 | -90                | 0            |
| EL 8026 | RCH1888-1A  | EL 1888                         | Geopeko Ltd         | GS1983/021 | 1983            | 141 | -33.2652 | 147.3639 |                    |              |
| EL 8026 | RCH1888-2   | EL 1888                         | Geopeko Ltd         | GS1983/021 | 1983            | 141 | -33.2433 | 147.3422 |                    |              |
| EL 8026 | RCH1888-1   | EL 1888                         | Geopeko Ltd         | GS1983/021 | 1983            | 45  | -33.2647 | 147.3644 |                    |              |
| EL 8026 | ACWW128     | EL 4936                         | Newcrest Mining Ltd | GS1998/001 | 1996            | 99  | -33.3025 | 147.3869 | -90                | 0            |
| EL 8026 | ACWW142     | EL 4936                         | Newcrest Mining Ltd | GS1998/001 | 1996            | 90  | -33.2851 | 147.39   | -90                | 0            |
| EL 8026 | ACWW134     | EL 4936                         | Newcrest Mining Ltd | GS1998/001 | 1996            | 96  | -33.2946 | 147.3938 | -90                | 0            |
| EL 8026 | ACWW140     | EL 4936                         | Newcrest Mining Ltd | GS1998/001 | 1996            | 87  | -33.2876 | 147.4051 | -90                | 0            |
| EL 8026 | ACWW195     | EL 4936                         | Newcrest Mining Ltd | GS1998/001 | 1996            | 111 | -33.2544 | 147.4038 | -90                | 0            |
| EL 8026 | ACWW190     | EL 4936                         | Newcrest Mining Ltd | GS1998/001 | 1996            | 60  | -33.2481 | 147.4059 | -90                | 0            |

|         |         |         |                     |            |      |      |          |          |     |   |
|---------|---------|---------|---------------------|------------|------|------|----------|----------|-----|---|
| EL 8026 | ACWW194 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 114  | -33.2594 | 147.4065 | -90 | 0 |
| EL 8026 | ACWW068 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 96   | -33.2909 | 147.3728 | -90 | 0 |
| EL 8026 | ACWW138 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 96   | -33.2972 | 147.4137 | -90 | 0 |
| EL 8026 | ACWW188 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 132  | -33.2477 | 147.4006 | -90 | 0 |
| EL 8026 | ACWW189 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 126  | -33.2477 | 147.4027 | -90 | 0 |
| EL 8026 | ACWW193 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 102  | -33.2567 | 147.4071 | -90 | 0 |
| EL 8026 | ACWW063 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 105  | -33.288  | 147.34   | -90 | 0 |
| EL 8026 | ACWW070 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 111  | -33.29   | 147.3626 | -90 | 0 |
| EL 8026 | ACWW037 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 90   | -33.2843 | 147.3848 | -90 | 0 |
| EL 8026 | ACWW141 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 101  | -33.286  | 147.3954 | -90 | 0 |
| EL 8026 | ACWW049 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 99   | -33.3158 | 147.4222 | -90 | 0 |
| EL 8026 | ACWW050 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 96   | -33.3165 | 147.4276 | -90 | 0 |
| EL 8026 | ACWW198 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 84   | -33.2567 | 147.3985 | -90 | 0 |
| EL 8026 | ACWW197 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 128  | -33.2495 | 147.4054 | -90 | 0 |
| EL 8026 | ACWW061 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 91   | -33.288  | 147.3352 | -90 | 0 |
| EL 8026 | ACWW044 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 112  | -33.3129 | 147.3951 | -90 | 0 |
| EL 8026 | ACWW135 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 96   | -33.2959 | 147.3986 | -90 | 0 |
| EL 8026 | ACWW071 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 87   | -33.305  | 147.4078 | -90 | 0 |
| EL 8026 | ACWW048 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 97   | -33.3153 | 147.4169 | -90 | 0 |
| EL 8026 | ACWW065 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 121  | -33.2771 | 147.3524 | -90 | 0 |
| EL 8026 | ACWW069 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 84   | -33.2906 | 147.3678 | -90 | 0 |
| EL 8026 | ACWW121 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 107  | -33.3118 | 147.385  | -90 | 0 |
| EL 8026 | ACWW045 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 129  | -33.3122 | 147.3896 | -90 | 0 |
| EL 8026 | ACWW039 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 96   | -33.2946 | 147.3897 | -90 | 0 |
| EL 8026 | ACWW041 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 99   | -33.3045 | 147.3965 | -90 | 0 |
| EL 8026 | ACWW043 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 118  | -33.3133 | 147.4003 | -90 | 0 |
| EL 8026 | ACWW047 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 83   | -33.3145 | 147.4116 | -90 | 0 |
| EL 8026 | ACWW077 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 69   | -33.32   | 147.4174 | -90 | 0 |
| EL 8026 | ACWW073 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 105  | -33.3058 | 147.4186 | -90 | 0 |
| EL 8026 | ACWW191 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 2    | -33.2486 | 147.4092 | -90 | 0 |
| EL 8026 | ACWW064 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 75.3 | -33.2966 | 147.3439 | -90 | 0 |
| EL 8026 | ACWW036 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 104  | -33.2889 | 147.3462 | -90 | 0 |
| EL 8026 | ACWW067 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 102  | -33.2925 | 147.3766 | -90 | 0 |
| EL 8026 | ACWW038 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 84   | -33.2922 | 147.3836 | -90 | 0 |
| EL 8026 | ACWW129 | EL 4936 | Newcrest Mining Ltd | GS1998/001 | 1996 | 96   | -33.3034 | 147.3861 | -90 | 0 |

|         |          |         |                         |   |      |     |          |          |     |   |
|---------|----------|---------|-------------------------|---|------|-----|----------|----------|-----|---|
| EL 8026 | ACWW136  | EL 4936 | Newcrest Mining Ltd     | GS1998/001  | 1996 | 84  | -33.2961 | 147.4035 | -90 | 0 |
| EL 8026 | ACWW139  | EL 4936 | Newcrest Mining Ltd     | GS1998/001  | 1996 | 84  | -33.2882 | 147.4147 | -90 | 0 |
| EL 8026 | ACWW052  | EL 4936 | Newcrest Mining Ltd     | GS1998/001  | 1996 | 132 | -33.3254 | 147.4206 | -90 | 0 |
| EL 8026 | ACWW075  | EL 4936 | Newcrest Mining Ltd     | GS1998/001  | 1996 | 8   | -33.3071 | 147.4291 | -90 | 0 |
| EL 8026 | ACWW062  | EL 4936 | Newcrest Mining Ltd     | GS1998/001  | 1996 | 71  | -33.288  | 147.3401 | -90 | 0 |
| EL 8026 | ACWW035  | EL 4936 | Newcrest Mining Ltd     | GS1998/001  | 1996 | 87  | -33.2961 | 147.3466 | -90 | 0 |
| EL 8026 | ACWW060  | EL 4936 | Newcrest Mining Ltd     | GS1998/001  | 1996 | 117 | -33.2794 | 147.3481 | -90 | 0 |
| EL 8026 | ACWW040  | EL 4936 | Newcrest Mining Ltd     | GS1998/001  | 1996 | 99  | -33.3051 | 147.4041 | -90 | 0 |
| EL 8026 | ACWW046  | EL 4936 | Newcrest Mining Ltd     | GS1998/001  | 1996 | 127 | -33.3141 | 147.4062 | -90 | 0 |
| EL 8026 | ACWW072  | EL 4936 | Newcrest Mining Ltd     | GS1998/001  | 1996 | 99  | -33.3054 | 147.4132 | -90 | 0 |
| EL 8026 | ACWW074  | EL 4936 | Newcrest Mining Ltd     | GS1998/001  | 1996 | 61  | -33.3062 | 147.4238 | -90 | 0 |
| EL 8026 | ACWW076  | EL 4936 | Newcrest Mining Ltd     | GS1998/001  | 1996 | 8   | -33.3072 | 147.4291 | -90 | 0 |
| EL 8026 | ACWW034  | EL 4936 | Newcrest Mining Ltd     | GS1998/001  | 1996 | 54  | -33.2963 | 147.3466 | -90 | 0 |
| EL 8026 | ACWW137  | EL 4936 | Newcrest Mining Ltd     | GS1998/001  | 1996 | 81  | -33.2966 | 147.4094 | -90 | 0 |
| EL 8026 | ACWW053  | EL 4936 | Newcrest Mining Ltd     | GS1998/001  | 1996 | 99  | -33.3261 | 147.4259 | -90 | 0 |
| EL 8026 | ACWW196  | EL 4936 | Newcrest Mining Ltd     | GS1998/001  | 1996 | 78  | -33.2522 | 147.3984 | -90 | 0 |
| EL 8026 | ACWW192  | EL 4936 | Newcrest Mining Ltd     | GS1998/001  | 1996 | 57  | -33.2526 | 147.4086 | -90 | 0 |
| EL 8026 | ACWW091  | EL 4936 | Newcrest Mining Ltd     | GS1998/001  | 1996 | 130 | -33.2928 | 147.3997 | -90 | 0 |
| EL 8027 | GW036552 |         | Dept Of Water Resources | Water Bore  | 0    | 125 | -33.4466 | 147.5151 | 0   | 0 |
| EL 8027 | ACMM001  | EL 4502 | Newcrest Mining Ltd     | GS1995/249,<br>GS1998/001,<br>GS1998/373,<br>GS1996/460,<br>GS1994/116,<br>GS1998/373 | 1994 | 90  | -33.487  | 147.4593 | -90 | 0 |
| EL 8027 | ACMM004  | EL 4502 | Newcrest Mining Ltd     | GS1998/001,<br>GS1996/460,<br>GS1995/249,<br>GS1994/116                               | 1994 | 93  | -33.4878 | 147.4641 | -90 | 0 |
| EL 8027 | ACMM006  | EL 4502 | Newcrest Mining Ltd     | GS1998/373,<br>GS1998/001,<br>GS1996/460,<br>GS1995/249,<br>GS1994/116                | 1994 | 71  | -33.4815 | 147.4603 | -90 | 0 |
| EL 8027 | ACMM003  | EL 4502 | Newcrest Mining Ltd     | GS1998/373,<br>GS1998/001,<br>GS1996/460,<br>GS1995/249,<br>GS1994/116                | 1994 | 90  | -33.496  | 147.4566 | -90 | 0 |

