Results of the Phased Implementation Update for the High-Grade Kola Sylvinite Project located in the Republic of Congo

Initial project capex reduced to US$908 million

After-tax $NPV_{10\%}$ of US$1,836 million

IRR of 24.0%

Highlights

- Start production of Phase 1 (1mtpa MoP) in 2018 and ramp up to Phase 2 (2mtpa MoP) by 2022
- Unlevered, after-tax $NPV_{10\%}$ of US$1,836 million and IRR of 24.0%(1)
- Phase 1 project capital expenditure of US$908 million a 51% reduction in initial capex
- Average, after-tax Free Cash Flows of US$220m/annum during Phase 1 and $550m/annum during Phase 2, using latest potash price forecasts
- Phase 1 free cash flow allows for the self-financing of Phase 2 capital expenditure
- Received Expressions of Interest from potential partners to build, own, operate and maintain (BOOM) components of the project to reduce LOM capex by $418 million through contract mining, material handling and transshipment
- Ongoing discussion with other BOOM partners for a further substantial Phase 1 and Phase 2 capex reduction
- Life of Mine average operating costs of US$91/t MoP
- Long term steady state (after year 10) operating costs of US$75/t MoP could place Kola in the lowest quartile cost of global producers
- Appropriate debt-equity ratios will be considered and discussions with potential project partners could reduce the equity component further

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[1] For this study, many of the PFS designs and supporting cost calculations were considered valid and the capital and operating costs were escalated to reflect 2016 US dollars (US$). For certain specific items with a scope change from the PFS, capital and operating cost estimates were provided by various vendors. SRK reviewed these costs for suitability with current costing expectations and considers them to be at a scoping level of accuracy.

Perth, Australia, 23 October 2014 – Elemental Minerals Ltd. (ASX: ELM) ('Elemental' or 'the Company') is pleased to announce the results of the Phased Implementation Update on its Kola Project in the ROC ('Project').

In order to reduce the initial capital requirements for the Kola Project (US$ 1.85bn as per the Company's September 2012 Preliminary Feasibility Study ('PFS')), the Company initiated a value engineering study. The Company appointed SRK US Inc. to conduct a scoping study update for the PFS in association with AMEC Americas and Alan Auld Engineering ('Phased Implementation Study'), which used the 17 September 2012 Measured and Indicated sylvinite Mineral Resource estimate.

The Phased Implementation reconfigures the Project to incorporate a phased production ramp-up and incorporates Build, Operate, Own and Maintain (BOOM) methodologies, which together result in a 51% reduction in the initial capital requirements. Furthermore, free cash flow generated during Phase 1 of operations allows for the financing of the expansion to Phase 2.

The project configuration developed in this study will form the basis for the Feasibility Study.

Commenting on the results of this study, Elemental's CEO John Sanders stated: "'*We are extremely pleased with the outcomes of the Phased Implementation Study, as it significantly reduces the start-up capital requirements for the Project. The projects excellent fundamentals are underscored by the* ***potential for Phase 1 free cash flow to fund the Phase 2 capital requirements****. Initial project equity requirements will be further reduced through the appropriate mix of debt and equity and the Company is in advanced discussions with potential partners in relation to the funding of the equity component. Phasing is a tried and tested strategy that has been successfully implemented on a number of other large projects.* ***The operating costs would position Kola as potentially the lowest cost producer of potash globally****. Ongoing work will build further on the opportunities afforded by the low operating costs of the Project and will enhance the already low capital intensity, reinforcing the ability of the Company to develop the Project on its aggressive completion schedule for a 2mtpa production."*

1. Technical Overview

On September 17, 2012, Elemental issued a Technical Report compliant with Canadian National Instrument 43-101 (NI 43-101) for a Prefeasibility Study (PFS) for the Kola Potash Project located in the Republic of Congo (ROC). The PFS report presented a Mineral Resource and Mineral Reserve estimate and defined the mine, process facility and infrastructure requirements, costs and economics for a production target of 2 Mtpa of muriate of potash (MoP).

