ELEMENTOS LIMITED
ABN 49 138 468 756

CORPORATE GOVERNANCE STATEMENT

ASX Corporate Governance Principles and Recommendations

Elementos Limited ("Elementos" or the "Company") is committed to implementing sound corporate governance practices. In order to set appropriate corporate governance standards, the Company has used the reporting recommendations set out by the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles and Recommendations). These have been categorised into eight core principles.

While seeking to implement sound corporate governance practices, the Company recognises that not all the recommendations are applicable to the Company due to its current size, the nature of its operations, and its stage of development. Where the Company has not fully adopted the relevant recommendation, the reasons are set out below.

PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Pursuant to Principle 1, the Company has established the functions reserved to the board and established the functions delegated to the managing director. The board's role is to govern the Company rather than to manage it, representing the interests of all shareholders. In governing the Company, the directors are required to act in the best interests of the Company as a whole. It is the role of the managing director to manage the Company in accordance with the direction and delegations of the board and it is the responsibility of the board to oversee the activities of the managing director in carrying out these delegated duties.

1.1 Companies should establish the functions reserved for the board and those delegated to the senior executives and disclose those functions.

The Company has developed a Statement of matters reserved for the board which sets out the role and responsibilities of the board, a summary of which is as follows:

- provide leadership to the Company;
- oversee the development and implementation of an appropriate strategy;
- oversee planning activities including the development and approval of strategic plans, annual corporate budgets and long-term budgets including operating budgets, capital expenditure budgets and cash flow forecasts;
- review the progress and performance of the Company in meeting these plans and corporate objectives, including reporting the outcome of such reviews on at least an annual basis;
- ensure corporate accountability to the shareholders, primarily through effective shareholder communications;
- oversee the control and accountability systems to ensure the Company is progressing towards the goals set by the board and in line with the Company's purpose, the agreed corporate strategy, legislative requirements and community expectations;
- ensure that robust and effective risk management, compliance and control systems (including legal compliance) are in place and operating effectively;
- appoint the managing director and review the delegation to, and performance of, the Company's senior executives; and

- make all decisions outside the scope of powers delegated to senior management.

In general, the board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company, which includes supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed.

The board convenes regular meetings with such frequency sufficient to discharge its responsibilities appropriately.

The board has delegated powers to the managing director necessary to carry out the business of the Company effectively and efficiently.

Newly appointed directors are provided with formal appointment letters setting out the key terms and conditions regarding their appointment. Similarly, senior executives (including the managing director) are provided with formal appointment letters making clear their responsibilities, remuneration, appointment term, and entitlements on termination.

1.2 Companies should disclose the process for evaluating the performance of senior executives

The remuneration structure for executive officers is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of Elementos.

Senior executives' performance is reviewed against a range of quantitative and qualitative measures and past performance of Elementos as well as of the individual, and market practice with respect to comparable positions are taken into account.

The non-executive directors are responsible for evaluating regularly the managing director's performance. This evaluation is based on the Company's business performance and whether strategic objectives are being achieved. The managing director reviews other executives' and staff performance. Performance pay components of executives' packages are dependent on the outcome of the evaluations. The results of the managing director's annual performance reviews of senior executives and staff are reported to the board for information.

1.3 Reporting on Principle 1

Details of the functions reserved for the board and delegated to the managing director are outlined in the Company's Board Governance Protocols, and available on the Company's website at www.elementos.com.au.

PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

Pursuant to Principle 2, the board should be of a size, composition and have the level of commitment to adequately discharge its responsibilities and duties. To add value to the Company, given the size and operations of the Company, the board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties.

The Elementos board is comprised of three directors (as at the date of this Annual Report) that have wide-ranging experience in the mineral exploration and mining sector and a diverse skill set which is detailed in the Directors' Report in this Annual Report along with details of the directors, period of office, their qualifications and experience.

2.1 A majority of the board should be independent directors

As at the date of this report, the board comprises one Executive Director, Mr Calvin Treacy, who is the Managing Director and is not independent because he is employed in an executive capacity. There are two Non-executive Directors: Mr C Nolan and Mr R Seville. The Non-executive Directors meet the criteria for independence proposed by the ASX Principles and Recommendations.