|         |          |         |                            |  |      |       |          |          |     |   |
|---------|----------|---------|----------------------------|--|------|-------|----------|----------|-----|---|
| EL 8027 | ACMM002  | EL 4502 | Newcrest Mining Ltd        | GS1996/460,<br>GS1998/373,<br>GS1998/001,<br>GS1995/249,<br>GS1994/116 | 1994 | 126   | -33.4915 | 147.4593 | -90 | 0 |
| EL 8027 | ACMM005  | EL 4502 | Newcrest Mining Ltd        | GS1998/373,<br>GS1998/001,<br>GS1996/460,<br>GS1995/249,<br>GS1994/116 | 1994 | 114.3 | -33.4847 | 147.4619 | -90 | 0 |
| EL 8027 | ACWW151  | EL 4936 | Newcrest Mining Ltd        | GS1998/001   | 1996 | 102   | -33.3983 | 147.4169 | -90 | 0 |
| EL 8027 | ACWW150  | EL 4936 | Newcrest Mining Ltd        | GS1998/001   | 1996 | 50    | -33.3983 | 147.4174 | -90 | 0 |
| EL 8027 | ACWW159  | EL 4936 | Newcrest Mining Ltd        | GS1998/001   | 1996 | 8     | -33.3892 | 147.419  | -90 | 0 |
| EL 8027 | ACWW149  | EL 4936 | Newcrest Mining Ltd        | GS1998/001   | 1996 | 82    | -33.3987 | 147.4222 | -90 | 0 |
| EL 8140 | RC85CB59 | EL 2511 | Cra Exploration Pty Ltd    | GS1986/092   | 1985 | 18    | -32.0121 | 147.9976 | -90 | 0 |
| EL 8140 | EL 01    | EL 3650 | BHP Gold Mines Ltd         | GS1992/056   | 1991 | 60    | -31.8398 | 147.8331 | -90 | 0 |
| EL 8140 | EL 02    | EL 3650 | BHP Gold Mines Ltd         | GS1992/056   | 1991 | 60    | -31.8386 | 147.8228 | -90 | 0 |
| EL 8140 | TAC019   | EL 5012 | Resolute Ltd               | GS2001/274   | 2001 | 174   | -31.9637 | 147.9642 | -90 | 0 |
| EL 8140 | TAC016   | EL 5012 | Resolute Ltd               | GS2001/274   | 2001 | 106.5 | -32.0345 | 148.0309 | -90 | 0 |
| EL 8140 | TAC012   | EL 5012 | Resolute Ltd               | GS2001/274   | 2001 | 105   | -32.0138 | 148.014  | -90 | 0 |
| EL 8140 | TAC017   | EL 5012 | Resolute Ltd               | GS2001/274   | 2001 | 95    | -32.0443 | 148.0339 | -90 | 0 |
| EL 8140 | TR04     | EL 3651 | BHP Gold Mines Ltd         | GS1992/217   | 1991 | 78    | -32.0026 | 148.0107 | -90 | 0 |
| EL 8140 | TR02     | EL 3651 | BHP Gold Mines Ltd         | GS1992/217   | 1991 | 60    | -31.9415 | 147.8767 | -90 | 0 |
| EL 8140 | TR01     | EL 3651 | BHP Gold Mines Ltd         | GS1992/217   | 1991 | 90    | -31.9202 | 147.8707 | -90 | 0 |
| EL 8140 | TR03     | EL 3651 | BHP Gold Mines Ltd         | GS1992/217   | 1991 | 60    | -32.0034 | 148.0038 | -90 | 0 |
| EL 8140 | TR05     | EL 3651 | BHP Gold Mines Ltd         | GS1992/217   | 1991 | 36    | -31.9942 | 148.0136 | -90 | 0 |
| EL 8140 | CTC1     | EL 6067 | Southern Cross Exploration | GS2005/312   | 2004 | 67    | -31.9971 | 148.0117 | -90 | 0 |
| EL 8141 | D-8      | EL 168  | Kerr Mcgee Australia Ltd   | GS1970/036   | 1970 | 0     | -31.8951 | 149.0448 |     |   |
| EL 8141 | D-9      | EL 168  | Kerr Mcgee Australia Ltd   | GS1970/036   | 1970 | 0     | -31.8524 | 148.9767 |     |   |
| EL 8141 | ME0027   | EL 3387 | BHP Minerals Ltd           | GS1990/153   | 1990 | 24    | -31.8261 | 148.9676 | -90 | 0 |
| EL 8141 | ME0020   | EL 3387 | BHP Minerals Ltd           | GS1990/153   | 1990 | 27    | -31.8331 | 149.011  | -90 | 0 |
| EL 8141 | ME0024   | EL 3387 | BHP Minerals Ltd           | GS1990/153   | 1990 | 27    | -31.8162 | 149.0067 | -90 | 0 |
| EL 8141 | ME0018   | EL 3387 | BHP Minerals Ltd           | GS1990/153   | 1990 | 32    | -31.833  | 149.0163 | -90 | 0 |
| EL 8141 | ME0017   | EL 3387 | BHP Minerals Ltd           | GS1990/153   | 1990 | 17    | -31.833  | 149.019  | -90 | 0 |
| EL 8141 | ME0028   | EL 3387 | BHP Minerals Ltd           | GS1990/153   | 1990 | 21    | -31.8263 | 148.9507 | -90 | 0 |
| EL 8141 | ME0023   | EL 3387 | BHP Minerals Ltd           | GS1990/153   | 1990 | 24    | -31.8257 | 149.0069 | -90 | 0 |
| EL 8141 | ME0025   | EL 3387 | BHP Minerals Ltd           | GS1990/153   | 1990 | 13    | -31.8072 | 149.0065 | -90 | 0 |

|         |        |         |                  |            |      |    |          |          |     |   |
|---------|--------|---------|------------------|------------|------|----|----------|----------|-----|---|
| EL 8141 | ME0021 | EL 3387 | BHP Minerals Ltd | GS1990/153 | 1990 | 33 | -31.8331 | 149.0084 | -90 | 0 |
| EL 8141 | ME0026 | EL 3387 | BHP Minerals Ltd | GS1990/153 | 1990 | 27 | -31.8094 | 149.0065 | -90 | 0 |
| EL 8141 | ME0022 | EL 3387 | BHP Minerals Ltd | GS1990/153 | 1990 | 21 | -31.8293 | 149.007  | -90 | 0 |
| EL 8141 | ME0019 | EL 3387 | BHP Minerals Ltd | GS1990/153 | 1990 | 21 | -31.833  | 149.0142 | -90 | 0 |

4.2 GLOSSARY OF TECHNICAL TERMS

Terms not included in the glossary are used in accordance with their definition in the Concise Oxford Dictionary.

|                         |  |                   |  |
|-------------------------|--|-------------------|--|
| adamellite              | a felsic, granitic intrusive igneous rock.   | Cambrian          | a time period approximately 500 to 580 million years ago.  |
| adit                    | a horizontal underground access way with one entrance at that level.   | Cambro-Ordovician | a time period approximately 434 to 580 million years ago.  |
| aeromagaetic survey     | a survey made from the air in which variations in the Earth’s magnetic field are recorded.   | carbonaceous      | said of a sedimentary rock containing organic material.  |
| alluvial                | a term pertaining to sedimentary deposits formed by running fresh water.   | carbonate         | a mineral or rock, generally a sedimentary rock, composed largely of minerals containing C03.  |
| alluvial gold           | gold found associated with water-transported material; synonymous with “placer gold”   | Carboniferous     | a time period approximately 295 to 354 million years ago.  |
| alteration              | any change in the mineral composition of a rock induced by chemical or physical action commonly induced by hydrothermal activity.  | cassiterite       | an oxide mineral of tin (Sn02).  |
|                         |  | chalcopyrite      | a mineral of copper iron and sulphur (CuFeS2).   |
| alteration halo         | an envelope of minerals formed in the wall rock surrounding a vein or fracture by hydrothermal alteration.   | chalcocite        | a sulphide copper ore mineral (Cu2S).  |
|                         |  | chert             | very fine-grained rock composed of silica.   |
| aluminosilicate         | a mineral composed of aluminium and silicon oxide.   | chlorite          | a green plate-like iron-magnesium rich silicate mineral.   |
| anomaly                 | value or characteristic different from the norm.   | chloritisation    | replacement by, conversion into, or introduction of chlorite.  |
| anticline               | a fold in rock strata that is convex upward with a core of older rocks.  | colluvial         | weathered material transported by gravity.   |
| anticlinorium           | a folded composite complex, of large dimensions, where the fundamental structure is an anticline and the central strata are the older (adj. anticlinorial).                          | comminution       | the breaking down of material into fine powder.  |
|                         |  | concentrate       | material that has been processed to increase the content of contained metal or mineral relative to the contained waste.  |
| auger sampling          | method of collecting shallow sub surface samples.  |                   |  |
| axial plane foliation   | a set of foliation planes sub-parallel to the axial plane or surface of a fold.  | conglomerate      | sedimentary rock formed by the cementing together of water-rounded pebbles.  |
| barite                  | barium sulphate; a high density mineral.   | contact           | surface between two rock types.  |
| bcm                     | abbreviation for bank or banked cubic metres.  | contiguous        | touching without fusion.   |
| base metal              | a metal inferior in value to the precious metals; generally refers to copper, lead, zinc, nickel and tin.  | core              | cylindrical sample of rock produced by diamond drilling.   |
| bedrock                 | solid rock underlying surficial deposits.  | core drilling     | drilling to produce cylindrical rock sample usually diamond drilling.  |
| Benambran               | an orogenic event of Silurian age.   |                   |  |
| bench                   | the horizontal floor along which mining progresses in a pit.   | costeaning        | exploration technique involving digging if trenches expose rocks synonymous with trenching.  |
| bench height            | the vertical distance between benches in an open cut mine.   | crosscut          | a horizontal open driven underground across the main direction of the line of lode.  |
|                         |  | cross section     | a diagram that that shows features transacted by a vertical plane drawn at right angles to the longer axis of a geological feature.                              |
| berm                    | a continuous narrow shelf on the wall of an open cut mine.   |                   |  |
| biotite                 | a generally dark coloured iron, magnesium and potassium rich mica.   | cut-off grade     | analytical value used in mineral resource estimation and ore reserve calculation as the lowest grade of mineralised material that can be economically extracted. |
| breccia, brecciation    | a class of rocks formed by fragmentation of pre-existing rocks by natural forces; often consisting of angular fragments in a matrix of fine rock and chemically precipitated cement. | cuttings          | sample of rock produced by percussion and rotary drilling methods.   |
| bulk sampling           | a method of testing a mineral deposit through collection of a large volume of sample relative to hand sampling methods and generally involving the use machinery.                    | cyanide leaching  | the extraction of a precious metal from its ore by its dissolution in a cyanide solution.  |
|                         |  | dacite            | fine-grained felsic volcanic rock.   |
| Cainozoic (or Cenozoic) | a time period approximately 66 million years ago up to and including the present.  | detrital          | material derived from pre-existing rocks.  |
|                         |  | Devonian          | a time period approximately 354 to 410 million years ago.  |
| caldera                 | a large basin-shaped crater or cluster of craters resulting from volcanic activity.  | diamond drilling  | rotary drilling with diamond-impregnated bits to produce a solid continuous core sample of rock.   |

|                      |  |                         |  |
|----------------------|--|-------------------------|--|
| dilution             | rock waste which is commingled with ore in the mining process.   | feldspar                | an aluminosilicate mineral of sodium, potassium and calcium.   |
| dolerite             | a medium to fine-grained mafic igneous rock.   | felsic                  | a term referring to igneous rocks composed mostly of feldspar and quartz.  |
| dolomite             | a calcium and magnesium carbonate mineral (CaMg(C03)2) and a term also applied to rocks that have a dolomite rich composition.   | ferruginous             | containing iron.   |
|                      |  | fineness                | an expression of the purity of native gold.  |
| drill core           | the cylindrical cutting recovered by means of diamond drilling.  | fluorannite             | a fluorine bearing iron-rich biotite mica.   |
| drill hole           | in mineral exploration, a hole bored into prospective ground to recover cuttings and cores indicative of rock types and grades of mineralisation encountered in the hole.                    | fluorophlogopite        | a fluorine bearing magnesium-rich mica.  |
| drilling             | in mineral exploration, boring a hole into prospective ground to recover cuttings indicative of rock types and grades of mineralisation.   | fold                    | a flexure or arch in rock strata induced by tectonic deformation processes.  |
| drilling traverses   | series of drill holes in a line.   | foliation               | a lamination resulting from the segregation of minerals into different layers in response to metamorphism.   |
|                      |  | fracture                | a break in a rock mass induced by intense folding or faulting.   |
| dyke                 | a tabular igneous intrusion which cuts across the bedding or other planar structures in the country rock.  | g/t                     | grams per tonne, equivalent to parts per million (ppm).  |
| electro-winning      | the process of removal of metals from solution by the action of electric currents.   | galena                  | a lead sulphide mineral (PbS).   |
|                      |  | gangue                  | the valueless minerals constituent in a mineral deposit or ore.  |
| eluvial              | weathered material at or near its point of formation.  | geerite                 | a copper sulphide ore mineral (Cu8S5).   |
| EM (electromagnetic) | an electromagnetic geophysical exploration survey technique based on measuring magnetic fields from currents usually artificially induced into the ground.                                   | geochemical survey      | collection of representative rock or soil samples in order to study variations in their chemistry.   |
| epiclastic           | a textural term applied to mechanically deposited sediments consisting of weathered products of older rocks.   | geochemistry geophysics | the study of the variation of chemical elements in rocks and soils.  |
| epidote              | silicate mineral consisting of calcium, aluminium and iron.  | gossan                  | the study of the physical properties of the Earth by quantitative methods.   |
| epigenetic           | a mineral deposit of later origin than the enclosing rocks.  | grade                   | rock composed of hydrated oxides of iron that forms a superficial cover over sulphides of iron and other metals.   |
| epithermal           | a hydrothermal mineral deposit formed at a relatively low temperature near the surface from ascending solutions.   | grain                   | the metal or mineral content per unit of rock.   |
|                      |  | granitoid               | particles or crystals which compromise a rock or sediment.   |
| evaluation           | the determination of the technical feasibility and commercial viability of a particular prospect.  | gridding                | an intrusive rock of granite-like appearance and graphic composition.  |
| exploration          | the search for a mineral deposit which appears capable of commercial exploitation by an extractive operation.  | ground magnetic survey  | systematically marking a study area, usually using wooden pegs.  |
| exsolved             | a term referring to a mineral that has unmixed from a solid solution in response to falling temperature and or pressure of a geological system.  | hard rock               | surface geophysical survey measuring variations in the earth’s magnetic field intensity.   |
| exsolution           | the formation of two or more compositionally different phases from a solid solution usually in response to cooling.  | head grade              | descriptive of solid rock, as distinct from alluvium or other unconsolidated material.   |
|                      |  | high cut                | the grade of ore at a mine site on entry to the processing plant.  |
| facing               | the direction in which sedimentary beds become younger; a property of deformed strata underpinned by the Law of Superposition of Strata by which younger strata always overlie older strata. | horizon                 | a ceiling value placed on assay results to reduce the effect of bias which can be introduced by using extreme values in resource estimates and ore reserve calculations. |
| fault                | a break or discontinuity in the subsurface strata across which there has been vertical and/or lateral displacement.  | hornblende              | the various layers that comprise soil or rock masses.  |
| feasibility study    | a technical and financial study of a project at sufficient level of accuracy and detail to allow a decision as to whether or not the project should proceed.                                 | hornfels hydrothermal   | a common aluminosilicate mineral of the amphibole group containing calcium, sodium, magnesium and iron.  |
| feeder               | a small vein joining a larger vein.  | alteration              | a metamorphic rock formed in proximity to an igneous intrusion by re-crystallisation of its constituent minerals in response to heating.                                 |

alteration of rocks or minerals due to reaction with hot aqueous solutions usually associated with magmatic activity.