Subsequent to the PFS report being issued, Elemental considered alternatives to the project configuration in order to reduce the initial capital requirements. These changes included the following:

- Reschedule mine planning to start with a Phase 1 production of 1 Mtpa of MoP for the first four years where after Phase 2 would be completed to achieve a total nameplate capacity of 2 Mtpa of MoP
- A revised shaft configuration with one 12 m diameter main shaft and a secondary 4.5 m diameter ventilation shaft for Phase 1. A refrigeration plant will be installed in the secondary ventilation shaft as part of Phase 2
- An overland conveyor for Run of Mine (RoM) ore transport, in place of the dedicated mine haul road and haul trucks in the PFS
- Construction of the process plant in two separate 1 Mtpa phases. This phased plant construction will also result in phased civil works and brine dilution and disposal infrastructure
- Several ROC mining companies are pursuing the construction of an export facility at Pointe Indienne, 30 km south from the process plant area (Tchiboula), for the direct loading of bulk commodities such as potash, phosphate and iron ore. ELM is in discussion with one of these companies to share joint usage of a common facility at Pointe Indienne. A jetty is currently

under construction with expected completion in 2016. This Study assumes ELM will make use of a containerised bulk transport solution to store and transport 1 Mtpa of product to a commercial jetty during Phase 1. The construction of the product storage facility, jetty and loading system at Tchiboula is therefore deferred until Phase 2.

- The dedicated natural gas pipeline will be replaced with trucking compressed natural gas (CNG) to the process facility site
- Conversion of the construction camp into an operational accommodation camp for the Phase 1 of operations.

On June 24, 2014, ELM commissioned SRK Consulting (U.S.), Inc. (SRK), Alan Auld Engineering (AAE) and AMEC Americas Limited (AMEC) to update the scenario presented in the PFS to reflect the revised implementation approach. As the design and cost estimates for the revised configuration have not been conducted to PFS level, the updated project configuration is considered by SRK to be at a Scoping Study level of accuracy. This included an update of the economic model to incorporate:

- Capital and operating costs for the revised project configuration
- Current potash market prices
- Current spot shipping rates between ROC and Brazil
- Most current favourable project tax regime in-country
- Expressions of interest for funding of project infrastructure, specifically contract mining, overland conveying of ore and transshipment of product.

As part of this Scoping Study Update, many of the PFS designs and supporting cost calculations were considered valid, but the capital costs needed to be escalated to reflect 2016 US dollars (US$). SRK reviewed South African and North American price indices for the time periods, including adjustments in currencies, over the last two years and selected an escalation factor of 3.1%. For certain specific items with a scope change from the PFS, capital and operating cost estimates were provided by various vendors. SRK reviewed these costs for suitability with current costing expectations and considers them to be at a scoping level of accuracy.

Capital costs were developed for each scope area based in US$ escalated to Q1 2016 and SRK included an allowance for indirect costs in the economic modelling. Capital costs for all disciplines are summarized in Table 1.

Table 1: Capital Cost Summary

Description	Phase 1 (US$000's)	Phase 2 (US$000's)	Total Project (US$000's)	Sustaining (US$000's)	LoM (US$000's)
Mining	159,390	21,688	181,078	167,730	348,808
Material Handling	-	-	-	42,462	42,462
Processing	262,534	234,270	496,805	115,746	612,550
Marine and Transshipment	14,433	99,673	114,106	47,014	161,120
Solid Residue and Brine Disposal	83,581	72,714	156,295	38,405	194,700
Employee Facilities	21,728	42,219	63,948	12,578	76,526
General Infrastructure	87,913	10,991	98,905	21,731	120,636
Owner's Costs	35,928	24,117	60,044	-	60,044
Subtotal Capital Costs	**665,507**	**505,673**	**1,171,180**	**445,666**	**1,616,846**
Contingency	132,821	95,467	228,288	89,188	317,476
Subtotal Capital + Contingency	**798,328**	**601,140**	**1,399,468**	**534,854**	**1,934,322**
EPCM	99,791	75,143	174,933	-	174,933
Insurance	9,580	7,214	16,794	-	16,794
Capital Expenditures	**907,699**	**683,496**	**1,591,195**	**534,854**	**2,126,049**

Scoping level operating costs were estimated for mining, processing, export solution and natural gas supply, while the other operating cost components were factored from the PFS. All costs have been escalated to Q1, 2016 US$. The operating costs include allowances for the recovery of capital of those project components which are being funded by third parties. Indicative terms have been provided by these partners for the duration and interest rate at which they would recover their initial investment.

