

31 JANUARY 2012

QUARTERLY REPORT DECEMBER 2011

Highlights

- Manantiales Phase II diamond drilling program completed and Phase II-Extended commences
- Divisoria IP geophysics program commences
- Selwyn South Exploration Permit Applications lodged

Elementos Limited (ASX: ELT) (“Elementos” or the “Company”) quarterly exploration activities were concentrated on the Manantiales Phase II drilling program and geophysics program at Divisoria.

MANANTIALES

During the quarter, the Phase II drilling program was completed at Manantiales. The program comprised 33 diamond core holes totalling 5,599 metres, distributed at the Manantial vein (4,337 metres in 22 holes), Julieta Norte (446 metres in 4 holes) and La Puerta (816 metres in 7 holes).

A 600 metre extension to the Phase II program, consisting of three holes in the Manantial and Manantial Sur prospects, commenced during the quarter.

Manantial

The Phase II drilling program has successfully expanded the size of the high-grade gold system at the Manantial vein:

- Minimum strike length extended to 180 metres in a north-south direction;
- Mineralisation extended down to 250 metres depth;
- A new zone of mineralisation positioned approximately 250 metres south of the main Manantial vein has been identified; and
- The system remains open along strike and to depth.

The Phase II drilling confirmed high-grade gold mineralisation within a much larger envelope of lower-grade gold mineralisation, see Figure 3. There is potential for the Manantial vein to support a larger epithermal system at depth, supported by:

- Geochemical evidence, such as the high gold to silver ratio;
- Geophysical anomalies extending to depth in the induced polarisation data;
- Geological evidence, such as high-level quartz-vein textures; and
- Lithological and structural interpretations that indicate that the Manantial system is at a higher level than the adjoining Casposo mine.

Significant drilling results from the Phase II drilling program have included:

- MDH38 10.07 metres at 2.22 g/t Au and 5.9 g/t Ag from 189 metres, including:
- 1.31 metres at 10.95 g/t Au and 13.64 g/t Ag from 190 metres
- MDH51 6.6 metres at 2.07 g/t Au and 8.7 g/t Ag from 190 metres, including:
- 1.7 metres at 6.75 g/t Au and 21.8 g/t Ag from 191 metres
- MDH27 1.43 metres at 5.43 g/t Au and 8.8 g/t Ag from 144 metres, including:
- 0.36 metres at 13.4 g/t Au and 36 g/t Ag from 145 metres
- MDH21A¹ 11.68 metres at 2.1 g/t Au and 5.8 g/t Ag from 146 metres, including:
- 1.8 metres at 8.95 g/t Au and 188.9 g/t Ag
- MDH22¹ 6.7 metres at 2.26 g/t Au and 7.4 g/t Ag from 119 metres, including:
- 1.25 metres at 10.68 g/t Au and 23.6 g/t Ag

La Puerta

Initial drilling along 200 metres of the La Puerta vein has returned a limited number of low-grade narrow anomalies at shallow levels, showing decreasing grade compared with high grades returned by surface saw blade channel sampling. This pattern was also encountered during early drilling at shallow levels in the Manantial vein and subsequent deeper drilling was required to encounter the high-grade Manantial vein.

Significant values included:

- MDH034: 0.67 metres at 3.1 g/t Au and 3 g/t Ag from 33.25 metres; and
- MDH039: 0.65 metres at 2.3 g/t Au and 54 g/t Ag from 39 metres.

Interpretation of the new drilling information in conjunction with further detailed mapping is underway to evaluate the area and develop an exploration strategy.

Julieta Norte

The focus of Phase II drilling at Julieta Norte was to test depth and strike extension of previously drilled holes including:

- MDH016: 1.02 metres at 4.4 g/t Au and 16 g/t Ag from 30 metres; and
- MDH017: 0.75 metres at 4.8 g/t Au and 7 g/t Ag from 63 metres.

