

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, 3rd Edition (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 Chief Executive Officer (CEO). 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 CEO 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 CEO in carrying out these delegated duties.

The roles and responsibilities of the board are summarised 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.

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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 CEO necessary to carry out the business of the Company effectively and efficiently.

Appropriate background checks are conducted on proposed new directors and material information about a director being re-elected is provided to security holders.

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.

The company secretary works directly with the chair on the functioning of all board and committee procedures.

The Company is committed to workplace diversity and ensuring a diverse mix of skills amongst its directors, officers and employees.

Recommendation 1.5 requires that listed entities should establish a policy concerning diversity. Whilst the Company does not currently have a Diversity policy due to its size and nature of its operations, it strives to attract the best person for the position regardless of gender, age, ethnicity or cultural background.

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.

As at the date of this Annual Report, 0% of board, 100% of employees and 50% of senior executives are women.

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 CEO's performance. This evaluation is based on the Company's business performance and whether strategic objectives are being achieved. The CEO reviews other executives' and staff performance. Performance pay components of executives' packages are dependent on the outcome of the evaluations. The results of the CEO's annual

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performance reviews of senior executives and staff are reported to the board for information.

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.

PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

Pursuant to Principle 2, the board should be of a size, composition, skills and have the level of commitment to adequately discharge its duties effectively.

Nomination Committee

Recommendation 2.1 requires the Board to establish a nomination committee.

Although the Board adopted a Nominations Committee Charter from 1 July 2015, the Board has not formally established a Nominations Committee as the Directors consider that the Company is currently not of a size nor are its affairs of such complexity as to justify the formation of this Committee. The Board as a whole is able to address these issues and is guided by the Nominations Committee Charter. The Company will review this position annually and determine whether a Nominations Committee needs to be established.

The Nomination Committee Charter is set out in the Company's Corporate Governance Charter which is available from the corporate governance section of the Group's website.

The Company is developing an appropriate board skills matrix. The skills, experience and expertise relevant to the position of each director who is in office at the date of the Annual Report is detailed in the Director's Report in this Annual Report.

The Company is developing an appropriate board skills matrix. The Elementos board is comprised of four 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.

Independence

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,

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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.

In accordance with the definition of independence above and the materiality thresholds set, the Director listed below is not considered to be independent as at the date of this report:

Name	Position	Reason for non-compliance
Calvin Treacy	Non-Executive Director	Mr Treacy was employed by the Company in an executive capacity until May 2015.

Recommendations 2.4 and 2.5 requires the Board to comprise a majority of independent directors and also that the Company's chairman be an independent director (and not be the same person as the CEO).

Messrs Anthon, Nolan and Seville are each non-executive directors and are considered independent. Mr Anthon was appointed on 1 January 2015 as the Company's non-executive chairman. Between 1 July 2014 and 1 January 2015 the Company did not formally appoint a chairman. As such the Company complied with Recommendations 2.4 and 2.5 during the entire reporting period.

Induction and Education

New directors 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;

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- 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.

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.

PRINCIPLE 3 - ACT ETHICALLY AND RESPONSIBLY

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

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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.

The Code of Ethics and Conduct is available on the Company'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 CORPORATE REPORTING

Audit Committee

Recommendation 4.1 requires that the Board establish an audit committee. During the reporting period, the Company did not have an audit committee. The Board as a whole was able to address the issues in working closely with the Company's auditor and Chief Financial Officer.

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From 1 July 2015 the Board has established an Audit and Risk Management Committee which operates under a charter approved by the Board.

Recommendation 4.1 states that an audit committee should be structured so that it:

- i. consists only non-executive directors;
- ii. consists of a majority of independent directors;
- iii. is chaired by an independent chair, who is not the chair of the Board; and
- iv. has at least three members.

The members of the Audit & Risk Management Committee are Corey Nolan (Chair), Rick Anthon and Richard Seville, all of whom are non-executive directors.

The Audit & Risk Management Committee Charter is set out in the Company's Corporate Governance Charter which is available from the corporate governance section of the Company's website.

Certification of financial reports

The CEO has made the following certifications to the Board:

- That the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial position and performance of the Company and are in accordance with relevant accounting standards;
- The integrity of the reports is founded on a sound system of financial risk management and internal compliance and control.

The Chief Financial Officer has made the following certifications to the Board:

- That the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial position and performance of the Company and are in accordance with relevant accounting standards;
- The integrity of the reports is founded on sound system of financial risk management and internal compliance and control.

The Company ensures that its external auditors are present at the AGM to answer any questions with regard to the efficacy of the financial statement audit and the associated independent audit report.

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

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- 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 Continuous Disclosure Policies.

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

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

PRINCIPLE 6 - RESPECT THE RIGHTS OF SECURITY HOLDERS

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.

The Board encourages full participation of shareholders at Annual and Extraordinary General Meetings to ensure a high level of accountability and identification with the Company's direction, strategy and goals. In particular, shareholders are responsible for voting on the re-election of directors.

The Company also offers shareholders the option to receive ASX announcements and other notices from the Company electronically.

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

PRINCIPLE 7 - RECOGNISE AND MANAGE RISK

Principle 7 provides that companies should establish a sound risk management framework.

Recommendation 7.1 requires that the Board establish a committee to oversee risk. During the reporting period, the Company did not have a Risk Committee. The Board as a whole was able to address these issues by working closely with the Company's

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Managing Director and Chief Executive Officer and considering items of risk at each directors meeting.

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.

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, CEO or other party.

From 1 July 2015 the Board has established an Audit and Risk Management Committee which operates under a charter approved by the Board.

Recommendation 7.1 states that a risk committee should be structured so that it:

- i. consists of a majority of independent directors;
- ii. is chaired by an independent chair; and
- iii. has at least three members.

The members of the Audit & Risk Management Committee are Corey Nolan (Chair), Rick Anthon and Richard Seville, all of whom are independent non-executive directors.

The Audit & Risk Management Committee Charter is set out in the Company's Corporate Governance Charter which is available from the corporate governance section of the Company's website.

The board has required the managing director and/or CEO 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 and/or CEP reports to the board on how effectively the Company's material business risks are being managed.

The managing director and/or CEO review 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 Company does not have a separate internal audit function. The board considers that the Company is not currently of the size or complexity to justify a separate internal audit function, and that appropriate internal financial controls are in place. Such controls are monitored by senior financial management and the Audit and Risk Committee.

The Director's Report sets out some of the key risks relevant to the Company and its operations. Although not specifically defined as such, the risks include economic, environmental and social sustainability risks. As noted above, the Company regularly reviews risks facing the Company and adopts appropriate mitigation strategies where possible.

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PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration Committee

Recommendation 8.1 requires the Board to establish a remuneration committee.

Although the Board adopted a Remuneration Committee Charter from 1 July 2015, the Board has not formally established a Remuneration Committee as the Directors consider that the Company is currently not of a size nor are its affairs of such complexity as to justify the formation of this Committee. The Board as a whole is able to address these issues and is guided by the Remuneration Committee Charter. The Company will review this position annually and determine whether a Remuneration Committee needs to be established.

The Remuneration Committee Charter is set out in the Company's Corporate Governance Charter which is available from the corporate governance section of the Group's website.

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 a 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.

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