The operating costs presented in Table 2 are extracted from the economic model, which is based on the mine schedule.

Table 2: Operating Costs

Cost - (US$ / tonne MoP)	Phase 1 (PreProd to Yr 4)	Phase 2 (Yr 5-10)	Long Term (>Yr 10)	Total Life of Mine
Contractor Mining	**49.91**	**38.57**	**30.47**	**34.52**
Opex	38.56	29.29	30.47	30.92
Capex recovery	11.34	9.28	-	3.60
Ore Transport	**37.44**	**19.01**	**2.55**	**10.34**
Opex	5.66	2.37	2.55	2.79
Capex recovery	31.78	16.64	-	7.55
Process	**26.79**	**22.29**	**22.29**	**22.72**
Marine Loadout	**18.53**	**6.82**	**2.88**	**5.44**
Opex	18.53	2.05	2.20	3.71
Capex recovery	-	4.77	0.68	1.73
Tailings Dispersion & Storage	**2.01**	**1.28**	**1.37**	**1.41**
Employee Facilities	**8.00**	**5.08**	**5.46**	**5.60**
General Infrastructure	**7.20**	**3.37**	**3.62**	**3.89**
Environmental Operating Costs	**0.71**	**0.30**	**0.32**	**0.35**
G&A	**9.36**	**5.64**	**6.06**	**6.26**
Total Direct Operating Cost	**159.95**	**102.36**	**75.03**	**90.53**

The post-tax economic analysis indicates the following:

- Net present value at a 10% discount rate ($NPV_{10\%}$) of US$1,836 million
- Internal rate of return (IRR) of 24.0%

Figure 1 shows the project MoP production, ramping up first to 1mtpa during Phase 1 and subsequently to 2mtpa in Phase 2. The unlevered capital expenditure and free cash flow from the project is also shown.