While determining the independent status of directors, the board has considered whether the director:

- holds less than five percent of the voting shares of the Company (in conjunction with their associates), or is an officer of the Company, or otherwise associated directly with a shareholder of more than five percent of the voting shares of the Company;
- has within the last three years, been employed in an executive capacity by the Company or another group member;
- has within the last three years been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided. In this context, the relationship with the professional adviser or consultant shall be deemed to be material if payments from the Company exceed 10% of the Company's annual expenditure to all professionals and consultants or exceed 10% of the recipient's annual revenue for advisory or consultancy services;
- is a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer. In this context, the relationship with the supplier or customer shall be deemed to be material if annual payments to or from that supplier or customer exceed 10% of the annual consolidated gross revenue of either the Company or that supplier or customer; and
- has a material contractual relationship with the Company or other group member other than as a director of the Company.

2.2 The chairperson should be an independent director

The Directors consider that the board is not of a size to have a chairperson.

2.3 The roles of the Chairperson and Chief Executive Officer should not be exercised by the same person

The Directors consider that the board is not of a size to have a chairperson.

2.4 The board should establish a nomination committee

The Directors consider that the Company is not of a size and that its affairs are of such complexity as to justify the formation of special or separate committees.

2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors

The board considers the evaluation of its directors and senior executive performance as fundamental to establishing a culture of performance and accountability. The chairman undertakes a review of the board and individual director's performance at least once a year at a meeting of the board. The board evaluated its performance and the directors' individual performance in relation to goals set at the time of the board's annual strategic planning session.

The chairman provides each non-executive director with confidential feedback on his or her performance. The board does not endorse the re-appointment of a director who is not performing the role satisfactorily.

The Directors consider that the Company is not of a size and that its affairs are of such complexity as to justify the formation of special or separate committees.

Induction and Education

New directors will undergo an induction process in which they will be given a full briefing on the Company. Where possible, this will include meetings with key executives, a tour of the premises, an induction package and presentations. Information conveyed to new directors will include:

- details of the roles and responsibilities of directors;
- formal policies on director appointment;
- outline of all relevant legal requirements including:
  - Corporations Act;
  - Tax Office requirements; and
  - other major statutory bodies;
- a copy of the Board Governance Protocols;
- guidelines on board processes;
- details of past, recent and likely future developments relating to the board, including anticipated regulatory changes;
- background information on and contact information for key people in the organisation including an outline of their roles and capabilities;
- an analysis of the Company including:
  - core competencies of the Company;
  - an industry background briefing;
  - a recent competitor analysis;
  - details of past financial performance;
  - current financial structure; and
  - any other important operating information;
- a synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget;
- a copy of the Constitution of the Company; and
- Director's Deed of Indemnity and Right of Access to Documents, if applicable.

In order to achieve continuing improvement in board performance, all directors are encouraged to undergo continual professional development.

Access to information and Independent Professional Advice

Each director has the right of access to all Company information and to the Company's executives. Further, the board collectively and each director, subject to the approval of the Chairman, has the right to seek independent professional advice from a suitably qualified advisor, at the Company's expense, to assist them to carry out their responsibilities. A copy of this advice is to be made available to all other members of the board.

2.6 Reporting on Principle 2

The board assesses the necessary competencies of the board, reviews board succession plans, and develops policies and processes for evaluation of the Board and the nomination, appointment and re-election of directors. These responsibilties, as set out in the board Governance Protocols, are carried out by the board rather than a seprate nomination committee.

The Company's Constitution provides that directors are subject to retirement by rotation, by order of length of appointment. Retiring directors are eligible for re-election by shareholders at the Annual General Meeting of the Company.

PRINCIPLE 3 - PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Principle 3 is to actively promote ethical and responsible decision-making.

3.1 Companies should establish a code of conduct and disclose the code or a summary of the code

The Company acknowledges that the community expects businesses to be aware of their wider social obligations and to promote practices to maintain confidence in the Company's integrity. The Elementos board requires high standards of conduct and responsibility from directors, senior executives and employees at all times. As part of its commitment to recognising the expectations of their stakeholders, the Company has established a Code of Ethics and Conduct for directors and employees within its board Governance Protocols to guide compliance with legal and other obligations to stakeholders, which include employees, clients, customers, government authorities, creditors and the community. Directors are required to adhere to industry standards in conduct and dealings and promote a culture of honesty, fairness and ethical behaviour into its internal compliance policy and procedures as well as dealing with stakeholders.

The board also requires the Company's employees and consultants, to have similar high standards who are expected to adhere to industry standards in their conduct and dealings, including trading in securities. The Elementos board has built the promotion of a culture of honesty, fairness and ethical behaviour into its internal compliance policy and procedures.