The Phase II results included:

- MDH047: 1 metre at 4.4 g/t Au and 9 g/t Ag from 62 metres; and
- MDH046: 1.35 metres at 1.02 g/t Au and 4.4 g/t Ag from 57 metres.

The system appears to be plunging deeply to the north and future drilling will focus on drilling the system at greater depths.

A second vein segment 500 metres north of MDH047 was tested with holes MDH048 and MDH049, with no significant results.

¹ Results announced 7th June 2011

Phase II-Extended Drilling Program

During the quarter, the Company announced the extension and commencement of a Phase II-Extended drilling program, comprising three additional diamond holes for approximately 600 metres. The holes will aim to test the depth extensions of the Manantial vein and the new Manantial Sur vein.

The drilling program commenced in late December and is part of a commissioning program for a new Energold drill rig. Elementos will pay the cost of the drilling without normal mobilisation costs.

The results of the program are expected to be available in the first quarter of calendar year 2012 and should provide important technical information for planning of future drilling programs.

SANTO DOMINGO

Divisoria

During the quarter, a second phase geophysical survey commenced at the Divisoria porphyry prospect. The geophysical surveys incorporating 7.2 kilometres of Pole-Dipole Induced Polarisation ("PDIP") and Audio Magneto Telluric ("AMT") survey lines are being implemented to support the encouraging results from the September ground-magnetometry survey.

The magnetometry survey demonstrated a pattern of magnetic lows, potentially related to the mapped porphyry mineralisation, but over a larger area than observed on surface. Since the area of potential mineralisation is so large, PDIP geophysics will be used to test for chargeability anomalies within the magnetic low areas and structures. The AMT survey will test for potential chargeability anomalies at deeper levels than PDIP. The results will be used to assess the potential for structurally-controlled higher grade zones at depth.

The results of both the ground magnetometry and the IP geophysical survey will be used for drill targeting purposes. The program will take approximately two weeks to complete with the survey results available in January 2012.

Yvette

Trenching Program

Manual trenching and continuous channel sampling is being carried out to expose potential mineralisation under shallow talus cover along the poorly-exposed Yvette Norte gold-silver vein. This is being carried out with the aim of:

1. Infill-sampling along the known main Yvette Norte structure;
2. Testing the widths of mineralisation; and
3. Testing the potential for parallel structures and mineralisation in the wall-rock.

Infill and sub-parallel vein sampling was performed within a 400 metre section of the vein that contains previous high grade samples, including:

- 1.4 metres at 26.4 g/t Au and 2,538 g/t Ag;
- 0.2 metres at 115.7 g/t Au and 91 g/t Ag; and
- 0.2 metres at 53.1 g/t Au and 68 g/t Ag.

The mineralisation at Yvette is generally poorly exposed and recessive due to a low content of resistive minerals such as silica. The aim is to increase the sample density along specific areas where there is no surface vein outcrop, as well as to test the potential widths of the system. To date 150 samples have been sent to the laboratory. Results are being compiled in the data base and evaluated in conjunction with the geology and available geophysics.

The Yvette Norte gold-vein zone is approximately 1.4 kilometres long and comprises poorly exposed, narrow (0.1 metres to 1.5 metres) pinching and swelling veins.

Historic workings exploiting high-grade mineralisation in the area exhibit widths of up to two metres.

More than 8.5 kilometres of structure containing combined gold and silver veins have now been identified throughout the Yvette area. Elementos has established a spatial relationship between the vein system and the porphyry environment at surface level, increasing the potential size of the combined mineralised systems.

Environmental permit applications for drilling at the Yvette prospect have been lodged.

MILLENIUM

There were no exploration activities at Millenium during the quarter.

During the quarter, Native Title negotiations continued on the Company's Exploration Permit Applications ("EPM's") 18773, 18793, 18982 and 18402.

Forte Energy NL is currently renewing the Mining Licences subject to an Option-to-Purchase contract with the Company.