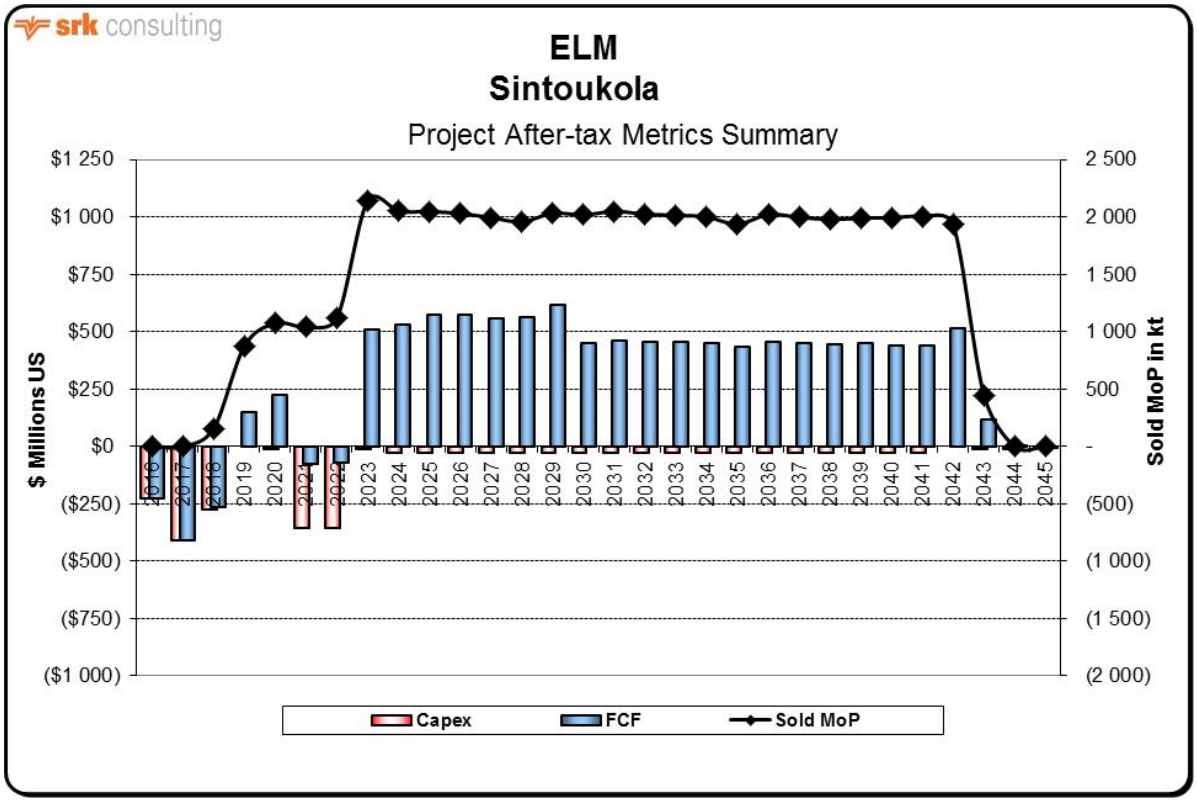

Figure 1 Kola project production and expected free cash flow

The phased implementation study report is available on the company website.

2. Changes from the PFS

Table 3 provides a brief overview of the changes that have been made between the 2012 PFS and this Scoping Study Update. Figure 2 and Figure 3 show a breakdown of the change of initial capex and project $NPV_{10\%}$ between the two studies.

Table 3: Comparison between PFS and this Phased Implementation Study

	Kola PFS (2012)	Kola Phased Implementation Study (2014)
Initial Capital Expenditure	$1850m	$908m
NPV10%	$2971m	$1835m
IRR	29.3%	24.0%
Potash Pricing used	Fertecon 2012-01 Brazil cfr granular	Fertecon 2014-01 cfr granular
	2014 forecast $585/ t MoP (or $490/t Vancouver FOB std)	2014 forecast $350/ t MoP (or $292/t Vancouver FOB std)
	2020 forecast $605/ t MoP (or $500/t Vancouver FOB std)	2020 forecast $425/ t MoP (or $385/t Vancouver FOB std)
	2025+ forecast $605/ t MoP (or $500/t Vancouver FOB std)	2025+ forecast $455/ t MoP (or $410/t Vancouver FOB std)
Total capex (excl. sustaining capex)	$1850m	$1591m (Phase 1 + Phase 2)
Total capex (incl. sustaining capex)	$2486m	$2126m
Average LOM operating cost	$80/t MoP	$91t/ MoP
Resource (Measured and Indicated)	573Mt @ 20.9% K2O	unchanged
Reserve (Proven & Probable)	152Mt @ 20.0% K2O	unchanged
Production	2Mtpa; starting 2016	Phase 1 - 1Mtpa (4 years); starting 2018
		Phase 2 - 2Mtpa
Mining	Mechanised underground room and pillar mining - owner operated	Mechanised underground room and pillar mining - mining contractor
Shaft System	2 x 12m diameter shafts	1 x 12m diameter main shaft; 1 x 4.5m diameter ventilation shaft
Raw Ore Transport to Coast	Road trains operating on a dedicated haul road	Overland conveyor system; owned by third party in a BOOM agreement
Process Plant	1 x 2Mtpa	2 x 1Mtpa structures (1 for Phase 1 and the second for Phase 2)
Product Storage & Export	200ktpa storage facility and jetty to support transshipment from Tchiboula	Phase 1 - Storage in containers, which are trucked to a third party jetty at Pointe Indienne
		Phase 2 - Storage facility and jetty constructed at Tchiboula. Vessels are loaded using a transshipment contractor
Gas Supply	Gas pipeline	Trucking of CNG
Employee Facilities	A construction camp; replaced by a full operations camp during startup	Use of the construction and exploration camps for Phase 1 operations