A copy of the Code of Ethics and Conduct is given to contractors and relevant personnel, including directors and each individual is accountable for such compliance. Any breach of applicable laws, accepted ethical commercial practices or other aspects of the Code of Ethics and Conduct will result in disciplinary action.

Depending on the severity of the breach, such disciplinary action may include reprimand, formal warning, demotion or termination of employment/engagement (as the case may be). Similar disciplinary action may be taken against any manager who directly approves of such action or has knowledge of the action and does not take appropriate remedial action.

Breach of applicable laws or regulations may also result in prosecution by the appropriate authorities.

The Company will not pay, directly or indirectly, any penalties imposed on personnel as a result of a breach of law or regulation.

Personnel are expected to report any instances of suspected non-compliance and investigate reports of unethical practices. These instances will be investigated fairly. Individuals who report suspected non-compliance in good faith will be appropriately protected.

Company Securities Trading Policy

The Company has a Securities Trading Policy pursuant to ASX Listing Rule 12.9. According to this policy, all directors, senior executives, employees, contractors and consultants, whilst in possession of material, non-public, market price sensitive information, are subject to three restrictions:

- they must not deal in securities where they are in possession of inside information;
- they must not cause or procure anyone else to deal in those securities; and
- they must not communicate the information to any person if they know or ought to know that the other person will use the information, directly or indirectly, for dealings in securities.

Directors, senior executives, employees, contractors and consultants are required to advise the chairman and company secretary of their intentions prior to undertaking any transaction in the Company's securities. If a director, senior executive, employee, contractor or consultant is considered to possess material, non-public, market price sensitive information, they will be precluded from making a security transaction until after the time of public release of that information.

The Securities Trading Policy is available on the Company's website.

3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy

The Diversity Policy is a commitment by the Company to actively seek to maintain a diverse workforce to create a workplace that is fair and inclusive, applies fair and equitable employment practices and provides a working environment that will allow all employees to reach their full potential.

3.3 Companies should disclose in each Annual Report the measurable objectives for achieving gender diversity set by the board in accordance with the Diversity Policy and progress towards achieving them

The Company is of the view that any measurable statistical objectives on a diverse workforce must be fit for purpose, in line with the Company strategic objectives and ensure the Company is in compliance with all relevant legislative requirements. As at the date of this Annual Report, the Company is of the opinion that measurable objectives are not appropriate at its present stage of development, however, the Company will consider implementation of measurable objectives in future.

3.4 Companies should disclose in each Annual Report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board

Due to the size and scale of operations of the Company, the board believes that a longer term gender diversity objective is more appropriate.

As at the date of this Annual Report, 0% of board, 29% of employees and 30% of senior executives are women.

3.5 Reporting on Principle 3

The Code of Ethics and Conduct is available on the Compoany's website. The Securities Trading Policies, incorporated in the Board Governance Protocols manual, is also available on the Company's website under Corporate Governance.

PRINCIPLE 4 - SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Principle 4 is to have a structure of review and authorisation in place which independently verifies and safeguards the integrity of the Company's financial reports. The compilation and timely disclosure of accurate and true and fair information about the Company's financial position and performance is vital for the integrity of the market in the Company's securities.

Elementos has established a structure of reporting and oversight to achieve these objectives.

4.1 The board should establish an audit committee

The Directors consider that the Company is not of a size and that its affairs are of such complexity as to justify the formation of special or separate committees.

PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE

Pursuant to Principle, 5 listed companies should make timely and balanced disclosure to the ASX of all material information concerning the Company.

The Elementos board has adopted a policy and rules to ensure the Company complies with its obligations under the ASX Listing Rules on continuous disclosure and ensures accountability at a senior executive level for that compliance. The board has designated the managing director as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX.

In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's shares; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose the Company's shares.

Such matters are advised to the ASX immediately they are identified as being material. Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on its website under the Investors section and then Announcements.

Elementos has established Contiuous Disclosure Policies.

5.2 Reporting on Principle 5

A summary of the Company's policy for media contact and external communications is outlined in the Board Governance Protocols manual.

In addition, the Company's Continuous Disclosure Policies are incorporated in the Board Governance Protocols, which is available on the Company's website under Corporate Governance.

PRINCIPLE 6 - RESPECT THE RIGHTS OF SHAREHOLDERS

Pursuant to Principle 6, companies should design a communications policy to promote effective communication with shareholders.

