

ASX ANNOUNCEMENT

31 July 2019

JUNE 2019 QUARTERLY REPORT

HIGHLIGHTS:

- **Initial ore performance testing at Oropesa demonstrates favourable ore and waste separation characteristics which could potentially provide significant operational and financial benefits**
- **Commencement of a Oropesa technical review to define the project development strategy and streamline the permitting process**
- **Appointment of experienced financial executive, Drew Speedy, as Chief Financial Officer**
- **\$2m Loan Facility Secured for working capital purposes**

Elementos Limited (ASX: ELT) ("Elementos" or the "Company") is pleased to provide shareholders its quarterly activities report for the three-month period ended 30 June 2019.

The Company's strategy is to create a multi-project tin production and exploration company to deliver a critical metal that contributes to a more sustainable future. The Company's portfolio comprises both near-term development and exploration assets, including:

- Oropesa Project, Spain – one of the world's largest undeveloped, open-cut mineable tin deposits, situated in a stable mining jurisdiction with access to world class infrastructure. Oropesa is an advanced tin project with near term development and cash flow potential. The Company believes it will create significant share value-uplift potential as it is advanced towards development; and
- Cleveland Project, Tasmania – a significant resource of tin-copper amenable to both open cut and underground mining techniques, located in a world-class mining district with excellent infrastructure.

OROPESA TIN PROJECT, SPAIN

On the 4th January 2019, the Company announced interim completion on the acquisition of the Oropesa Tin Project in Spain via the purchase of all the shares in MESPA (a Spanish company that has a 100% holding of Oropesa) from Eurotin Ltd (TSX-V:TIN).

The Company has submitted to the Junta de Andalucia (Spanish Regional Mining Authority) all the relevant documentation required to authorise the transfer to Elementos of all the shares in MESPA. The Company has held regular meetings with officials from the Junta to discuss and expedite the authorisation process.

The acquisition of Oropesa represents an excellent opportunity to create value-uplift potential for shareholders as the project is advanced towards development.

Highlights of the Oropesa Project include:

- **Large, well-defined resource** - A globally significant, open-cut mineable resource with strong potential for expansion through additional drilling;
- **Open-cut mining potential** –The deposit is amendable to simple drill and blast, truck and shovel open cut mining operations;
- **Simple metallurgy** - Extensive metallurgical testing and a process flowsheet designed to produce a 62.4% tin concentrate at a 74.2% metallurgical recovery;
- **Near-term production potential** – Definitive Feasibility Study commenced;
- **Permitting process advanced** – Mining Licence application and Environmental Impact Study lodged with the Junta de Andalucia;
- **Located close to development infrastructure** - Located close to major highways which link to export ports, water supply and power supply. The region has a skilled mining workforce;
- **Low sovereign risk** - The Andalucia region of Spain is home to some of the country's most significant mining operations and part of the European Union which provides a safe investment environment;
- **Large sunk cost** – significant historical investment in drilling, geophysics, metallurgical testing and development studies; and
- **Local community support** - The local government and community is extremely supportive of the project moving ahead.

The Company is currently undertaking an internal desktop study to define the optimal development pathway for the project, including:

- Optimisation of the project development scale to maximise project value and create a manageable and fundable project development budget;
- Pre-concentration test work to optimise the size of the process plant and define a processing flow sheet;
- Planning of a drilling program for resource definition and expansion, geotechnical and metallurgical purposes; and
- Modification of permitting documentation to reflect the revised development plan.

Oropesa Project Development Strategy Modifications

The Company is actively advancing the Oropesa Tin Project towards development. This includes examining alternative development strategies to that originally submitted for Mining and Environmental approvals by Eurotin Ltd, the projects previous owners. This involves a re-designed open-cut operation that will result in a significant reduction to the overall footprint of the operation and will have a positive impact on the timing and completion of rehabilitation activities over the life of the operation, including:

- A reduction in the footprint of the open cut and waste rock activities during operations;
- Progressive and earlier final rehabilitation of the open cut and waste rock dumps;
- A reduction in the footprint of the processing plant;
- Potential for co-disposal of clean tailings – resulting in a greatly reduced volume and footprint of the tailings dam and more efficient final rehabilitation;

- Lower power and water consumption during processing; and
- More effective utilisation of the current resource.

The Company has been in extensive discussions with the Andalusian Government regarding the current Mining Lease application (Exploitation Licence) and the alternative mining and processing operation the Company is proposing. Based on these discussions, a decision has been made to revise the original Environmental Impact Statement to better align with the Company's newly proposed mining operation.

Oropesa Ore Sorting Testwork

During the quarter, the Company reported the successful completion of its first phase ore preconcentration performance testing, on a three-tonne bulk sample from Oropesa (see ASX announcement 22nd May 2019).