|                          |  |                           |  |
|--------------------------|--|---------------------------|--|
| propylitic alteration    | a type of hydrothermal alteration generally involving the secondary formation of chlorite, epidote and carbonate.  | stratabound               | a deposit confined to a single stratigraphic unit, it may or may not be conformable.   |
| prospect                 | a mining property, the value of which has not been proved by exploration.  | stratiform                | composed of layers.  |
| prospecting              | mineral exploring.   | stratigraphy              | the classification of suites of rocks (usually sediments) into ordered age groups.   |
| protore                  | a mineral deposit that may be upgraded to ore by the action of further natural processes.  | strike                    | the horizontal direction or trend of a geologic structure.   |
| pyrite                   | a common iron sulphide mineral (FeS <sub>2</sub> ).  | strike-slip fault         | a fault along which the direction of displacement is parallel to the strike of the displacement plane.   |
| pyritised; pyritisation  | the addition of pyrite to a rock through deposition from hydrothermal solution usually accompanied by alteration.  | subaerial                 | a term applying to a rock mass deposited on land.  |
| RAB (Rotary Air Blast)   | a rotary drilling technique in which sample is returned to the surface outside the rod string by compressed air.   | syncline                  | a fold in rock strata that is concave upward with a core of younger rocks.   |
| radiometric              | pertaining to the measurement of radiation produced by the spontaneous decay of certain atoms.   | synclinalorium; synclinal | a folded composite complex, of large dimensions, where the fundamental structure is a syncline. The central stratigraphy is the youngest.  |
| recovery                 | the proportion of valuable constituents of an ore that are obtained by its mining and metallurgical treatment.   | syn-kinematic             | a process taking place essentially simultaneously with another.  |
| refractory ore           | ore that is not amenable to standard processing techniques.  | Tabberabberan             | an orogenic event of late Silurian to Early Devonian age.  |
| REE                      | rare earth elements.   | tailings                  | the finely-ground waste product from ore processing.   |
| Reverse Circulation (RC) | a drilling method in which the sample is brought to the surface via an inner tube in the drill rod string, thereby reducing side-wall contamination.   | tenement                  | a land use instrument issued by state governments for regulation of mineral exploration and mining.  |
| resource                 | an in situ mineral occurrence from which valuable or useful minerals may be recovered.   | Tennantite                | an arsenic, copper sulphide ore mineral of (Cu <sub>12</sub> As <sub>4</sub> S <sub>13</sub> ).  |
| residual deposit         | a mineral deposit formed by the action of weathering and ground-water percolation through protore.   | tenure                    | in the context of this Prospectus, the holding or possession of rights to or ownership of Crown-owned or privately-owned minerals for the term specified in any particular tenement. |
| rhyolite                 | a lava, the extrusive equivalent of granite.   | terrace                   | relatively flat and horizontal surfaces that are step like in character.   |
| rock chip sampling       | collection of rock samples by breaking chips off a rock face, usually for chemical analysis.   | Terrane                   | a region of the Earth's crust with faulted boundaries, which differs significantly in its tectonic evolution from adjacent rock masses.  |
| S-type                   | a class of igneous rocks derived from the partial melting of source rocks of metasedimentary character (see also I-type).  | tetrahedrite              | an antimony, copper sulphide ore mineral (Cu <sub>12</sub> Sb <sub>4</sub> S <sub>13</sub> ).  |
| schist                   | a medium or coarse grained metamorphic rock, with a composition dominated by micaceous minerals.   | transtensional            | the tensional movement associated with slippage along a curved strike-slip fault.  |
| sediments                | soil material (both mineral and organic) that is in suspension, is being transported or has been moved from its site or origin by air, water or ice, and has come to rest on the Earth's surface or below sea-level. | tuff                      | a rock formed from the accumulation of volcanic ash.   |
| sericite                 | a fine grained white mica of similar composition to muscovite.   | tuffaceous                | a term used to describe sedimentary rocks with a component of volcanic ash.  |
| shear zone               | a zone of ductile deformation in a rock mass induced by stress and rotational strain.  | ultramafic                | a class of igneous rocks that have less than 35% silica, which are usually dark coloured and dense, composed of calcic feldspars and ferro-magnesian silicate minerals.              |
| silica                   | silicon dioxide mineral, of which quartz is one form (SiO <sub>2</sub> ).  | vein                      | a thin sheet-like infill of a fissure or crack .   |
| silicification           | the process whereby original rock minerals are chemically replaced by various forms of silica.   | VHMS                      | an abbreviation for volcanic hosted massive sulphide.  |
| Silurian                 | a time period approximately 410 million to 434 million years ago.  | volcaniclastic            | a class of sediments comprising fragments and other material derived directly from volcanics without undergoing sedimentary sorting processes.                                       |
| skarn                    | a product of the thermal metamorphism and metasomatism of carbonate bearing sedimentary rocks principally limestone and dolomite.  | volcanogenic              | having a volcanic origin.  |
| stockwork                | a three-dimensional network of veinlets.   | wash                      | loose deposits of sand, gravel and boulders.   |
|                          |  | XRD                       | abbreviation for X-Ray Diffraction.  |



# INDEPENDENT REVIEW OF TENEMENTS

## FIFTH ELEMENT RESOURCES LIMITED

### INDEPENDENT EXPLORATION TENEMENTS REPORT

#### 1. INTRODUCTION

##### 1.1 Scope of Instructions

The following report has been prepared independently and in compliance with the Valmin Code.

Hetherington Exploration & Mining Title Services Pty Limited ("HEMTS") has been instructed by Fifth Element Resources Limited (ACN: 166 025 047) ("the Company") to conduct searches of and outline the rights conferred by the exploration tenements in which the Company instructs it has an interest in New South Wales, as set out in the Schedule ("the Schedule").

##### 1.2 Qualifications

Russell Hetherington has approximately 34 years experience in exploration and mining tenement management across Australia. Russell Hetherington is a member of the Australian Mining and Petroleum Law Association and a member of the Business Law Section of the Law Council of Australia.

##### 1.3 Independence

HEMTS is independent from the Company within the meaning of the Valmin Code. HEMTS's costs of preparing this report have been calculated at its normal charge out rate.

#### 2. THE TENEMENTS

##### 2.1.1. General

Unless otherwise stated, the following information has been obtained from the New South Wales Department of Trade and Investment, Regional Infrastructure and Services ("the Department"), the National Native Title Tribunal ("the NNTT") and the New South Wales Office of Environment and Heritage within the Department of Premier and Cabinet.

Much of the information obtained from the Department has been extracted from the Department's Tenement Administration System ("TAS"). This report is subject to the proviso that TAS may contain errors and is not always reliable. Where possible, the information obtained from TAS has been verified against other available information, such as Exploration Licence instruments, electronic maps, etc.

The tenements are comprised of Exploration Licences No's 8026 ("EL 8026"), 8027 ("EL 8027"), 8140 ("EL 8140") and 8141 ("EL 8141") ("the Tenements").

The Tenements have been granted pursuant to the terms of the New South Wales Mining Act 1992 ("the Mining Act").

Basic details of the Tenements are set out in the Schedule.

Fifth Element Exploration Pty. Limited (ACN: 166 027 327) is the registered holder of the Tenements.

The Tenements apply to Group 1 minerals, which are metallic minerals such as gold, silver, copper, iron minerals etc.

The Tenements allow exploration by various methods, although some methods require additional approval by the Environment Branch of the Department or other Government instrumentalities.

##### 2.1.2. Exclusions

The terms of the Exploration Licence instruments in respect to the Tenements exclude land vested in the Commonwealth of Australia and any land subject to a National Park, regional park, historic site, nature reserve, karst conservation reserve or Aboriginal area which existed at the date of grant.

###### *National Parks*

No National Parks existed within the Tenements at the date of grant.

###### *Mining Reserves*

No Mining Reserves existed within the Tenements at the date of grant.

###### *Other Exclusions*

Time does not permit an investigation into whether there is any land vested in the Commonwealth of Australia, historic site, nature reserve, regional reserve, karst conservation reserve or Aboriginal area, although it is considered unlikely that there are large areas of such land within the Tenements.

##### 2.1.3. Other Titles and Applications

Condition 33 attached to the Exploration Licence instruments issued in respect to the Tenements states that the Exploration Licence holder must make every reasonable attempt, and be able to demonstrate any such attempts, to enter into a cooperation agreement with the holder(s) of any overlapping mineral exploration and petroleum exploration title(s) (see also Section 2.1.8 below).

###### *Mining Act*

###### *EL 8141*

The area of EL 8141 partially co-exists with Exploration Licence No 6093 (1992) and Authorisation No 286 (1973), both of which are held by the Director General of the Department on behalf of the Crown for Group 9 minerals. In the event that exploration rights for different minerals do co-exist, any party to any operational conflict between the titles may apply to the Land and Environment Court for a determination of the matter (Section 293 Mining Act).

###### *Petroleum (Onshore) Act 1991 (NSW) ("the Petroleum Act")*

###### *EL 8026*

The area of EL 8026 co-exists with Petroleum Special Prospecting Authorisation Application 57 (1991) ("PSPAPP 57"), which has been applied for by the New South Wales Aboriginal Land Council. Should a Petroleum Special Prospecting Authorisation be granted in satisfaction of PSPAPP 57, then in the event of any operational conflict between the respective titles, any party to the dispute may apply to the Land and Environment Court for a determination of the matter (Section 73 Petroleum Act).

###### *EL 8140*

The area of EL 8140 co-exists with PSPAPP 57, which has been applied for by the New South Wales Aboriginal Land Council. Should a Petroleum Special Prospecting Authorisation be granted in satisfaction of PSPAPP 57, then in the event of any operational conflict between the respective titles, any party to the dispute may apply to the Land and Environment Court for a determination of the matter (Section 73 Petroleum Act).

| SYDNEY   | BRISBANE   | PERTH  |
|--|--|--|
| Hetherington Exploration & Mining Title Services Pty Ltd | Hetherington Exploration & Mining Title Services (QLD) Pty Ltd | Hetherington Exploration & Mining Title Services Pty Ltd |
| ABN 64 003 122 996                                       | ABN 42 153 626 110   | ABN 64 003 122 996                                       |
| 503 Willoughby Road, 1st Floor                           | Suite 41, Level 7, Northpoint                                  | 83 Brisbane Street                                       |
| (Access via Prentice Lane)                               | 231 North Quay   | (Cnr Brisbane & Beaufort Streets)                        |
| Willoughby NSW 2068                                      | Brisbane QLD 4000  | Perth WA 6000  |
| PO Box 765 Willoughby NSW 2068                           | PO Box 13071   | PO Box 8249, Perth Business Centre                       |
| Tel: (02) 9967 4844                                      | George Street Post Shop, Brisbane QLD 4003                     | Perth WA 6849  |
| Fax: (02) 9967 4614                                      | Tel: (07) 3236 1768  | Tel: (08) 9228 9977                                      |
| E-mail: sydney@hemts.com.au                              | Fax: (07) 3236 1758  | Fax: (08) 9328 3710                                      |
|  | E-mail: brisbane@hemts.com.au                                  | E-mail: perth@hemts.com.au                               |

The area of EL 8141 co-exists with Petroleum Exploration Licence No 433 (1991) ("PEL 433"), which is held by Santos NSW Pty Ltd, EnergyAustralia Narrabri Gas Pty Ltd and Santos QNT Pty. Ltd. In the event of any operational conflict between the respective titles, any party to the dispute may apply to the Land and Environment Court for a determination of the matter (Section 73 Petroleum Act).

#### 2.1.4. Annual Administrative Levy

Liability under the Mining Act for an Annual Administrative Levy arises on the grant of an Exploration Licence and on each grant anniversary date that occurs during the term of the Exploration Licence.

The Annual Administrative Levy is one percent of the assessed security deposit.

The current Annual Administrative Levy for each of the Tenements is noted in the Schedule.

#### 2.1.5. Annual Rental Fee

Liability under the Mining Act for an Annual Rental Fee arises on the grant of an Exploration Licence and on each grant anniversary date that occurs during the term of the Exploration Licence.

The Annual Rental fee for Exploration Licences is \$60 per unit.

The current Annual Rental fee for each of the Tenements is noted in the Schedule.

#### 2.1.6. Encumbrances

There are no encumbrances registered against any of the Tenements.

#### 2.1.7. State Forests and State Conservation Areas

##### *State Forests*

The Tenements are not affected by any State Forests.

##### *State Conservation Areas*

Approximately 50 per cent of the EL 8141 area is subject to the Goonoo CCA Zone 3 State Conservation Area.

State Conservation Areas are exempted areas under the Mining Act and pursuant to the requirements of Section 30 of the Mining Act and Section 47J(7) of the National Parks and Wildlife Act 1974 ("NPW Act"), the Tenement holder may not exercise rights pursuant to the Tenement within State Conservation Areas except with the consent of the Minister for Resources and Energy ("the Minister"), given with the approval of the Minister for the Environment (see also Section 2.1.8 below).

