

06 February 2012

ELEMENTOS ACQUIRES RIGHT TO MERCEDES COPPER PROJECT IN CHILE

Highlights

- Option to acquire 90% of a copper exploration project near Calama, Chile
- Significant land package, located in a world-class copper district, which includes Chuquicamata, one of the world's largest open pit mines
- Favourable geological setting, with widespread copper oxide mineralisation and porphyry-style mineralisation and alteration
- Excellent regional infrastructure and logistics, within the politically stable and pro-mining jurisdiction of Chile

Elementos Limited (ASX: ELT) ("Elementos" or the "Company") is pleased to announce it has secured an option to acquire a 90% interest in the Mercedes copper project in northern Chile. The agreement is subject to completion of a 30-day legal due diligence.

Mercedes comprises 8,589 ha of mining concessions and 21,200 ha of exploration permit applications, strategically located 60 kilometres east of the world-class Chuquicamata mining district.

Significant mines and deposits in the district include Chuquicamata, Ministro Hales, Radomiro Tomic, El Abra, Gaby and Spence. The region has excellent exploration, mining and development infrastructure.

Mercedes' prospective features include:

- Located close to a cluster of world-class porphyry deposits which includes both copper oxide heap leaching and copper-gold-molybdenum sulphide processing;
- Extensive structurally hosted, copper oxide mineralisation on surface with associated stratabound mantos in a volcanic sequence. The average grade of mined copper oxide material in 2011 was 1.6%;
- Five selective samples assaying between 0.7-3.1% copper in different mineralogical environments across the project area; and
- A suite of rock types and relationships including structures, alteration and mineralisation assemblages associated with porphyry deposits.

No modern exploration has been undertaken at Mercedes. Small-scale intermittent mining has targeted high-grade copper oxides across the property. Elementos' exploration activities will include mapping, sampling, geophysical surveys and drilling of advanced targets. Mercedes has a number of targets that can be drilled quickly.

Mercedes is an exciting new opportunity for the Company with the potential to discover copper oxide and porphyry-style deposits in a world-class, proven mining district with stable jurisdiction.

Project objectives

Elementos plans two parallel strategies at Mercedes:

1. Investigate the potential for delineating a copper oxide resource capable of being developed into a solvent extraction and electro winning operation. This could include consolidation with other known nearby copper oxide deposits; and
2. Explore for copper-gold-molybdenum porphyry-style mineralisation, which is prolific in the district.

Strategic location in the world's foremost copper producing region

The Atacama region is one of the largest copper producing areas, located centrally within the prolific northern Chile copper belt. It is host to several clusters of world-class copper-molybdenum-gold deposits and numerous small to mid-sized copper oxide deposits. Significant deposits and their resources in the area include:

Deposit	Copper Resource	Operator
Chuquicamata	10,497 Mt at 0.55% copper ¹	Codelco
Radomiro Tomic	7,247 Mt at 0.37% copper ²	Codelco
Ministro Hales (Mina Mansa)	1,339 Mt at 0.94% copper ³	Codelco
Gabriela Mistral (Gaby)	1,191 Mt at 0.36% copper ⁴	Codelco
Spence	64 Mt at 1.01% copper-oxide and 222 Mt at 0.91% copper Sulphide ⁵	BHP Billiton
El Abra	940 Mt at 0.45% copper ⁶	Freeport McMoRan (51%) Codelco (49%)
El Tesoro	Sulphides: 149 Mt at 0.81% copper Oxides: 103.1 Mt at 0.33% copper ⁷	Antofagasta plc (70%) Marubeni (30%)
Esperanza	891 Mt at 0.47% copper, 0.01% molybdenum and 0.17 g/t gold ⁸	Antofagasta plc
Antucoya	1,153 Mt at 0.28% copper ⁹	Antofagasta plc

Note: These mines and resources are not assets of the company and their proximity to the company's projects should in no way be taken as indicative that the company will be able to successfully develop a resource

1, 2, 3 & 4 <http://annualreports2010.codelco.cl/global-mining-leadership/mining-resources-and-asset-management/>

5 <http://www.bhpbilliton.com/home/investors/reports/Documents/2011/BHPBillitonAnnualReport2011>

6 http://www.fcx.com/ir/AR/2010/FCX_AR_2010

7, 8 & 9 www.antogasta.co.uk/annualreport2010

Location

Mercedes is situated in the Calama district, Region II, Chile, 1,600 kilometres north of Santiago and 215 kilometres north-east of Antofagasta, the national and regional capitals respectively. Access to the project is via sealed and graded roads from the city of Calama located 65 kilometres to the west.

The Chuquicamata district is well supported with infrastructure, including:

- Service centre at Calama with accommodation and modern airport;
- Exploration and mining industry technical support services;
- Port facilities at Antofagasta (280 kilometres south-west of the project area);
- A copper oxide toll treatment facility (35 kilometres west of Mercedes); and
- Electricity distribution network.