Initial results were impressive with preliminary visual inspection of the product and waste samples indicating good separation had occurred, demonstrating that ore sorting can potentially provide significant operational and financial benefits at Oropesa.

The second phase of the test programme involving detailed chemical analyses of all the product and waste samples is underway. The final results will be used to determine the overall performance of the process.

The key objective of ore sorting is to maximise waste rejection prior to the expensive process of grinding in a processing plant. The potential benefits of ore sorting include:

- Maximising the rejection of waste prior to entering the downstream processing plant;
- A reduction in the size of the downstream processing plant;
- Increased throughput rate entering the downstream processing plant;
- Increase the head grade of the feed to the downstream processing plant;
- Improve the metallurgical recoveries and concentrate grades in the downstream processing plant;
- Reduced capital and operating costs in the downstream plant, providing the opportunity to exploit more of the Mineral Resource; and
- A reduction in overall environmental impact.

The first phase test work was completed at the TOMRA Sorting Solutions – Mining facilities in Hamburg, Germany, involving the separation of high density particles from low density particles utilising the TOMRA XRT technology.

A final report from TOMRA, including assay results from all the test work samples is nearing completion. A successful program could have a significant impact on the overall design of the Oropesa plant and potentially lower capital and operating costs.

CLEVELAND TIN, COPPER AND TUNGSTEN PROJECT

Excellent progress was made at Cleveland in 2018 with the completion of the first drilling program since the project acquisition more than seven years ago. A new, high-grade, open-cut tin-copper Mineral Resource estimate was completed which the Company believes provides a significant enhancement to the project economics. The new development will incorporate a small-scale open-cut and tailings retreatment processing facility, followed by exploitation of the large underground Mineral Resource. In addition,

further metallurgical testing is planned to examine opportunities for enhancing the project economics.

Following the Mineral Resource upgrade, the Company is preparing to lodge an official submission for a new development proposal for a combined open cut / tailings retreatment operation.

TEMENGOR TIN PROJECT

The Company has been notified by its partner, Ipoh-based Empire Tin Mining Sdn Bhd, that the Perak State has determined that a moratorium is to be put in place on the granting of any Exploration Licence applications for potential mining projects in the State for the foreseeable future. This outcome is the result of the Government's concerns that natural environmental conditions in the waterways located in the northern region of the State of Perak are not being managed. These conditions are neither located near nor associated with the Temengor Project area. The Government has advised that it requires time to formulate suitable remediation and monitoring measures that will provide a managed solution to the problem moving forward.

The decision by the Perak State Government to apply a moratorium on all new exploration licences in the northern region of the state applies to all applicants. No schedule has been advised for when this situation may revert. The Company is currently assessing if there are any alternative options to move the project forward and will provide shareholders with updates accordingly.

CORPORATE

Appointment of a Chief Financial Officer

The Company announced the appointment of Mr Drew Speedy as Chief Financial Officer, replacing Mr Duncan Cornish, who will remain as Company Secretary. Mr Speedy will be instrumental in the development of the Company's project financial models, and development and execution of funding plans for its projects.

Mr Speedy has held numerous finance roles within ASX listed resources companies over the past 15 years. Most recently, serving as CFO and Company Secretary of UIL Energy Ltd until its (Board Recommended) takeover by Strike Energy Ltd. Prior to that he was Financial Controller of Bow Energy Ltd until its sale to Arrow Energy and has held senior finance roles with other companies including Arrow Energy, Blue Energy, and Queensland Gas Company during its market capitalisation growth phase from \$20 million to ~\$2 billion.

Mr Speedy played a crucial role in finalising the due diligence and acquisition of the Oropesa Tin Project in Spain in a consulting capacity. He holds a Bachelor of Business from the Queensland University of Technology and is a member of the Certified Practising Accountants and the Governance Institute of Australia.

Capital and Project Finance

As reported in the previous Quarterly Report, the Company has entered into an unsecured Loan Facility with its largest shareholder and Non-Executive Chairman, Mr Andy Greig. The facility provides the Company with the flexibility to continue its operations whilst it finalises the optimal strategy for securing new equity that minimises dilution to existing shareholders.

The key terms of the facility include:

- Maximum value of AUD\$2.0M for a maximum term of 24 months;
- Ability to draw down in minimum tranches of \$250,000 at the Company's discretion;
- Interest rate of 6% per annum on drawn funds;
- Unsecured and no conversion rights;
- No requirement for the Company to repay principal or interest during the loan term; and
- Repayable at any time during the loan term.

The Company is continuing discussions with a number of financing groups who have shown interest in providing project finance for Oropesa. The Board is confident that multiple options for financing Oropesa are available, thus creating potentially attractive financing structures.