#### 2.1.8. Exploration Licence Conditions

The conditions attached to the Exploration Licence instruments issued in respect to the Tenements relate to environmental management of exploration, drilling requirements, reporting requirements, expenditure commitments, clearing of vegetation, rehabilitation of disturbed land, lodgement of security deposits, cooperation agreements with the holders of overlapping mineral and petroleum exploration titles and community and landholder liaison programs.

The Exploration Licence instruments also contain conditions relating to Native Title (see Section 2.1.11 below).

In addition to the foregoing, the following conditions apply to the relevant Tenements:

Condition 35 of the licence conditions for EL 8026 and EL 8027 requires that should there be a change in the effective control of the Exploration Licence holder or a foreign acquisition of substantial control in the Exploration Licence holder, prior written consent by the Minister is needed before such a change comes into effect.

Condition 35(b) sets out what constitutes a "change in effective control" being when a person is appointed with a minimum of 50% control over the directors of a board, greater than 50% control over votes at a general meeting, or more than 50% of issued share capital. In the case of foreign persons or corporations as set out in Condition No 35(c), "foreign acquisition of substantial control" occurs when a person gains a minimum of 15% control over the directors of a board, greater than 15% control over votes at a general meeting, or more than 15% of issued share capital.

#### EL 8140 and EL 8141

Condition 35 of the licence conditions for EL 8140 and EL 8141 requires that should there be a change in the effective control of the Exploration Licence holder or a foreign acquisition of substantial control in the Exploration Licence holder, prior written consent by the Minister is needed before such a change comes into effect.

Condition 35(d) makes exception to the requirement of prior written consent from the Minister in accordance with Condition 35(a), where the change in effective control of the Exploration Licence holder or a foreign acquisition of substantial control in the Exploration Licence holder is the result of the acquisition of shares or other securities on a registered stock exchange.

Condition 35(b) sets out what constitutes a "change in effective control" being when a person is appointed with a minimum of 50% control over the directors of a board, greater than 50% control over votes at a general meeting, or more than 50% of issued share capital. In the case of foreign persons or corporations as set out in Condition No 35(c), "foreign acquisition of substantial control" occurs when a person gains a minimum of 15% control over the directors of a board, greater than 15% control over votes at a general meeting, or more than 15% of issued share capital.

Condition 4 of EL 8141 provides that the Exploration Licence holder must not commence prospecting operations in a State Conservation Area without obtaining prior written consent from the Minister and subject to any conditions that may be stipulated (see above Section 2.1.7).

The Goonoo CCA Zone 3 State Conservation Area is a "sensitive area" for the purposes of the Exploration Licence instrument issued in respect to EL 8141. All prospecting operations, except geological mapping and airborne surveys, within or adjacent to sensitive areas require additional approval in accordance with Condition 2 of the Exploration Licence instrument issued in respect to EL 8141.

Additional approval for the purposes of Condition 2 requires submission of a Surface Disturbance Notice and/or a Review of Environmental Factors ("REF"). The Department's "Environmental Impact Assessment Guidelines" provide that a REF accompanying an application relating to land within State Conservation Areas must be prepared in accordance with the Department of Environment and Heritage's guidelines for mining and petroleum exploration within State Conservation Areas.

#### 2.1.9. Expenditure and Reporting Requirements

Compliance with the expenditure and reporting requirements of an Exploration Licence is important because those matters are considered by the Department when determining whether or not to renew that Exploration Licence, and if so, whether to renew the Exploration Licence in full, or to require a 50 per cent reduction in the Exploration Licence area upon renewal.

The Department advises that the reports due for EL 8026 and EL 8027 have been lodged and notwithstanding a shortfall in expenditure have been assessed as acceptable.

Reports are not yet due for EL 8140 and EL 8141.

The current annual expenditure commitment for each of the Tenements is noted in the Schedule.

#### 2.1.10. Access and Compensation

It is necessary to enter into a written access agreement with a landholder prior to carrying out exploration on land which is owned or occupied. A landholder is entitled to compensation for all compensable loss caused to such land by exploration (Section 263(1) Mining Act). In the event that an agreement cannot be reached with the landholder, the matter can be referred to arbitration, and if not resolved, to the Land and Environment Court for determination.

It is necessary for the holder of an Exploration Licence to obtain the prior written consent of the owner of any dwelling house, garden or improvement before carrying out exploration within 200 metres of the relevant dwelling house, within 50 metres of the relevant garden or on the land subject to the relevant improvement (Section 31 Mining Act).

#### 2.1.11. Native Title

Approximately 50 per cent of EL 8141 is subject to the Tubba-Gah People Native Title Claim NC2002/009.

Approximately 21 per cent of EL 8141 is subject to the Gomeroi People Native Title Claim NC2011/006.

None of the other Tenements are affected by a Native Title Claim.

The issue of whether or not a Native Title Claim applies to the land subject to the Tenements is irrelevant to the requirement to comply with the Native Title processes prescribed by the Native Title Act 1993 ("NTA") if the relevant land is land where Native Title exists or may exist ("Native Title land"). The threshold question when considering Native Title issues is therefore whether or not the relevant land is Native Title land or, in other words, whether or not Native Title has been extinguished. If Native Title has been extinguished, then it is not necessary to consider whether or not there is a Native Title Claim in respect to the relevant land before carrying out exploration.

If Native Title has not been extinguished, then it will (except in very specific circumstances) be necessary to comply with Native Title processes before carrying out exploration. The presence of a registered Native Title Claim simply means that it will be necessary to reach an agreement with the Native Title Claimants before proceeding with the relevant exploration activity. This may not be the case where there is currently no registered Native Title Claim, although in that case it is still necessary to undergo the "Right to Negotiate" process prescribed by the NTA or other Native Title process.

As a general statement, it can be said that Native Title has been extinguished in much of New South Wales. Nonetheless, it is likely that all of the Tenements contain at least some Crown land where Native Title may not have been extinguished. The status of any Native Title in land cannot be determined with certainty until a thorough search of each parcel of land is carried out. Such searches are beyond the scope of this report.

All of the Tenements contain the "Minister's consent" condition. This means that before carrying out exploration on Native Title land, the Minister's consent must be obtained. The Minister will not grant that consent until the Right to Negotiate process prescribed by the NTA has been undergone.

#### 2.1.12. Aboriginal Places and Objects

An Aboriginal object is any material evidence relating to Aboriginal habitation of an area. An Aboriginal place is a place declared as such by the Minister administering the NPW Act, because that place is deemed to have special significance to Aboriginal culture. An Aboriginal place may or may not contain Aboriginal objects.

Aboriginal places and objects are registered on the Aboriginal Heritage Information Management System ("AHIMS") maintained by the New South Wales Office of Environment and Heritage. A search of AHIMS indicates that there are several places and objects located within or in close proximity to the Tenements.

Pursuant to Section 86(2) and (4) of the NPW Act, it is a strict liability offence to harm an Aboriginal object, or harm or desecrate an Aboriginal place. It is also an offence to harm or desecrate an Aboriginal object that the person knows is an Aboriginal object pursuant to Section 86(1) of the NPW Act. It may be necessary to apply for an Aboriginal Heritage Impact Permit if the activities contemplated in exercising rights under the Tenements are likely to cause damage to Aboriginal objects or places. The prohibitions contained in Section 86(1), (2) and (4) of the NPW Act apply whether or not the Aboriginal place or Aboriginal object has been registered on the AHIMS.

A defence is available to a person charged with a strict liability offence pursuant to Section 87 of the NPW Act. Pursuant to Section 87(2) of the NPW Act, the defendant must show that the defendant exercised due diligence to determine whether the act or omission constituting the alleged offence would harm an Aboriginal object, and reasonably determined that no Aboriginal object would be harmed.

It should be emphasised that the issue of Aboriginal places and objects is entirely separate to that of Native Title.

#### 2.1.13. Heritage Items

There are a number of items listed on the State Heritage Inventory maintained by the New South Wales Office of Environment and Heritage in respect to the local government areas in which the Tenements are located. Whilst the geographical location of some entries on the State Heritage Inventory is unclear, the Exploration Licence holder must exercise normal caution when carrying out exploration. If the Exploration Licence holder comes across what may be a heritage item in the course of exploration, it should check with the Local Councils, Shires and/or the New South Wales Heritage Council.

#### 2.1.14. Future Obligations

The Exploration Licence holder has an ongoing obligation to comply with the terms and conditions of grant of the Tenements, including satisfaction of the expenditure conditions, unless otherwise varied by the Department.

Rehabilitation of any current and future exploration disturbances will be necessary and will need to be conducted in accordance with the conditions of the Tenements, as well as any conditions of any additional consent that might be issued in accordance with the requirements of law or those conditions.

The activities conducted under the authority of the Tenements are likely to result in the creation of environmental liabilities for the holders. The environmental liabilities will commence when exploration causes on-site ground disturbance. When any disturbed area has been satisfactorily rehabilitated, the environmental liability in respect to that area will cease.

If exploration is conducted on Native Title land, additional costs in respect to making an application for the Minister's consent to conduct activities on Native Title land, the Right to Negotiate, Native Title consultation, negotiation and compensation payments and cultural heritage site clearances should be anticipated.

The holders of the Tenements may apply to renew the Tenements for further terms. The renewal applications should be lodged within the period two months before the expiry date.

The Mining Act requires the holder of the Tenements to periodically reduce by half the area of each of the Tenements. Pursuant to Section 114(6) of the Mining Act, the holder of the Tenements may make application to the Department to vary these reduction requirements.



RUSSELL HETHERINGTON  
23 January 2014

| TENEMENT | STATE | REGISTERED HOLDER                      | GRANT DATE | EXPIRY DATE | STATUS  | UNITS | SECURITY |                 | EXPENDITURE COMMITMENT (PA) | ANNUAL ADMINISTRATIVE LEVY | ANNUAL RENTAL FEE | ENCUMBRANCES | MINERALS |
|----------|-------|--|------------|-------------|---------|-------|----------|-----------------|-----------------------------|----------------------------|-------------------|--------------|----------|
|          |       |  |            |             |         |       | REQUIRED | HELD            |                             |                            |                   |              |          |
| EL 8026  | NSW   | Fifth Element Exploration Pty. Limited | 30-11-2012 | 30-11-2014  | Current | 38    | \$10,000 | \$10,000 (cash) | \$39,000                    | \$100                      | \$2,280           | Nil          | Group 1  |
| EL 8027  | NSW   | Fifth Element Exploration Pty. Limited | 30-11-2012 | 30-11-2014  | Current | 56    | \$10,000 | \$10,000 (cash) | \$48,000                    | \$100                      | \$3,360           | Nil          | Group 1  |
| EL 8140  | NSW   | Fifth Element Exploration Pty. Limited | 23-07-2013 | 23-07-2015  | Current | 76    | \$10,000 | \$10,000 (cash) | \$58,000                    | \$100                      | \$4,560           | Nil          | Group 1  |
| EL 8141  | NSW   | Fifth Element Exploration Pty. Limited | 23-07-2013 | 23-07-2015  | Current | 74    | \$10,000 | \$10,000 (cash) | \$57,000                    | \$100                      | \$4,440           | Nil          | Group 1  |



# FINANCIAL INFORMATION AND INDEPENDENT ACCOUNTANT'S REPORT

## 6.1 INTRODUCTION

This Financial Information section summarises Fifth Element's consolidated financial data derived from audited consolidated financial statements for the period 27 September 2013 to 31 January 2014, in addition to a pro forma statement of financial position as at 31 January, 2014.

The financial information has been prepared in Australian Dollars and in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This section contains the following financial information, prepared by Directors:

- The Consolidated Historical Statement of Comprehensive Income for the period 27 September 2013 to 31 January 2014;
- The Consolidated Historical Statement of Cash Flows for the period 27 September 2013 to 31 January 2014; and
- The Consolidated Historical and Pro Forma Statement of Financial Position at 31 January 2014, which assumes completion of the transactions set out in section 6.7 Pro Forma Adjustments as at that date, including the Offer under this Prospectus, collectively referred to as at the "Financial Information".

The Directors of Fifth Element are responsible for the inclusion of all Financial Information in this Prospectus. The Historical and Pro Forma Financial Information has been reviewed by Bromley Crawford Pty Limited whose Investigating Accountant's Report is contained at the end of this Financial Information section.

The Financial Information set out in this section and Fifth Element's selected consolidated financial

information should be read in conjunction with the Investigating Accountant’s Report (set out at the end of this section), Risk Factors (set out in section 7) and other information contained in this Prospectus.

In addition, as the company was incorporated on the 27 September 2013 past performance is not an indication of future performance.

6.2 HISTORICAL FINANCIAL INFORMATION BASIS OF PREPARATION

Fifth Element’s historical consolidated financial information was extracted from the audited financial statements for the period 27 September 2013 to 31 January 2014 (with going concern emphasis outlined in Note 1 therein) which were audited by KN Bromley & Co, where an unqualified opinion issued.