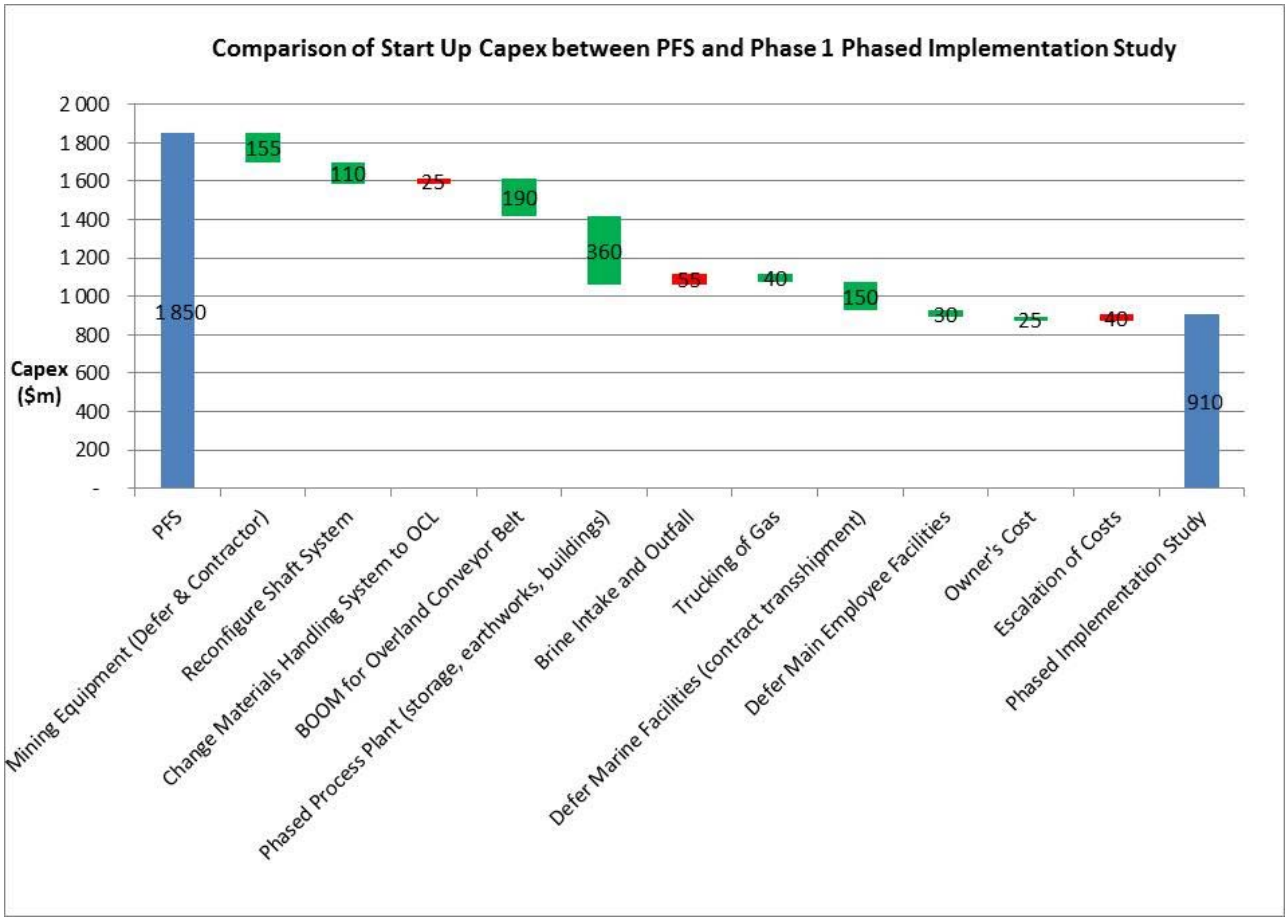

Figure 2 Comparison of Capex between PFS and this study

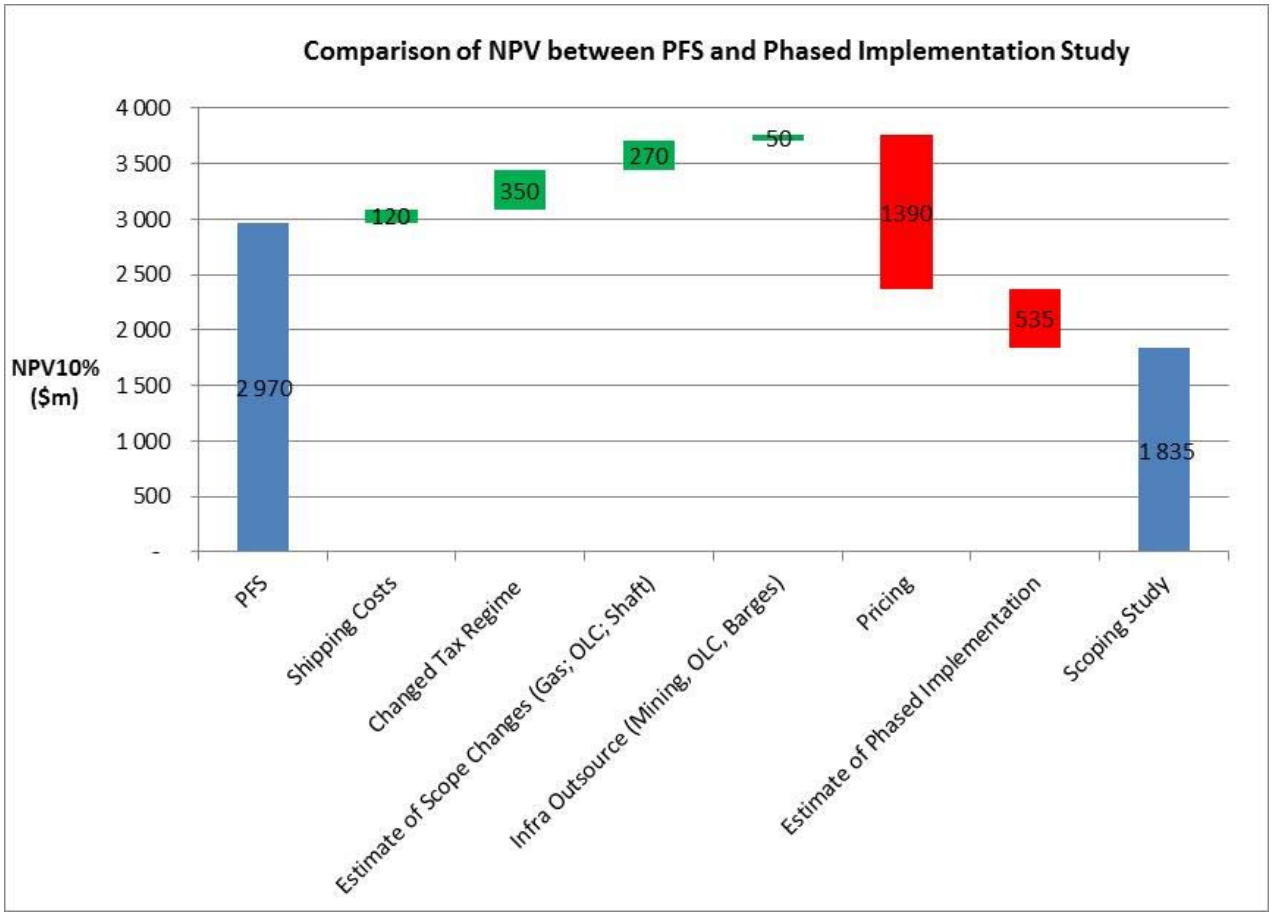

Figure 3 Comparison of NPV between PFS and this study

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Competent Persons:

All scientific and technical information ("Information") in this press release is based on information approved by Neal Rigby, CEng MIMMM, PhD (SRK) and Paul O'Hara P.Eng. (AMEC) (minerals processing), who are independent of the Company and have sufficient experience to qualify as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code). They consent to the inclusion in this press release of the Information, in the form and context in which it appears.

About Elemental Minerals

Elemental Minerals Limited (ASX: ELM) is an advanced mineral exploration and development company whose primary asset is the 97%-owned Sintoukola Potash Project in the Republic of Congo. ELM completed an advanced Pre-Feasibility Study on its Kola Project in September 2012 and was awarded a mining license and an environmental license in August 2013. ELM has now completed a further Scoping Study Update to the PFS. The Sintoukola Project has the potential to be among the world's lowest-cost potash producers and its strategic location near the Congolese coast of Central West Africa offers a transport cost advantage to key Brazilian and Asian fertilizer markets. For more information, visit www.elementalminerals.com

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