



# **ELEMENTAL MINERALS LIMITED**

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**ABN 31 108 066 422**

## **Notice of General Meeting Proxy Form and Explanatory Statement**

**Date of Meeting**

11 March 2015

**Time of Meeting**

10.00 am (AWST)

**Place of Meeting**

The CWA House, 1176 Hay Street, West Perth 6005, Western Australia

*This Notice of General Meeting and Explanatory Statement should be read in its entirety.  
If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor  
or other professional adviser without delay.*

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# Notice of General Meeting

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NOTICE IS GIVEN THAT A GENERAL MEETING OF SHAREHOLDERS WILL BE HELD AT THE CWA HOUSE, 1176 HAY STREET, WEST PERTH, WESTERN AUSTRALIA ON 11 MARCH 2015, AT 10.00 AM (AWST).

## AGENDA

The Explanatory Statement accompanying this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

### **1. Resolution 1 – Approval of the Elemental Minerals Limited Performance Rights Plan**

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

*That, for the purpose of ASX Listing Rule 7.2 Exception 9(b) and for all other purposes, Shareholders approve the Performance Rights Plan for employees and Directors of the Company known as the "Elemental Minerals Limited Performance Rights Plan", a summary of which is set out in the Explanatory Statement accompanying this Notice of General Meeting.*

### **2. Resolution 2 – Approval for the grant of 4,500,000 Performance Rights to Mr Thomas Borman**

To consider and if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:-

*"That for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of 4,500,000 Performance Rights to Thomas Borman, a Director, under the Elemental Minerals Limited Performance Rights Plan on the terms and conditions contained in the Explanatory Notes to this Notice of Meeting."*

### **3. Resolution 3 – Approval for the grant of 3,000,000 Performance Rights to Mr Michael Golding**

To consider and if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:-

*"That for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of 3,000,000 Performance Rights to Michael Golding, a Director, under the Elemental Minerals Limited Performance Rights Plan on the terms and conditions contained in the Explanatory Notes to this Notice of Meeting."*

### **4. Resolution 4 – Approval for the grant of 3,000,000 Performance Rights to Mr John Sanders**

To consider and if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:-

*"That for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of 3,000,000 Performance Rights to John Sanders, Managing Director of the Company, under the Elemental Minerals Limited Performance Rights Plan on the terms and conditions contained in the Explanatory Notes to this Notice of Meeting."*

## **5. Resolution 5 – Approval of Potential Termination Benefits Under the Elemental Performance Rights Plan**

To consider and if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

*“That, for the purposes of Sections 200B and 200E of the Corporations Act, ASX Listing Rule 10.19 and for all other purposes, Shareholders approve the giving of benefits under the Elemental Performance Rights Plan, to a person by the Company in connection with that person ceasing to hold a managerial or executive office in the Company (or any of its related bodies corporate), for the purpose and on the terms set out in the Explanatory Statement accompanying this Notice of Meeting.”*

### **VOTING EXCLUSION STATEMENTS**

The Company will disregard any votes on the respective Resolutions cast by or on behalf of the following persons:

<b>Resolution</b>	<b>Persons excluded from voting</b>
<b>Resolution 1 – Approval of Performance Rights Plan</b>	A director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of their associates.
<b>Resolutions 2, 3 and 4 – Approval of grant of Performance Rights</b>	A director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of their associates.
<b>Resolution 5 – Approval of Potential Termination Benefits</b>	A person receiving a benefit under Resolution 5 and an officer of the Company or any of its child entities who is entitled to participate in a termination benefit.

However, the Company need not disregard a vote by the persons excluded from voting on Resolutions 1-5 if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **ENTITLEMENT TO ATTEND AND VOTE**

You will be entitled to attend and vote at the General Meeting if you are registered as a Shareholder of the Company as at 5 p.m. (AWST) on 9 March 2015. This is because, in accordance with the Corporations Regulations 2001 (Cth), the Board has determined that the Shares on issue at that time will be taken, for the purposes of the General Meeting, to be held by the persons who held them at that time. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

### **HOW TO VOTE**

#### **Voting in person**

Shareholders who plan to attend the meeting are asked to arrive at the venue 15 minutes prior to the time designated for the meeting if possible, so that their holding may be checked against the Company's Shareholder register and attendances recorded.