6.3 MANAGEMENT’S OVERVIEW

Fifth Element Resources Limited is a mineral exploration company that was incorporated on the 27 September 2013. At the same time Fifth Element Exploration Pty Limited, its subsidiary, was incorporated. In January 2014 it acquired four NSW exploration licences – EL 8026, EL 8027, EL 8140 and EL 8141.

Fifth Element’s objective is the successful exploration discovery and development of mineral deposits in the acquired tenements located in Mid-Western NSW.

6.4 HISTORICAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| AUDITED 27SEP13 - 31JAN14 \$'000                     |       |
|--|-------|
| Employee benefits expense (including directors fees) | (27)  |
| Finance costs  | -     |
| Other expenses                                       | (171) |
| Profit (loss) before income tax                      | (198) |
| Income tax expense                                   | -     |
| Profit (loss) for the period                         | (198) |
| Other comprehensive income                           | -     |
| Total other comprehensive income for the period      | -     |
| Total comprehensive income for the period            | (198) |

The historical statement of comprehensive income has been extracted from the audited consolidated financial statements of Fifth Element, for the period 27 September 2013 to 31 January 2014.

6.4.1 REVENUE

Fifth Element is in the mining exploratory phase and accordingly no operating revenue has been generated to date.

6.4.2 EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses relate to Directors Fees only.

6.4.3 OTHER EXPENSES

Other expenses include preparatory IPO costs of \$129,000 incurred to the 31 January 2014.

6.5 HISTORICAL CONSOLIDATED STATEMENT OF CASH FLOWS

6.5.1 OPERATING, INVESTING & FINANCING CASH FLOWS

Fifth Element is in the mining exploratory phase and accordingly cash flows from operating activities have been negative. Further there has been significant expenditure on deferred exploration and evaluation expenditure to date. These activities have been funded by the initial equity issue and a Director’s loan.

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.

| AUDITED 27SEP13 - 31JAN14 \$'000                          |       |
|---|-------|
| CASH FLOWS FROM OPERATING ACTIVITIES                      |       |
| Payments to suppliers and employees                       | (96)  |
| Net cash provided by operating activities                 | (96)  |
| CASH FLOWS FROM INVESTING ACTIVITIES                      |       |
| Purchase of deferred exploration & evaluation expenditure | (122) |
| Security deposits   | (40)  |
| Net cash (used in)/provided by investing activities       | (162) |
| CASH FLOWS FROM FINANCING ACTIVITIES                      |       |
| Proceeds from issue of shares                             | 200   |
| Proceeds from loans from related parties                  | 162   |
| Net cash provided by/(used in) financing activities       | 362   |
| Net increase in cash held                                 | 104   |
| Cash and cash equivalents at beginning of period          | -     |
| Cash and cash equivalents at end of period                | 104   |

The historical statement of cash flows has been extracted from the audited consolidated financial statements of Fifth Element Resources Limited for the period 27 September 2013 to 31 January 2014

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.

#### 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>

### ASSETS

#### CURRENT ASSETS

|   |     |     |       |       |
|---|-----|-----|-------|-------|
| Cash and cash equivalents                     | 6.8 | 104 | 3,108 | 4,508 |
| Trade and other receivables                   |     | 4   | 4     | 4     |
| Deferred exploration & evaluation expenditure |     | 69  | 69    | 69    |
| Other   |     | 26  | 26    | 26    |

#### TOTAL CURRENT ASSETS

#### NON-CURRENT ASSETS

|   |  |    |    |    |
|---|--|----|----|----|
| Deferred exploration & evaluation expenditure |  | 55 | 55 | 55 |
| Other assets                                  |  | 20 | 20 | 20 |

#### TOTAL NON-CURRENT ASSETS

#### TOTAL ASSETS

### LIABILITIES

#### CURRENT LIABILITIES

|                          |  |     |     |     |
|--------------------------|--|-----|-----|-----|
| Trade and other payables |  | 114 | 114 | 114 |
|--------------------------|--|-----|-----|-----|

#### TOTAL CURRENT LIABILITIES

#### NON-CURRENT LIABILITIES

|            |  |     |     |     |
|------------|--|-----|-----|-----|
| Borrowings |  | 162 | 162 | 162 |
|------------|--|-----|-----|-----|

#### TOTAL NON-CURRENT LIABILITIES

#### TOTAL LIABILITIES

#### NET ASSETS

### EQUITY

|                    |      |       |       |       |
|--------------------|------|-------|-------|-------|
| Issued capital     | 6.9  | 200   | 3,354 | 4,737 |
| Accumulated losses | 6.10 | (198) | (348) | (331) |

#### TOTAL EQUITY

<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).

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

### Pro forma transactions:

#### 6.7.1 The offer (minimum subscription)

The issue of a minimum of 17,500,000 ordinary shares, at \$0.20 each, amounting to \$3.5 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 \$496,000 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 7,500,000 ordinary shares, at \$0.20 each, amounting to \$1.5 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<br>SUBSCRIPTION PRO<br>FORMA<br>\$'000 | OVER<br>SUBSCRIPTION PRO<br>FORMA<br>\$'000 |
|--|--|---|
| Cash and cash equivalents at 31 January 2014 | 104  | 104   |
| <i>Pro forma transactions:</i>               |  |   |
| Proceeds from shares issued under the Offer  | 3,500  | 5,000                                       |
| Payment of outstanding cash Offer costs      | (496)  | (596)                                       |
| <b>PRO FORMA CASH AND CASH EQUIVALENTS</b>   | <b>3,108</b>                                   | <b>4,508</b>                                |

## 6.9 ISSUED CAPITAL

The pro forma issued capital is set out below:

|   | MINIMUM<br>SUBSCRIPTION PRO<br>FORMA \$'000 | OVER<br>SUBSCRIPTION PRO<br>FORMA \$'000 |
|---|---|--|
| Contributed equity at 31 January 2014       | 200   | 200                                      |
| <i>Pro forma transactions:</i>              |   |  |
| Proceeds from shares issued under the Offer | 3,500                                       | 5,000                                    |
| Capital raising costs paid under the Offer  | (346)                                       | (463)                                    |
| <b>PRO FORMA CONTRIBUTED EQUITY</b>         | <b>3,354</b>                                | <b>4,737</b>                             |

|                                     | MINIMUM<br>SUBSCRIPTION<br>PRO FORMA NO. OF<br>SHARES | OVER<br>SUBSCRIPTION<br>PRO FORMA NO. OF<br>SHARES |
|-------------------------------------|---|--|
| Number of shares at 31 January 2014 | 20,000,000  | 20,000,000   |
| <i>Pro forma transactions:</i>      |   |  |
| Shares issued under the Offer       | 17,500,000  | 25,000,000   |
| <b>PRO FORMA NUMBER OF SHARES</b>   | <b>37,500,000</b>                                     | <b>45,000,000</b>                                  |

## 6.10 ACCUMULATED LOSSES

The pro forma accumulated losses are set out below:

|   | MINIMUM<br>SUBSCRIPTION PRO<br>FORMA \$'000 | OVER<br>SUBSCRIPTION PRO<br>FORMA \$'000 |
|---|---|--|
| Accumulated losses at 31 January 2014               | (198)                                       | (198)                                    |
| <i>Pro forma transactions:</i>                      |   |  |
| Costs of the Offer expensed to the income statement | (150)                                       | (133)                                    |
| <b>PRO FORMA ACCUMULATED LOSSES</b>                 | <b>(348)</b>                                | <b>(331)</b>                             |

## 6.11 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 6.11.1 Basis of Preparation

The pro forma consolidated statement of financial position presented in this Financial Information section represents the ongoing business of Fifth Element.

The financial information set out in this Prospectus has been prepared in accordance with the recognition and measurement principals (but not all the disclosure requirements) prescribed by Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board.

### 6.11.2 Going Concern Basis

Notwithstanding the consolidated group loss for the period 27 September 2013 to 31 January 2014 of \$198,003, the financial information has been prepared on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business. The Group has the financial support of its ultimate shareholder, Diamond Peak Overseas Limited and William Lo. The directors believe that such financial support will continue to be made available until the proposed ASX listing.

In the event that the Group does not obtain additional funding via the proposed ASX listing, it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial information.

### 6.11.3 Significant Accounting Policies

#### a. Exploration and evaluation expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to mining property and development assets within property, plant and equipment.

No deferred tax asset, relating to exploration licence deductions, has been accounted for to date, as it can not be reliably determined that the Group will earn sufficient taxable profit in future periods to utilise the tax benefits, at this exploration and evaluation stage.

#### b. Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability.

### c. Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

### d. Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Fifth Element at the end of the reporting period. A controlled entity is any entity over which Fifth Element has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Where controlled entities have entered or left the group during the year, the financial performance of those entities is incurred only for the portion of the period that they were controlled.

In preparing the consolidated financial information, all intergroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

The Directors  
Fifth Element Resources Limited  
Unit 1, 1 Balbu Close  
BERESFIELD, N.S.W. 2322

Dear Sirs,

### INVESTIGATING ACCOUNTANT'S REPORT

#### Introduction

We have prepared this Investigating Accountants Report at the request of the Directors of Fifth Element Resources Limited for inclusion in a Prospectus to be dated on or about 17 February, 2014 in respect of the planned Initial Public Offering on the Australian Securities Exchange. The Prospectus will offer 25,000,000 ordinary shares at an issue price of \$0.20 each to raise \$5,000,000 before costs. The minimum subscription to the Offer being 17,500,000 ordinary shares to raise \$3,500,000 before costs (the Offer).

Expressions defined in the Prospectus have the same meaning in this Report.

#### Scope

Bromley Crawford Pty Limited has been requested to prepare this report on the following financial information:

#### Historical Financial Information

The Historical Financial Information of Fifth Element Resources Limited, as set out in the Financial Information disclosed in Section 6 of the Prospectus comprises the following:

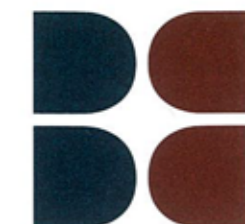
- The consolidated statement of comprehensive income for the period 27 September, 2013 to 31 January, 2014;
- The consolidated statement of cash flows for the period 27 September, 2013 to 31 January, 2014; and
- The consolidated statement of financial position as at 31 January, 2014.

The Historical Financial Information has been extracted from the audited financial statements for the period 27 September, 2013 to 31 January, 2014, which was audited by K N Bromley & Co., Chartered Accountants.

#### Pro forma Financial Information

The Pro forma Financial Information set out in the Financial Information disclosed in Section 6 of the Prospectus comprises the Pro forma consolidated statement of financial position as at 31 January, 2014, assuming completion of the Offer and includes the Pro forma Adjustments as at that date as disclosed in Section 6.7 thereof.

The Historical Financial Information and the Pro forma Financial Information are herein after referred to as the "Financial Information".



**Bromley's**  
CHARTERED  
ACCOUNTANTS

BROMLEY CRAWFORD  
PTY LIMITED  
A.B.N. 83 105 388 476

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71-73 Archer Street  
Chatswood NSW 2067  
Australia

P.O. Box 747  
Chatswood 2057

Tel: (02) 9419 4566  
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admin@bromleys.com.au

Liability is limited by a  
scheme approved under  
the Professional Standards  
Legislation

The Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports.

This report has been prepared for inclusion in the Prospectus. Bromley Crawford Pty Limited disclaim any assumption of responsibility for any reliance on this report or on the Financial Information to which this report relates for any purpose other than the purposes for which it was prepared. This report should be read in conjunction with the Prospectus.

#### Directors Responsibility for the Historical and Prop Forma Financial Information

The Directors of Fifth Element Resources Limited have prepared and are responsible for the preparation and presentation of the Historical and Pro Forma Financial Information. The Directors are also responsible for the determination of the Pro Forma Adjustments as set out in Section 6 of the Prospectus.

#### Our Responsibility

Our responsibility is to express a conclusion on the Historical and Pro Forma Financial Information based on our review. We conducted our review of the Financial Information in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that:

- 1) the Historical Financial Information does not present fairly the Historical Financial Information in accordance with the measurement and recognition (but not all of the presentation and disclosure requirements) of applicable Accounting Standards in Australia;
- 2) the Pro Forma Adjustments do not provide a reasonable basis for the Pro Forma Financial Information ;
- 3) the Pro forma Financial Information has not been prepared on the basis of the assumptions set out in Section 6 of the Prospectus; and
- 4) the Pro Forma Financial Information does not present fairly the consolidated Pro forma statement of financial position as at 31 January, 2014 in accordance with the measurement and recognition (but not all of the presentation and disclosure requirements) of applicable Accounting Standards in Australia as if the Pro Forma Adjustments set out in Section 6 of the Prospectus had occurred as at 31 January, 2014.

Our independent review of the Financial Information as been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our procedures consist of reviewing relevant Board minutes, contracts, exploration licences and other legal documents, making enquiries of the Directors and analytical and other procedures applied to Fifth Element Resources Limited's accounting records.