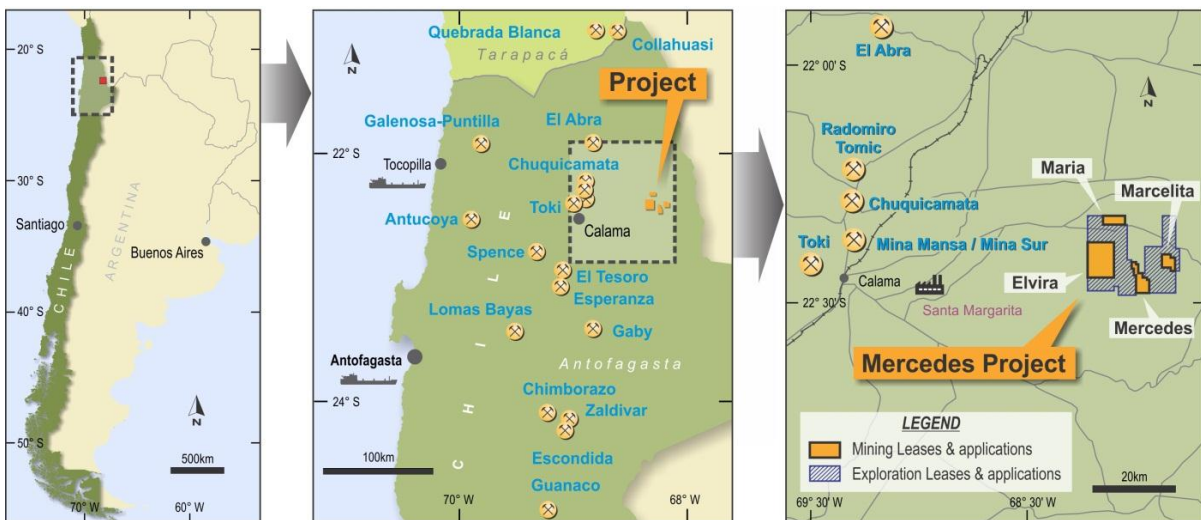


Figure 1: Location map of the Mercedes project, Region II, Chile.



Figure 2: Aerial view of the 4 kilometre long Chuquicamata pit (left); Modern Calama airport (right).

The project is located between 2,500 and 3,600 metres above sea-level. The excellent regional infrastructure, good network of roads, stable climate and subdued topography will enable year-round cost-effective exploration.

The Company will investigate water availability options including purchasing water from existing operators, acquiring water rights, and exploration drilling for aquifers at the Andean foothills in the eastern side of the project area.

Geology

The geology of the area comprises a Mesozoic volcano-sedimentary sequence hosting porphyry intrusives, both of which form part of the Tuina Group, a similar geological setting to the Chuquicamata district¹⁰.

Elementos believes there is significant potential for economic copper mineralisation in the exposed host rocks and beneath the extensive ignimbrite cover throughout the project area. The wide distribution of the porphyry intrusives and sub-volcanic stocks, and presence of visible copper oxide mineralisation with them, also implies potential for porphyry style mineralisation. Additionally, there is potential for transition to sulphide mineralisation at depth.

Mercedes comprises four known prospects: Elvira, Mercedes, Maria and Marcelita.

Elvira – Copper oxide mineralisation in small-scale mine workings is observed within structures cutting through the stratigraphic sequence, along the contact zones with the porphyry and disseminated within the intrusive. Additionally, over large areas the surface rocks exhibit propylitic alteration, an indicator of intrusive activity.



Figure 3: Elvira copper oxide mineralisation in porphyry. A selective sample assayed 1.59% copper and 0.6 g/t gold (left); Mineralisation and alteration along an intrusive contact. A non-representative sample returned 1.47% copper. A sample from 50 metres uphill returned 0.69% copper (right).

Mercedes - Copper oxide mineralisation is observed in zones where erosion has exposed the underlying rock sequence hosting mineralised structures, mantos and within contact zones of sub-volcanic intrusions. Assay results of material sold to ENAMI¹¹ from small-scale mining during 2011 has returned grades averaging 1.6% copper.

¹⁰ Concesiones Mineras Sectores Elvira, Mercedes y Marcelita, II Región Antofagasta: Evaluación Geológica y Potencial de Exploración. Francisco Camus Infanta (2010). Unpublished report for Inmobiliaría Agua Pura Ltda

¹¹ ENAMI: State-run mining company that assists in the development and commercialisation of small-scale mining



Figure 4: Main Mercedes workings showing mineralisation extending over 400 metres in length and over a vertical extent of 150 metres. A selective sample assayed 3.09% copper and 36 g/t silver.