EXPLORATION TENEMENTS

The Company holds the following interests in tenements at the end of the quarter:

Tenement Name	Tenement Number	Area (km ²)	Elementos Interest	Tenement Location
Cleveland	EL7/2005	55	100%	Tasmania

ELEMENTOS JORC RESOURCE TABLES

OROPESA

Oropesa Global Mineral Resources Estimate (0.15% Sn cut-off grade)			
Category	Tonnes	Grades % Sn	Contained Tin
Measured	330,000	1.09	3,585
Indicated	9,010,000	0.53	47,320
Total M & I	9,340,000	0.55	50,905
Inferred	3,200,000	0.52	16,615

Table 1. Oropesa JORC Resource Estimate*1

CLEVELAND

Open Pit Tin-Copper Mineral Resource - September 2018 (at 0.35% Sn cut-off)

NOTE: this Open Pit Tin-Copper Mineral Resource is a sub-set of the Total Tin-Copper Mineral Resource noted below

Category	Tonnage	Sn Grade	Contained Sn	Cu Grade	Contained Cu
Indicated	1.73 Mt	0.93%	16,100t	0.33%	5,700t
Inferred	0.16 Mt	1.18%	1,900t	0.49%	800t
TOTAL	1.89 Mt	0.95%	18,000t	0.34%	6,500t

Table subject to rounding errors; Sn = tin, Cu = copper

Underground Tin-Copper Mineral Resource - September 2018 (at 0.35% Sn cut-off)

NOTE: this Underground Tin-Copper Mineral Resource is a sub-set of the Total Tin-Copper Mineral Resource noted below

Category	Tonnage	Sn Grade	Contained Sn	Cu Grade	Contained Cu
Indicated	4.50 Mt	0.68%	30,600t	0.29%	13,000t
Inferred	1.08 Mt	0.70%	7,500t	0.25%	2,700t
TOTAL	5.58 Mt	0.68%	38,100t	0.28%	15,700t

Table subject to rounding errors; Sn = tin, Cu = copper

Total Tin-Copper Mineral Resource - September 2018 (at 0.35% Sn cut-off)

Category	Tonnage	Sn Grade	Contained Sn	Cu Grade	Contained Cu
Indicated	6.23 Mt	0.75%	46,700t	0.30%	18,700t
Inferred	1.24 Mt	0.76%	9,400t	0.28%	3,500t
TOTAL	7.47 Mt	0.75%	56,100t	0.30%	22,200t

Table subject to rounding errors; Sn = tin, Cu = copper

Tailings Ore Reserve - September 2018 (at 0% Sn cut-off)

Category	Tonnage	Sn Grade	Contained Sn	Cu Grade	Contained Cu
Probable	3.7 Mt	0.29%	11,000t	0.13%	5,000t

Table subject to rounding errors; Sn = tin, Cu = copper

*1 - This information was prepared and first disclosed in 2015 under the JORC Code 2012. It has not been updated since on the basis that the information has not materially changed since it was last reported.

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Underground Tungsten Mineral Resource - September 2018 (at 0.20% WO₃ cut-off)

Category	Tonnage	WO ₃ Grade
Inferred	4 Mt	0.30%

*2-This information was prepared and first disclosed in 2014 under the JORC Code 2012. It has not been updated since on the basis that the information has not materially changed since it was last reported.

Table subject to rounding errors; WO₃ = tungsten oxide

Table 2. Cleveland JORC Resource Estimate*2

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Cautionary Statements

Forward-looking statements

This document may contain certain forward-looking statements. Such statements are only predictions, based on certain assumptions and involve known and unknown risks, uncertainties and other factors, many of which are beyond the company's control. Actual events or results may differ materially from the events or results expected or implied in any forward-looking statement.

The inclusion of such statements should not be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions or that any forward-looking statements will be or are likely to be fulfilled. Elementos undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this document (subject to securities exchange disclosure requirements).

The information in this document does not take into account the objectives, financial situation or particular needs of any person or organisation. Nothing contained in this document constitutes investment, legal, tax or other advice.

Mineral Resources and Ore Reserves

Elementos confirms that Mineral Resource and Ore Reserve estimates used in this document were estimated, reported and reviewed in accordance with the guidelines of the Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code) 2012 edition.

Mineral Resources, which are not Ore Reserves, do not have demonstrated economic viability. Economic, environmental, permitting, legal, title taxation, socio-political, marketing or other relevant issues may materially affect the estimate of Mineral Resources.

Elementos confirms that it is not aware of any new information or data that materially affects the Mineral Resource or Ore Reserve information included in the following announcements:

*1 - "Acquisition of the Oropesa Tin Project" released on the 31st July 2018;

*2 - "Substantial Increase in Cleveland Open Pit Project Resources following revised JORC study" released 26th September 2018

The Company also confirms that all material assumptions and technical parameters underpinning the estimates in the Cleveland Mineral Resources and Reserves and the Oropesa Mineral Resources continue to apply and have not materially changed. Elementos also confirms the form and context in which the Competent Person's findings are presented have not been materially modified from the date of announcement.