These procedures are less in scope than an audit conducted in accordance with Australian Auditing Standards and do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

#### Conclusion

Based on our independent review, which is not an audit, nothing has come to our attention which causes us to believe that:

- a) the Historical Financial Information does not present fairly the Historical Financial Information in accordance with the measurement and recognition but not all of the presentation and disclosure requirements) of applicable Accounting Standard in Australia;
- b) the Pro forma Adjustments do not provide a reasonable basis for the Pro Forma Financial Information;

- c) the Pro Forma Financial Information has not been prepared on the basis of the assumptions set out in Section 6 of the Prospectus ; and
- d) The Pro forma Financial Information does not present fairly the consolidated pro forma statement of the financial position as at 31 January, 2014 in accordance with the measurement and recognition (but not all of the presentation and disclosure requirements) of applicable Accounting Standards in Australia as if the Pro forma Adjustments set out in Section 6 of the Prospectus had occurred at 31 January, 2014

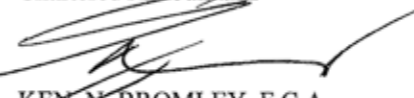
#### Independence and Disclosure of Interest

Bromley Crawford Pty Limited does not have any pecuniary interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion to this matter. Bromley Crawford Pty Limited will receive a professional fee for the preparation of this report.

Yours faithfully,

BROMLEY CRAWFORD PTY LIMITED

Chartered Accountants



KEN N. BROMLEY, F.C.A.

Director

Dated this day 18th February, 2014



# RISK FACTORS

## 7.1 INTRODUCTION

The Shares offered under this Prospectus should be considered speculative because of the nature of the business activities of the Company which involve mineral exploration and development. Whilst the Directors commend the Offer, potential investors should be aware that an investment in the Company involves risks, which may be higher than the risks associated with an investment in other companies. One a small percentage of individual exploration projects result in the discovery of viable economic resources and there are still substantial development and operational risks to overcome before a commercial mine can be established.

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with the Company's business and its involvement in the exploration industry. These risk factors are largely beyond the control of the Company and its Directors because of the nature of the proposed business of the Company.

Persons considering whether or not to invest in the Company should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate, before any decision is made to apply for Shares. Prospective investors should consider whether the Shares offered are a suitable investment for them having regard to their own personal investment objectives and financial circumstances and the risk factors set out below. If in any doubt, they should consult with their professional advisors before deciding whether to apply for Shares.

The following statement, which is not exhaustive, identifies some of the major risks associated with an investment in the Company, of which potential investors need to be aware before making a decision on whether or not to invest in the Company's Shares.

## 7.2 GENERAL RISKS

### (a) Exploration and Development

A significant risk for the Company is that the proposed exploration programmes will not result in exploration success. Mineral exploration by its nature is a high risk endeavour and consequently there can be no assurance that exploration of the project areas described in this Prospectus, or any other projects that may be acquired in the future, will result in discovery of an economic mineral deposit. Should a discovery be made, there is no guarantee that it will be commercially viable. While the Directors will make every effort to reduce these risks through their experience in the exploration and mining industry, the fact remains that a commercially viable mineral discovery is very much the

exception rather than the rule and success can never be guaranteed.

The future viability and profitability of the Company, as an exploration and mining company, will be dependent on a number of factors including, but not limited to, the following:

- risks inherent in exploration and mining including, among other things, successful exploration and identification of ore reserves, achieving predicted grades in exploration and mining, commissioning and operating plant and equipment, satisfactory performance of mining operations (including risks relating to continuity of ore deposit, fluctuations in grades and values of the product being mined, and unforeseen operational and technical problems) and competent management;
- commodity prices and exchange rates and, in particular, the price of gold and copper;
- risks associated with negative exploration results, including relinquishment (in whole or in part) of tenements, even though a viable mineral deposit may be present, but undiscovered;
- risks associated with obtaining grant of any exploration or mining tenements which are applications or renewal of tenements upon expiry of their current term;
- risks arising because of native title and aboriginal land rights which may affect the Company's ability to gain access to prospective exploration areas to obtain production titles; compensatory obligations may be necessary in settling native title claims lodged over any of the tenements held or acquired by the Company; the level of impact of these matters will depend, in part, on the location and status of the tenements acquired by the Company;
- risks that exploration and mining may be adversely affected or hampered by industrial disputes;
- environmental management issues with which the Company may be required to comply from time to time;
- the risk of material adverse changes in the government policies or legislation of Australia affecting the level of mining and exploration activities;
- poor weather conditions over a prolonged period which might adversely affect mining and exploration activities and the timing of earning revenues;
- unforeseen major failures, breakdowns or repairs required to key items of exploration and mining plant and equipment or mine infrastructure resulting in significant delays, notwithstanding regular programmes of repair, maintenance and upkeep;
- Fifth Element does not have any significant operating history. To date, no gold deposits or resources have been discovered on the tenements and only relatively limited exploration activities have occurred on these tenements;
- risks associated with the cost of maintaining exploration and mining properties, which depends on the Company having access to sufficient development capital; Fifth Element is operating as an

explorer and as such is reliant on capital; from time to time further capital may need to be raised and at such time market conditions may be adverse; and

- risks associated with the financial failure or default by a participant in any joint ventures or other contractual relationships to which the Company may become a party.

#### **(b) Development and Acquisition Opportunities**

The success of the Company partially depends upon the Company's ability to identify, secure and develop a portfolio of high quality project interests and strategic industry partnerships. There is a risk that the Company will be unable to secure additional gold and copper project interests on appropriate terms, thereby potentially limiting the growth of the Company.

If the Company acquires only a limited number of gold and copper project interests, poor performance by one or a few of these could severely affect the performance of the Company and thereby severely impact the returns to investors. The integration of new gold and copper project interests by the Company may also be more difficult, and involve greater costs, than anticipated.

#### **(c) Dependence on Key Personnel**

The Company's success depends to a significant extent upon key management personnel, as well as other management and technical personnel including those employed on a contractual basis. The loss of the services of certain personnel could have an adverse effect upon the Company and its activities. See Section 8.5 for further information in relation to Services Agreements.

#### **(d) Native Title and Land Access**

The Company's activities in Australia are subject to the Native Title Act and associated legislation relating to native title, which are discussed in the Independent Title Review in Section 8. Uncertainty associated with native title issues may impact on the Company's future plans.

#### **(e) Aboriginal Sites of Significance**

Commonwealth and State legislation obliges the Company to identify and protect sites of significance to Aboriginal custom and tradition. Further details of this legislation are set out in the Independent Title Review in Section 8 of this Prospectus. Some sites of significance may be identified within the Tenements. It is therefore possible that one or more sites of significance will exist in an area which the Company considers to be prospective. The Company's policy is to carry out clearance surveys prior to conducting exploration which would cause a disturbance to the land surface.

#### **(f) Environmental Risks**

The minerals and mining industries have become subject to increasing environmental responsibility and liability. The potential for liability is an ever-present risk. The use and disposal of chemicals in the mining industry is under constant legislative scrutiny and regulation.

Exploration work will be carried out in a way that causes minimum impact on the environment. Consistent with this, it may be necessary in some cases to undertake baseline environmental studies prior to certain exploration or mining activities, so that environmental impact can be monitored, and as far as possible, minimised. While the Company is not aware of any endangered species of fauna and flora within any of its project areas, no baseline environmental studies have been undertaken to date, and discovery of such could prevent further work in certain areas.

#### **(g) Valuation of Tenements**

No valuation has been completed of the exploration projects or the Shares of the Company. The Company makes no representation in this Prospectus as to the value of the exploration assets. It is recommended that intending investors and their advisors make their own assessment as to the value of the exploration projects.

#### **(h) Development Capital**

Exploration and development costs will reduce the cash reserves of the Company, which may not be replaced through the successful development of mining operations, or should these mining operations prove unsuccessful or perform below the required levels. The Company would then be dependent on seeking development capital elsewhere, through equity, debt or joint venture financing, to support long term exploration and evaluation of its projects.

#### **(i) Share Market Conditions**

Share market conditions may affect listed securities regardless of operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- movements in, or outlook on, interest rates and inflation rates;
- currency fluctuations;
- commodity prices;
- changes in investor sentiment towards particular market sectors; and
- the demand for, and supply of, capital.

Investors should recognise that once the Shares are listed on ASX, the price of the Shares may rise or fall. Many factors will affect the price of the Shares including local and international stock markets, movements in commodity prices, interest rates, economic conditions and investor sentiment generally.

#### **(j) General Economic Factors**

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption may have an impact on operating costs, commodity prices and stock market processes. The Company's future possible revenues and Share price can be affected by these factors which are beyond the control of the Company and its Directors.

#### **(k) Exploration Licences**

The renewal of tenements upon expiry of their current term and the granting of applications for exploration licences is subject to Ministerial approval. Non-approval or a delay in the approval process could have a negative impact on exploration conducted by the Company as well as the Share price of the Company.

### **(I) Commodity Prices**

Commodity prices are influenced by physical and investment demand for those commodities. Fluctuations in commodity prices may influence individual projects in which the Company has an interest. Specifically, changes in the price of gold and copper may have an effect on the Company.

## **7.3 SPECIFIC RISKS**

### **(a) Government Policy**

Changes in government, monetary policies, taxation and other laws can have a significant influence on the outlook for companies and the returns to investors. In particular government policies and regulations vary in different States and with different governing parties in relation to uranium exploration, mining and marketing.

The Company's activities will require compliance with various laws, both State and Commonwealth, relating to the protection of the environment, Aboriginal culture and heritage and native title, the protection workers and the public against the dangers of radiation and the export of uranium. Changes in government, government policies and legislation could have a material adverse affect on the Company.

### **(b) Other Risks Specific to the Company**

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of factors, including:

- geological conditions;
- alterations to programmes and budgets;
- unanticipated operational and technical difficulties encountered in geophysical survey, drilling and production activities;
- mechanical failure of operating plant and equipment, adverse weather conditions, industrial and environmental accidents, industrial disputes and force majeure;
- unavailability of aircraft or drilling equipment to undertake airborne surveys and other geological and geophysical investigations;
- unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment;
- prevention or restriction of access by reason of political unrest, outbreak of hostilities, and inability to obtain consents or approvals (including clearance of work programmes pursuant to access agreements entered into with native title claimants); and
- un-insured losses and liabilities.

## **7.4 OTHER RISKS**

The future viability and profitability of the Company is also dependent on a number of other factors affecting the performance of all industries and not just the exploration and mining industries, including, but not limited to, the following:

- currency exchange rate fluctuations;
- the strength of the equity and share markets in Australia and throughout the world;
- general economic conditions in Australia and its major trading partners and, in particular, inflation rates, interest rates, commodity supply and demand factors and industrial disruptions;
- financial failure or default by a participant in any of the joint ventures or other contractual relationship to which the Company is, or may become, a party;
- insolvency or other managerial failure by any of the contractors used by the Company in its activities; and
- industrial disputes in Australia and overseas.

## **7.5 SPECULATIVE NATURE OF INVESTMENT**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus. Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Potential investors should consider that the investment in the Company is speculative and should consult their professional advisors before deciding whether to apply for Shares in the Company.

# 8 ADDITIONAL INFORMATION

## 8.1 REGISTRATION

Fifth Element Resources Limited was registered as a public company limited by shares on 27 September 2013.

It holds 100% of the share capital of Fifth Element Exploration Pty Limited which holds the Exploration Licences. Fifth Element Exploration Pty Limited is a proprietary company limited by shares incorporated on 27 September 2013.

## 8.2 SHARE CAPITAL

### (a) History of Shares

At the date of this Prospectus, the Company has 20,000,000 Shares on issue, which were issued at the time of incorporation to the company Diamond Peak Overseas Limited, a company incorporated in the British Virgin Islands under number 166 027 336 and controlled by Chi Ho William LO.

Since incorporation, the Company has not issued any further Shares.

### (b) Contractual rights and terms to be issued Options over new Shares

At the date of this Prospectus, the Company has granted no options over new Shares.

## 8.3 TAX STATUS AND FINANCIAL YEAR

The Company will be taxed in Australia as a public company at the prevailing corporate tax rate which is 30%. The financial year of the Company will end on 30 June annually.

## 8.4 LITIGATION

The Directors are not aware of any legal proceedings which have been threatened or actually commenced against the Company.

## 8.5 MATERIAL CONTRACTS

Set out below are summaries of the more important provisions of contracts to which the Company is a party and which are or may be material in terms of the Offer or the operations of the Company or otherwise are or may be relevant to an investor who is contemplating the Offer.

### a) Constitution

The Constitution of Fifth Element Resources is effectively a contract between Fifth Element Resources and each member, Fifth Element Resources and each Director and Company Secretary, and between

a member and each other member, pursuant to section 140 of the Corporations Act. Investors who take Shares under this Offer will become bound by the Constitution of Fifth Element Resources and must agree to observe and perform the provisions of the Constitution and any regulations or by-laws which may be made thereunder.

The salient provisions are as follows:

- Rule 3 provides that the ASX Listing Rules prevail;
- Rule 4 provides for the appointment and retirement of Directors (min. 3);
- Rule 10 provides that Directos may have a material personal interest subject to compliant disclosure and voting;
- Rule 11 provides that Directors may have financial benefits and remuneration;
- Rules 15 to 18 provide for the right of members to participate in members' meetings and the right to vote;
- Rule 25.2 allows the Company to treat the registered holder of any Shares as the absolute owner irrespective of any equitable or other claims or interests in those Shares;
- Transfers, transmissions and restrictions applicable to Shares are also provided in the Constitution.