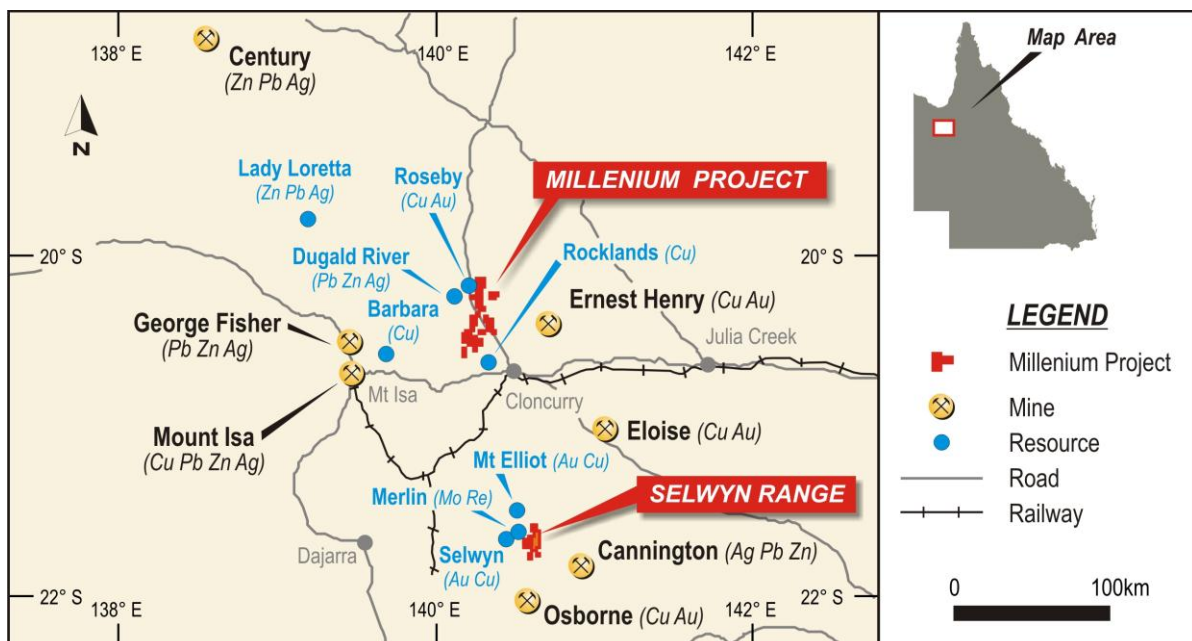


Figure 1: Location map of Elementos' Millenium and Selwyn Range projects.

SELWYN SOUTH

During the quarter, the Company made applications for 109 square kilometres of EPMs (19371, 19375 and 19426) at a new project area called Selwyn South. EPM 19375, representing 59% of the total area, is subject to a Contested Application which has yet to be resolved.

The EPM's are located over an area of inflection in a prospective north-south structural trend, a feature often related to mineralised systems, situated 35 kilometres north of Osborne, 10 kilometres east of the prolific Selwyn trend and 40 kilometres west of Cannington mine

The target style and criteria are very similar to those in the existing Millenium properties 120 kilometres to the northwest. A thorough review has been carried out of open-file data and satellite imagery in order to help plan future operations.