6.1 Communications policy

The Elementos board respects the rights of its shareholders, and to facilitate the effective exercise of those rights it has adopted a policy on communication with shareholders, and implemented a set of processes to ensure timely and effective communication with shareholders and the wider investment community. The Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the Company's website, information mailed to shareholders, and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and its corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company and ask questions regarding the conduct of audit and about the functioning of the Company generally; and
- making it possible for shareholders to receive communication by electronic means.

6.2 Reporting on Principle 6

A summary of the Company's policy for media contact and external communications is outlined in the Board Governance Protocols manual, available on the Company's website under Corporate Governance.

PRINCIPLE 7 - RECOGNISE AND MANAGE RISK

Principle 7 provides that companies should establish a sound system of risk oversight and effective management and internal control.

7.1 Risk Management and Internal Control System

The primary objectives of the risk management and internal control system at the Company are to ensure:

- all major sources of potential, opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately;
- business decisions throughout the Company appropriately balance the risk and reward trade off;
- regulatory compliance and integrity in reporting is achieved; and

- the board, senior executives and investors understand the risk profile of the Company.

The system covers:

- operations risk;
- financial reporting; and
- compliance.

Any matters of significance to the Company or materially relevant to its assets, liabilities or profits are signed off by the board after discussion and evaluation of submissions made by the managing director or other party.

Some of the Company's key assets are located outside Australia. Control over the operations is exercised by the managing director. Specific control measures have been implemented to manage the distribution of funds in Chile and Argentina in relation to activities undertaken there.

Identifying Significant Business Risks

The board regularly monitors the operational and financial performance of the Company's activities. The board monitors and receives advice on areas of operation and financial risk and considers strategies for appropriate risk management. All operational and financial strategies adopted are aimed at improving the value of the Company. However, the directors recognise that mineral exploration and evaluation is inherently risky.

7.2 Report on risk management and internal control system

The board has required the managing director to design and implement the risk management and internal control systems to manage the Company's material business risks. As required by the board, the managing director has reported to the board that the Company's material business risks have been managed effectively.

The managing director reviews risk in response to changing business conditions and regulations. Regular reviews of risk and a regular update of the risk profile is undertaken by the board. This normally occurs in conjunction with the strategic planning process. The board oversees the internal audit process that analyses and appraises the adequacy and effectiveness of the Company's risk management and internal control system. The internal audit function is independent of the external auditor.

7.3 Attestation by chief executive officer (or equivalent) and chief financial officer (or equivalent)

The managing director/CEO and the chief financial officer provide a written assurance that the risk management system is effective, efficient and accurately reflected in the Company's financial statements and that:

- the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control ; and
- the Company's risk management and internal control system is operating effectively in all material respects in relation to financial reporting risks.

7.4 Reporting on Principle 7

The Company's risk management, internal compliance, and control system policies that have been established to manage material business risks are discussed with the board, senior executives, management and other employees. The Company envisages disclosing a summary of these policies on its website in future.

PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY

Principle 8 provides that companies should ensure the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined. Elementos is committed to remunerating its directors and officers in a manner that is market competitive, consistent with best practice, and in the interests of shareholders.

8.1 The board should establish a remuneration committee

The Directors consider that the Company is not of a size and that its affairs are of such complexity as to justify the formation of special or separate committees.

8.2 Structure of Non-executive and Executive Director Remuneration

The remuneration structure for executives, including the managing director, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The remuneration policy, setting the terms and conditions for the managing director was developed and approved by non-executive directors. The managing director, and other senior executives receive a base salary, superannuation, fringe benefits and equity-based performance remuneration. Superannuation payments consist of payments in accordance with the provisions of the Superannuation Guarantee Scheme legislation. Individuals may elect to salary sacrifice part of their salary to increased payments towards superannuation. No other form of retirement benefit is paid.

The board's policy is to remunerate non-executive directors at market rates for comparable companies, having regard to the time commitment and responsibilities. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders, and is not linked to the performance of the Company. However, to align director's interests with shareholder interests, directors are encouraged to hold equity interests in the Company. The maximum aggregate amount of fees that can be paid to non-executive directors approved by shareholders is currently $250,000.

The Company's remuneration policy provides for long-term incentives through participation in the Company's Employee and Officers Share Option Plan. Any equity based remuneration proposed to be granted to the managing director will only be granted with shareholder approval.

The Company has prohibited the entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration.

8.3 Reporting on Principle 8

Details of the Company's remuneration policy are outlined in the Remuneration Report section of the Directors' Report.