For further detail and other rights and obligations of shareholders of the Company, please consult the Constitution.

### b) Exploration licences

Fifth Element Resources Limited has acquired four New South Wales Exploration Licences from EJ Resources Ltd on 8 January 2014.

The four licences are:

- EL 8026, granted on 30 November 2012;
- EL 8027, granted on 30 November 2012;
- EL 8140, granted on 23 July 2013; and
- EL 8141, granted on 23 July 2013.

The Transfer of the Licences was effected on 8 January 2014 and registration ensued on 8 January 2014.

### c) Directors' Letters of Appointment and Directors' Deeds of Indemnity and Access

By letters dated 21 January 2014 the Company has appointed:

- Mr. Andrew SKINNER to the position of Non-Executive Director with a total remuneration of A\$ 35,000.
- Mr. Noriman Sai Chi MAK to the position of Executive Director with a total remuneration of A\$ 40,000.
- Mr. Siu-Wing Selwyn CHAN to the position of Non-Executive Director with a total remuneration of A\$ 20,000.

As permitted by the Constitution, the Company has entered into a deed of indemnity and access with each Director. The indemnity is subject to restrictions prescribed in the Corporations Act.

In summary, the deed:

- indemnifies a director, while he is a director and for 7 years thereafter, against liabilities incurred as a result of acting as a director subject to certain exclusions and provides for related legal costs to be paid by the Company;
- requires the Company to maintain an insurance policy against any liability incurred by a director in his capacity as a director during that person's term of office and 7 years thereafter; and
- provides a director with a right of access to board papers and other documents while in office and for 7 years thereafter.

#### **d) Consultancy Agreement with SRK Consulting**

Fifth Element Exploration Pty Limited (FEE) has appointed SRK Consulting (Australasia) Pty Ltd (SRK) as Technical Managers of their NSW exploration titles. SRK will provide exploration management and technical services support for FEE's ELs 8026, 8027, 8140 and 8141.

SRK is an independent, international group providing specialised consultancy services. Among SRK's clients are many of the world's mining companies, exploration companies, financial institutions, EPCM and construction firms and government bodies.

The cost of this contract is, for the preparation of this Offer, in the range of \$76,395 inc. GST, and, for early stage 2 exploration work programme support services, in the range of \$65,000 inc. GST.

#### **e) Corporate Advisory Mandate with Breakaway Mining Services Pty Ltd**

On 17 October 2013, the Company has engaged the services of Breakaway Mining Services to prepare the prospectus, to liaise with providers, assist with verification and substantiation of the prospectus, liaise and brief ASIC and ASX, assist with the ASX application and coordinate the design, content and printing of the prospectus and other material. The term of this agreement has been extended to 30 May 2014. The overall fee, including the listing bonus, is A\$ 150,000.

#### **f) Restriction agreement**

By agreement yet undated between the holder and controller of restricted securities in Fifth Element Resources and the escrow trustee, the escrow trustee will hold the restricted securities during the escrow period in respect of those securities.

The restriction period applicable to promoters is 24 months from listing.

During the escrow period, the escrow trustee must not dispose of, or agree to dispose of the restricted securities or create any interest in the restricted securities, transfer ownership or control of the restricted securities or participate in a return of capital by Fifth Element.

### **8.6 RIGHTS ATTACHING TO SHARES**

The Shares to be issued under this Prospectus will rank equally with the issued fully paid ordinary shares in the Company. The rights attaching to Shares are set out in the Company's Constitution and, in certain circumstances, are regulated by the Corporations Act 2001 (Cth), the Listing Rules and general law. The Constitution of the Company may be inspected during normal business hours at the registered office of the Company.

The following is a summary of the more significant rights of the holders of ordinary shares of the Company. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's members. The summary assumes that the Company is admitted to the Official List of ASX.

#### **a) General Meeting**

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Company's Constitution, the Corporations Act or the Listing Rules.

#### **b) Voting**

Subject to any rights or restrictions for the time being attached to any class or classes of shares whether by the terms of their issue, the Constitution, the Corporations Act or the Listing Rules, at a general meeting of the Company every holder of fully paid ordinary shares present in person or by a representative has one vote on a show of hands and every such holder present in person or by a representative, proxy or attorney has one vote per share on a poll.

A person who holds an ordinary share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share. A member is not entitled to vote unless all calls and other sums presently payable by the member in respect of shares in the Company have been paid.

Where there are two or more joint holders of the share and more than one of them is present at a meeting and tenders a vote in respect of the share (whether in person or by proxy or attorney), the Company will count only the vote cast by the member whose name appears before the other(s) in the Company's register of members.

No shares may be issued with voting rights more advantageous than those available to any previously issued shares.

#### **c) Issues of Further Shares**

The Directors may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Company's

Constitution, the Listing Rules, the Corporations Act and any rights for the time being attached to the shares in special classes of shares.

**d) Variation of Rights**

At present, the Company has on issue one class of shares only, namely ordinary shares. The rights attached to the shares in any class may be altered only by ordinary resolution passed at a meeting of the holders of the issued shares of the affected class, or with the written consent of the holders of a majority of the issued shares of the affected class.

**e) Transfer of Shares**

Subject to the Company's Constitution, the Corporations Act and the Listing Rules, ordinary shares are freely transferable.

The shares may be transferred by a proper transfer effected in accordance with ASTC Settlement Rules, by any other method of transferring or dealing introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by the Directors that is permitted by the Corporations Act.

The Company may refuse to register a transfer of shares in the circumstances described in the Company's Constitution and where permitted to do so under the Listing Rules or the SCH business rules. If the Company declines to register a transfer, the Company must, within five business days after the transfer is lodged with the Company, give the lodging party written notice of the refusal and the reasons for refusal.

The Board must decline to register a transfer of shares when required by law, by the Listing Rules or by the ASTC Settlement Rules.

**f) Partly Paid Shares**

The Board may, subject to compliance with the Company's Constitution, the Corporations Act and the Listing Rules, issue partly paid shares upon which amounts are or may become payable at a future time(s) in satisfaction of all or part of the unpaid issue price.

**g) Dividends**

The Board may resolve to pay any dividend it thinks appropriate and fix the time for payment.

Subject to the terms of issue of shares, the Company may pay a dividend on one class of shares to the exclusion of another class. Each shares of a class on which the Board resolves to participate in a dividend in the same proportion that the amount for the time being paid on the share bears to the total issue price of the share.

**h) Winding Up**

Subject to the rights of holders of shares with special rights in a winding up, if the Company is wound up, members (including holders of ordinary shares) will be entitled to participate in any surplus assets of the Company in proportion to the shares held by them respectively irrespective of the amount paid up or credited as paid up on the shares.

**i) Directors**

The Company's Constitution states that the minimum number of directors is three.

**j) Powers of the Board**

The Directors have power to manage the business of the Company and may exercise that power to the exclusion of the members, except as otherwise required by the Corporations Act, any other law, the Listing Rules or the Company's Constitution.

**8.7 COMPLIANCE WITH THE ASX LISTING RULES**

The Constitution incorporates Appendix 15A of the Listing Rules. Accordingly, if the Company is admitted to the Official List, the following applies:

- (a) Notwithstanding anything contained in the Constitution, if the Listing Rules prohibit an act being done, the act shall not be done;
- (b) Nothing contained in the Constitution prevents an act being done that the Listing Rules require to be done;
- (c) If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be);
- (d) If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).
- (e) If the Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision.
- (f) If the Listing Rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision.
- (g) If any provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

**8.8 DIRECTORS INTERESTS**

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of the Shares; or
- the Offer of the Shares.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, options or otherwise) have been paid or given or agreed to be paid or given to any Director or to any company

or firm with which a Director is associated to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her or any company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Offer of the Shares.

**a) Remuneration of Directors**

Directors are entitled to remuneration out of the funds of the Company but the remuneration of the non-executive Directors may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the non-executive Directors has been fixed at a maximum of A\$ 95,000 per annum to be apportioned among the non-executive Directors in such manner as they determine. The Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at the Board meetings and otherwise in the execution of their duties as Directors.

**b) Directors’ Interests in Company’s Securities**

The direct and indirect interests of the Directors in the securities of the Company as at the date of this Prospectus are as follows:

| DIRECTOR  | SHARES     |          | OPTIONS |          |
|---|------------|----------|---------|----------|
|   | Direct     | Indirect | Direct  | Indirect |
| Chi Ho William LO through Diamond Peak Overseas Limited (100% controlled) | 20,000,000 | 0        | 0       | 0        |

Further detail on the expected capital structure of the Company is set out in Section 1.9 of this Prospectus.

**c) Indemnity and Access**

The Company has entered into Deeds of Indemnity and Access with each of the Directors. Details of the Deeds of Indemnity and Access are set out in Section 8.4 of this Prospectus.

**d) Insurance**

The Company intends to put into place Directors’ and Officers’ Liability and Company Reimbursement insurance.

**8.9 INTERESTS OF NAMED PERSONS**

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of the Shares; or
- the Offer of the Shares.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, options or

otherwise) have been paid or given or agreed to be paid or given to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Offer under this Prospectus.

Bromley Crawford Pty Limited has acted as independent accountant in relation to the Offer. As independent accountant, Bromley Crawford Pty Limited has been involved in undertaking due diligence in relation to financial and taxation matters and preparing pro-forma financial accounts, and has prepared the Independent Accountant’s Report which has been included in this Prospectus. In respect of this work the Company has agreed to pay Bromley Crawford Pty Limited fees up to \$10,000 +GST for these services.

Breakaway Mining Services Pty Ltd has assisted the Company with the preparation of this Prospectus. In respect of this work, the Company has agreed to pay Breakaway Mining Services \$100,000 +GST for these services up to the date of this Prospectus.

SRK Consulting (Australasia) Pty Ltd will receive professional fees of \$76,395 inc. GST for the provision of the Independent Geologist’s Report.

Hetherington Exploration and Mining Title Services Pty Ltd will receive professional fees up to \$7,000 + GST for the provision of an Independent Tenement Report.

Veritas Securities Limited will receive a sponsoring fee of \$50,000 excl. GST, a capital raising fee of maximum 5% excl. GST of the capital raised under the Offer, and a management fee of 1% excl. GST of the capital raised under the Offer.

**8.10 EXPENSES OF THE OFFER**

The estimated expenses connected with the Offer which are payable by the Company; are as follows:

|                                 | MIN. SUBSCRIPTION<br>OF \$ 3.5 MILLION | MAX. SUBSCRIPTION<br>OF \$ 5 MILLION |
|---------------------------------|--|--------------------------------------|
| 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                | \$ 31,532                              | \$ 39,501                            |
| Broker or Dealers’ commission * | \$ 276,500                             | \$ 368,750                           |
| Accounting Services - IPO Costs | \$ 44,000                              | \$ 44,000                            |
| <b>TOTAL</b>                    | <b>\$ 623,725</b>                      | <b>\$ 723,944</b>                    |

8.11 CONSENTS

Each of the parties referred to in this Section 8.11:

- a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based, other than as specified in this Section 8.11; and
- b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 8.11.

Bromley Crawford Pty Limited has given its written consent to the inclusion in Section 6 of this Prospectus of their Investigating Accountant’s Report and to all statements referring to that report in the form and context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

SRK Consulting (Australasia) Pty Ltd has given its written consent to the inclusion in Section 4 of this Prospectus of its Independent Geologist’s Report and to all statements referring to that report in the form and context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Hetherington Exploration and Mining Title Services Pty Ltd has given its written consent to the inclusion in Section 5 of its Tenement Report and to all statements referring to that report in the form and context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Computershare Investor Services Pty Limited has given and, as at the date hereof, has not withdrawn its written consent to be named as Share Registrar in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of any part of this Prospectus.

Furthermore, each of the following has consented in writing to being named in the Prospectus in the capacity as noted below and has not withdrawn such consent prior to the lodgement of this Prospectus with ASIC:

- Bromley Crawford Pty Limited as Independent Accountants;
- SRK Consulting (Australasia) Pty Ltd as the Independent Geologist;
- Breakaway Mining Services as the corporate advisory consultants to the Company;
- Hetherington Exploration and Mining Title Services Pty Ltd as mining title service providers;
- Computershare Investor Services Pty Limited as Share Registrar; and
- Veritas Securities Limited as sponsoring broker.

Copies of the consents to the issue of this Prospectus are available for inspection, without charge, at the registered office of the Company.

There are a number of other persons referred to in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

8.12 DETAILS OF THE EXISTING SHAREHOLDERS

The Top 20 holders of Shares prior to this Offer are as follows:

| SHAREHOLDER                   | NUMBER OF SHARES | % ISSUED CAPITAL |
|-------------------------------|------------------|------------------|
| Diamond Peak Overseas Limited | Direct           | Indirect         |
| TOTAL                         | 20,000,000       | 100%             |

8.13 EMPLOYEE SHARE OPTION PLAN

The Company has established Fifth Element Resources Limited Employee Share Option Plan (“Plan”) to assist in the attraction, retention and motivation of eligible employees of the Company and its related bodies corporate (“Group”).