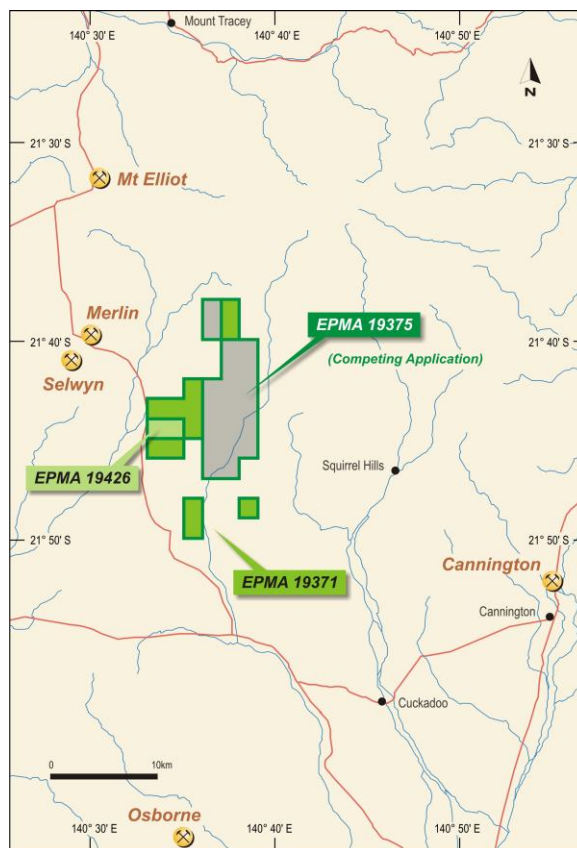


Figure 2: District location map of the Selwyn tenement package.

CATHEDRAL ROCKS

Elementos' project-scale target generation identified numerous new prospects throughout Cathedral Rocks and also in the surrounding area.

An additional two Exploration License Applications, totalling 200 sub-blocks, have been lodged over contiguous ground west of Cathedral Rocks. The new ground covers the extended margins of the Round Mountain pluton and aureole of the granite, which has been identified as prospective due to its geological similarity to the existing Cathedral Rocks property and the presence of several areas of prospective alteration observed in road-cuts.



For more information, please contact:

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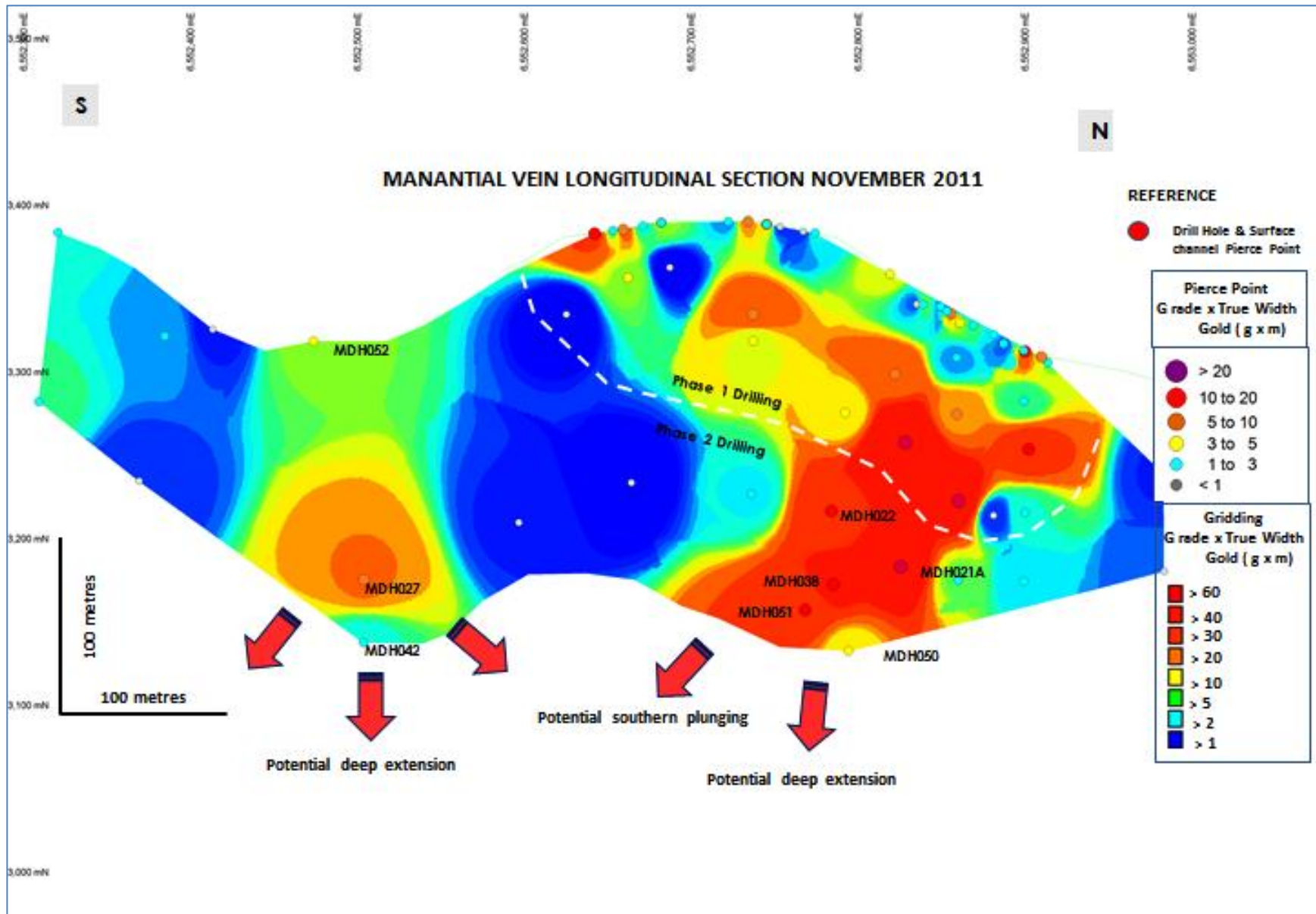
Elementos is an Australian, ASX-listed, exploration company, with a number of projects in Argentina and Australia, which offer an attractive investment environment. The properties are all in mineral rich, highly prospective provinces, with developed infrastructure nearby.