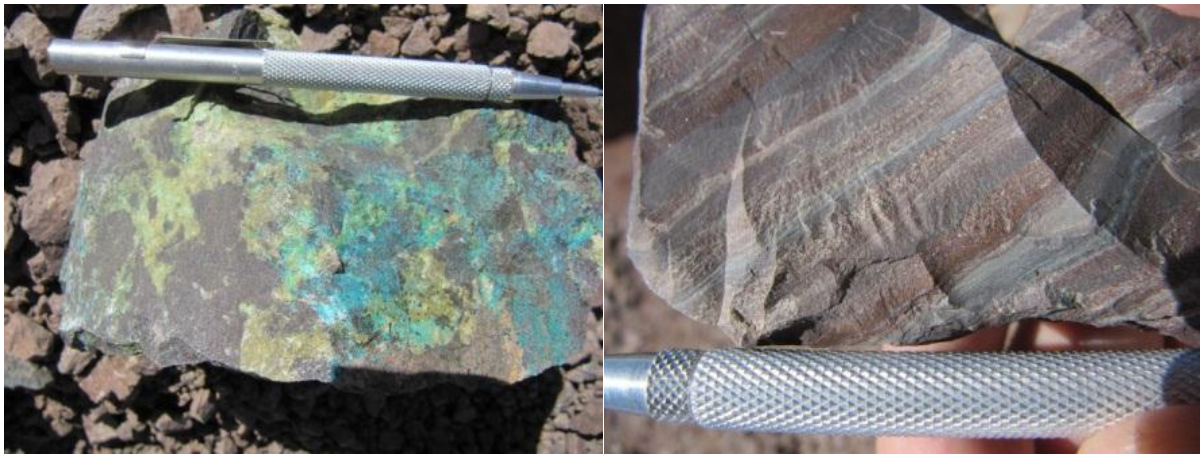


Figure 5: Mercedes copper oxides from a high-grade, high-angle structure. A selective sample returned 2.55% copper, 19 g/t silver and 11 ppm molybdenum (left); Manto-style mineralisation (right).



Figure 6: Excavating a newly exposed high-angle structure at Mercedes (left) and an example of high-grade copper oxide mineralisation from the structure (right).

Marcelita - The style of alteration and the occurrence of widespread exotic copper oxides in the ignimbrites indicate potential for a copper-gold porphyry target.



Figure 7: Panorama of the northern sector of Marcelita, looking north-west.

Maria – Strategically located within known mineralised areas where satellite image interpretation indicates potential for near-surface copper oxide mineralisation and porphyry intrusives.

Exploration program

Elementos will commence an exploration program at Mercedes, targeting copper-oxide and porphyry mineralisation identified during due diligence activities. This will involve mapping, sampling, alteration studies, geophysics and drilling. It is planned to drill-test the initial targets within the first year.

Initially exploration activities will focus on the copper oxide target at Mercedes and the porphyry targets at Elvira. An initial mapping and sampling program will be conducted in parallel with an airborne-magnetometry geophysical survey, followed by Induced Polarisation geophysics as required.

Option terms

The Mercedes project agreement has been structured as a series of options over four years. This will enable Elementos to complete a thorough exploration of the project before making substantial purchase payments.

No option payments are due for the first six months, enabling the Company to complete a preliminary exploration program, including some drilling. Option payments then commence at \$50,000 per month for the next 12 months, increasing to \$100,000 per month for the ensuing 29 months. At any time during this period of four years, Elementos can withdraw from the project with no penalty.

The purchase price of \$10 million is payable 50% at the end of the fourth year, plus 25% each at the end of the fifth and sixth years.

Elementos will manage and fund all exploration, evaluation and development costs in relation to Mercedes, including minimum drilling commitments of 3,000, 4,000 and 5,000 metres in the first three years respectively.

Future development

In the event Elementos elects to develop the Mercedes Project, Elementos will fund the vendor's 10% share of the development costs and the repayment will be made out of the profits of the project accruing to the vendor.

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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.

Table 1: Results of Elementos due diligence sampling

Sample Number	Prospect	Easting UTM WGS84	Northing UTM WGS84	Altitude (metres)	Description	Sample Type	Copper (%)	Gold (ppm)	Silver (ppm)	Molybdenum (ppm)
3903	Mercedes	577147	7519262	3406	Volcanoclastic manto	Outcrop	3.09	0.01	36.2	2
3904	Mercedes	575980	7517843	3465	Volcanoclastic manto	Outcrop	2.55	<0.01	19.1	11
3905	Elvira	569087	7522395	3165	Porphyry	Outcrop	1.59	0.59	2.2	<2
3906	Elvira	568860	7523579	3143	Porphyry	Outcrop	1.47	0.06	3.7	6
3907	Elvira	568899	7523547	3143	Porphyry	Outcrop	0.69	<0.01	10.0	8