Directors are entitled to participate insofar as they are eligible employees or deemed employees pursuant to the Plan.

No options have been granted under the Plan as at the date of this Prospectus.

A summary of the Rules of the Plan is set out below.

All employees (full and part-time), including deemed employees, will be eligible to participate in the Plan after a qualifying period of 12 months’ employment by a member of the Group, although the Board may waive this requirement.

The allocation of options to each employee is at the discretion of the Board. If permitted by the Board, options may be issued to an employee’s nominee (for example, a spouse or family company).

Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. An option is exercisable at any time from its date of issue.

Options will be issued for nil consideration. The exercise price of options will be determined by the Board, subject to a minimum price equal to the market value of the Company’s shares at the time the Board resolves to offer those options. The total number of shares the subject of options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company’s issued share capital.

If, prior to the expiry date of options, a person ceases to be an employee of a Group company for any reason other than retirement at age 60 or more (or such earlier age as the Board permits), permanent

disability, redundancy or death, the options held by that person (or that person’s nominee) must be exercised within 1 month thereafter otherwise they will automatically lapse. If a person dies, the options held by that person will be exercisable by that person’s legal personal representative. Options cannot be transferred other than to the legal personal representative of a deceased Optionholder.

The Company will not apply for official quotation of any options.

Shares issued as a result of the exercise of options will rank equally with the Company’s previously issued shares.

Optionholders may only participate in new issues of securities by first exercising their options. If there is a bonus share issue to the holders of shares, the number of shares over which an option is exercisable will be increased by the number of shares which the Optionholder would have received if the option had been exercised before the record date for the bonus issue.

If there is a pro rata issue (other than a bonus share issued) to the holders of shares, the exercise price of an option will be reduced to take account of the effect of the pro rata issue as per the formula:

$$A = \frac{O - E[P - (S + D)]}{(N + 1)}$$

Where:

**A** = the new exercise price of the Option;

**O** = the old exercise price of the Option;

**E** = the number of underlying ordinary shares into which one Option is exercisable;

**P** = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the 5 trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);

**S** = the subscription price for a security under the pro rata issue;

**D** = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and

**N** = the number of securities with rights or entitlements that must be held to receive a right to one new security.

If there is a reorganisation of the issued capital of the Company, unexercised options will be reorganised in accordance with the Listing Rules.

The Board may amend the Plan Rules subject to the requirements of the Listing Rules.

8.14 ELECTRONIC PROSPECTUS

Pursuant to Class Order 00/44, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus on the basis of a paper prospectus lodged with ASIC and the issue of securities in response to an electronic application form subject to compliance with certain provisions.

If you have received this Prospectus as an electronic prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email the Company at fifthelementresources@yahoo.com.au and the Company will send to you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such case, the Application Monies received will be dealt with in accordance with Section 722 of the Corporations Act.

8.15 DEFINITIONS

In this Prospectus, unless the context otherwise requires:

“**A\$**” and “**\$**” means Australian dollars, unless otherwise stated.

“**Applicant**” means a person who submits an Application.

“**Application**” means a valid application to subscribe for Shares.

“**Application Form**” means the application form contained in this Prospectus or a copy of the application form contained in this Prospectus or a direct derivative of the application form which is contained in this Prospectus.

“**Application Monies**” means twenty cents, being the amount payable in respect of each Share under the Offer.

“**ASIC**” or “**Commission**” means Australian Securities and Investments Commission.

“**ASTC**” means ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532).

“**ASTC Settlement Rules**” means the operating rules of the ASTC and, to the extent that they are applicable, the operating rules of ASX and the operating rules of Australian Clearing House Pty Ltd.

“**ASX**” means Australian Stock Exchange Limited (ACN 008 624 691).

“**Board of Directors**” and “**Board**” means Board of Directors of the Company unless the context indicates otherwise.

“**Business Day**” means a day on which the trading banks are open in Sydney, New South Wales.

“**CHESS**” means ASX Clearing House Electronic Subregistry System.

“**Closing Date**” means the date on which the Offer closes.

**“Company”** means Fifth Element Resources Limited (ACN 166 025 047).

**“Completion of the Offer”** means the allotment of all the Shares offered under this Prospectus.

**“Corporations Act”** means the Corporations Act 2001 (Cth) of Australia.

**“Directors”** means directors of the Company unless the context indicates otherwise.

**“EL” and “Exploration Licence”** means an area granted under the Mining Act in respect to mineral exploration.

**“ELA” and “Application for Exploration Licence”** means an Exploration Licence application.

**“Email”** means an electronic mail service that allows users to send and receive messages via the Internet.

**“EST”** means Eastern Standard Time as applicable in Sydney, New South Wales and references to time in this Prospectus are references to EST.

**“Exposure Period”** means the period of seven days (or longer as ASIC may direct) from the date of lodgement of the Prospectus with ASIC.

**“Fifth Element Resources Limited”** means Fifth Element Resources Limited (ACN 166 025 047), the issuer.

**“Fifth Element Exploration Pty Limited”** means Fifth Element Exploration Pty Limited (ACN 166 027 327).

**“HIN”** means holder identification number.

**“Issue”** means the issue of Shares pursuant to this Prospectus.

**“Issuer Sponsored”** means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

**“Listing Date”** means the date the Company is admitted to the Official List.

**“Listing Rules”** means listing rules of the ASX.

**“Mining Act”** means the Mining Act 1992 (NSW).

**“MLA” and “Application for Mining Lease”** means a Mining Lease application.

**“Offer”** means the invitation to apply for Shares pursuant to this Prospectus.

**“Offer Period”** means the period commencing on the Opening Date and ending on the Closing Date.

**“Official List”** means the Official List of the ASX.

**“Opening Date”** means the date immediately following the expiry of the Exposure Period.

**“Optionholder”** means a holder of any Options.

**“Options”** means the Options referred to in Section 8 of this Prospectus.

**“Participant”** means a participant for the purpose of CHESS.

**“proper ASTC transfer”** as the same meaning given in the Corporations Act.

**“Prospectus”** means this disclosure document.

**“Quotation”** means quotation of the Shares on the Official ASX List.

**“Share”** means a fully paid ordinary share in the capital of the Company.

**“Shareholder”** means a holder of Shares in the Company.

**“Subsidiary”** means the same as that term is defined under Section 9 of the Corporations Act.

**“Tenement”** means an Exploration Licence or any other form of mineral licence or title held or applied for by the Company or in which the Company has an interest.

#### 8.16 DIRECTORS’ CONSENT

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements by the Directors in this Prospectus are not misleading or deceptive and that with respect to any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making those other statements were competent to make such statements, those persons having given their consent to the issue of this Prospectus and not withdrawn that consent before lodgement of this Prospectus with ASIC, or to the Directors’ knowledge, before any issue of Shares pursuant to this Prospectus. The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisors.

Each of the Directors, Chi Ho William LO, Siu-Wing Selwyn CHAN, Noriman Sai Chi MAK, and Andrew SKINNER, has consented in writing to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Dated: 27 February 2014

Signed for and on behalf of the Company



Chi Ho William LO  
Chairman

- Please read the Prospectus dated 27 February 2014.
- Follow the instructions to complete this Application form (see reverse).
- Print clearly in capital letters using black or blue pen.

|  |  |
|--|--|
| <div style="border: 1px solid black; width: 100%; height: 100%; margin-bottom: 10px;"></div> <div style="border: 1px solid black; width: 100%; height: 100%;"></div> | <div style="border: 1px solid black; width: 100%; height: 100%; margin-bottom: 10px;"></div> <div style="border: 1px solid black; width: 100%; height: 100%;"></div> |
|--|--|

**Broker Code**

|  |  |  |  |
|--|--|--|--|
|  |  |  |  |
|--|--|--|--|

**Advisor Code**

|  |  |  |  |  |  |
|--|--|--|--|--|--|
|  |  |  |  |  |  |
|--|--|--|--|--|--|

|   |                             |  |
|---|-----------------------------|--|
| <b>A</b> Number of shares you are applying for<br><div style="border: 1px solid black; height: 30px; width: 100%;"></div> | <b>x \$0.20 per share =</b> | <b>B</b> Total amount payable<br><div style="border: 1px solid black; height: 30px; width: 100%;"></div> |
|---|-----------------------------|--|

Minimum of 10,000 shares to be applied for, and thereafter in multiples of 1,000 shares.

**C** Write the name(s) you wish to register the shares in (*see reverse for instructions*)

Applicant 1



Name of Applicant 2 or < Account Designation >



Name of Applicant 3 or < Account Designation >

D

Write your postal address here

Number / Street

Suburb/Town

State


Postcode

**E** CHESS participant – Holder Identification Number (HIN)

|   |  |  |  |  |  |  |  |  |  |
|---|--|--|--|--|--|--|--|--|--|
| X |  |  |  |  |  |  |  |  |  |
|---|--|--|--|--|--|--|--|--|--|

**Important please note** if the name & address details above in sections C & D do not match exactly with your registration details held at CHESS, any Securities issued as a result of your application will be held on the Issuer Sponsored subregister.

[illegible]


**Cheque payment details**

Please enter details of the cheque(s) that accompany this application.

| Name of drawer of cheque | Cheque No. | BSB No. | Account No. | Cheque Amount A\$ |
|--------------------------|------------|---------|-------------|-------------------|
|                          |            |         |             |                   |
|                          |            |         |             |                   |

|  |   |
|--|---|
| <p><b>H</b> Contact telephone number (<i>daytime/work/mobile</i>)</p> <div> <input type="text"/> <input type="text"/> </div> | <p><b>I</b> Email Address</p> <div> <input type="text"/> </div> |
|--|---|

*By submitting this Application form, I/We declare that this Application is completed and lodged according to the Prospectus and the instructions on the reverse of the Application form and declare that all details and statements made by me/us are compete and accurate. I/We agree to be bound by the constitution of Fifth Element Resources Limited (the Company). I/We was/were given access to the Prospectus together with the application form. I/We represent, warrant and undertake to the Company that our subscription for the above shares will not cause the Company or me/us to violate the laws of Australia or any other jurisdiction which may be applicable to this subscription for shares in the Company.*

# GUIDE TO THE APPLICATION FORM

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

## INSTRUCTIONS

- A. If applying for Shares insert the number of Shares for which you wish to subscribe at Item A (not less than **10,000** and then in multiples of **1,000**).
  - B. Multiply by AU\$ **0.20** to calculate the total for Shares and enter the **\$amount** at B.
  - C. Write your **full name**. Initials are not acceptable for first names.
  - D. Enter your **postal address** for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
  - E. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.
  - F. Enter your Australian **tax file number** ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
  - G. Complete **cheque details** as requested. Make your cheque payable to **Fifth Element Resources Limited New Issue Account** in Australian currency, cross it and mark it "**Not negotiable**". Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.
  - H. Enter your **contact details** so we may contact you regarding your Application Form or Application Monies.
  - I. Enter your **email address** so we may contact you regarding your Application Form or Application Monies or other correspondence.

## CORRECT FORMS OF REGISTRABLE TITLE

Note that **ONLY** legal entities can hold the Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below.

| TYPE OF INVESTOR            | CORRECT FORM OF REGISTRABLE TITLE                               | INCORRECT FORM OF REGISTRABLE TITLE   |
|-----------------------------|---|---------------------------------------|
| Trusts                      | Mr John David Smith<br><J D Smith Family A/C>                   | John Smith Family Trust               |
| Deceased Estates            | Mr Michael Peter Smith<br><Estate Late John Smith A/C>          | John Smith (deceased)                 |
| Partnerships                | Mr John David Smith & Mr Ian Lee Smith                          | John Smith & Son                      |
| Clubs/Unincorporated Bodies | Mr John David Smith<br><Smith Investment A/C>                   | Smith Investment Club                 |
| Superannuation Funds        | Mr John Smith & Mrs Mary Smith<br><Smith Family Super Fund A/C> | John & Mary Smith Superannuation Fund |

## LODGEMENT

Mail your completed Application Form with cheque(s) attached to the following address:

**Mailing address:**

Fifth Element Resources Limited  
c/ Computershare Investor Services Pty Limited  
GPO Box 2115 - Melbourne VIC 3001

**Delivery address:**

Fifth Element Resources Limited  
c/ Computershare Investor Services Pty Limited  
GPO Box 2115 - Melbourne VIC 3001

It is not necessary to sign or otherwise execute the Application Form.

**If you have any questions as to how to complete the Application Form, please contact Computershare Investor Services Pty Limited** on 1300 465 791 (investors within Australia) or +61 (0)3 9415 4318.

**Privacy Statement:** Computershare Investor Services Pty Limited advises that Chapter 2C of the Corporations Act 2001 (Cth) requires information about you as a Shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your share holding and if some or all of the information is not collected then it might not be possible to administer your share holding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form. Our privacy policy is available on our website (<http://www.computershare.com/au/help/Pages/privacy-policies.aspx>).