Please visit us at www.elementos.com.au

COMPETENT PERSON STATEMENT

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Alistair Grahame, a member of the Australian Institute of Geoscientists. Mr Grahame is a full-time employee of Elementos Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which it is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Grahame consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Figure 3: Updated longitudinal section showing g/t gold x metre distribution along the main Manantial vein. The dotted white line corresponds to the lower limit of gold mineralisation intercepted in Phase I drilling 2010, showing the expansion of high grade gold due Phase II drilling.



Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/2010.

Name of entity

ELEMENTOS LIMITED

ABN

49 138 468 756

Quarter ended ("current quarter")

31 DECEMBER 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(1575)	(3384)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	79	196
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(1944)	(4223)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(84)	(84)
1.9 Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(84)	(84)
1.13 Total operating and investing cash flows (carried forward)	(2028)	(4307)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2028)	(4307)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	Nil	Nil
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other:		
	Cost of share issue (adjust for IPO)	Nil	Nil
	Net financing cash flows	Nil	Nil
	Net increase (decrease) in cash held	(2028)	(4307)
1.20	Cash at beginning of quarter/year to date	7168	9317
1.21	Exchange rate adjustments to item 1.20	113	243
1.22	Cash at end of quarter	5253	5253

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	110
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

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Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1500
4.2 Development	Nil
4.3 Production	Nil
4.4 Administration	600
Total	2100

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	4691	613
5.2	Deposits at call	562	6555
5.3	Bank overdraft		
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		5253	7168

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	82,383,526	82,383,526		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i> Unlisted Options	5,500,000 1,500,000 1,200,000 500,000 1,000,000	Nil Nil Nil Nil Nil	<i>Exercise price</i> 23.3 cents 30.0 cents 25.0 cents 23.3 cents 33.3 cents	<i>Expiry date</i> 23 October 2015 23 December 2013 7 September 2015 30 November 2015 18 January 2017
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: Date: 31 January 2012
(Director/Company secretary)

Print name: Paul Crawford

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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