#### **Corporate representatives**

A body corporate, which is a Shareholder or which has been appointed as a proxy, may appoint an individual to act as its corporate representative at the meeting in accordance with section 250D of the Corporations Act. The appropriate appointment document must be produced prior to admission. A form of the certificate can be obtained from the Company's registered office.

**Voting by proxy**

A Shareholder who is entitled to attend and cast a vote at the meeting may appoint a proxy. A proxy need not be a Shareholder and may be an individual or body corporate. If a body corporate is appointed as a proxy it must appoint a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy at the meeting (see above).

A Shareholder who is entitled to cast two or more votes may appoint two proxies to attend the meeting and vote on their behalf and may specify the proportion or a number of votes each proxy is appointed to exercise. If a Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes (disregarding fractions). If you wish to appoint a second proxy, you may copy the enclosed proxy form or obtain a form from the Company's registered office.

To be effective for the scheduled meeting a proxy appointment (and any power of attorney or other authority under which it is signed or otherwise authenticated, or a certified copy of that authority) must be received at an address or fax number below no later than 10 a.m. on 9 March 2015, being 48 hours before the time of the meeting, any proxy appointment received after that time will not be valid for the scheduled meeting.

**In person**

14 Emerald Terrace,  
West Perth, Western Australia 6005,

**By email**

[leonard@gdacorporate.com.au](mailto:leonard@gdacorporate.com.au)

**By mail**

PO Box 389,  
West Perth, Western Australia 6872

**By fax**

(08) 9322 7211

For further information concerning the appointment of proxies and the ways in which proxy appointments may be submitted, please refer to the enclosed proxy form.

**Voting by attorney**

A Shareholder may appoint an attorney to attend and vote on their behalf. For an appointment to be effective for the meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the Company at one of the addresses listed above for the receipt of proxy appointments at least 48 hours prior to the commencement of the meeting.

**Chairman as proxy**

If you appoint a proxy, the Company encourages you to consider directing them how to vote by marking the appropriate box on each of the proposed Resolutions.

If a Shareholder entitled to vote on a Resolution appoints the Chairman of the meeting as their proxy (or the Chairman becomes their proxy by default) and the Shareholder does not direct the Chairman how to vote on the Resolution the Chairman intends to vote in favour of the Resolution, as proxy for that Shareholder on a poll; and

If you do not want to put the Chairman of the meeting in the position to cast your votes in favour of any of the proposed Resolutions, you should complete the appropriate box on the proxy form, directing your proxy to vote against, or to abstain from voting, on the resolution.

**BY ORDER OF THE BOARD**

Leonard Math  
Director & Joint Company Secretary  
Dated 5 February 2015

## Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the General Meeting of the Company to be held on 11 March 2015 at 10.00 am (Perth time).

The Directors recommend Shareholders read this Explanatory Statement and the Notice of Meeting in full before making any decision in relation to the Resolutions. Terms used in this Explanatory Statement will, unless the context otherwise requires, have the meaning given to them in the glossary contained in this Explanatory Statement.

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### Resolution 1 – Approval of the Elemental Minerals Limited Performance Rights Plan

#### Background

The Directors adopted the Elemental Minerals Limited Performance Plan on 19 December 2014 (Plan). They considered that it was desirable to establish an employee incentive plan pursuant to which Eligible Persons may be offered the opportunity to be granted performance rights (Performance Rights) to acquire Shares in the Company. The Plan is aimed at creating a stronger link between employee performance and reward and increasing shareholder value by enabling Eligible Persons to have a greater involvement with, and share in the future growth and profitability of the Company.

The purpose of the Plan is to:

- (a) reinforce a performance focused culture by providing a long term performance based element to the total remuneration packages of Eligible Persons;
- (b) align and link the interests of the Company's leadership team and Shareholders;
- (c) encourage teamwork and co-operation among the members of the leadership team; and
- (d) attract and retain key talent with the requisite capability.

The Plan forms part of the Company's remuneration policy and provides the Company with a mechanism for driving long term performance for Shareholders and retention of key talent. It is targeted at Elemental's Directors and senior management, as determined by the Board from time to time, whose responsibilities provide them with the opportunity to significantly influence long term Shareholder value.

While Shareholder approval of the Plan is not required, the Company seeks to comply with the ASX Corporate Governance Council's Principles and Recommendations. Further, approval is sought under ASX Listing Rule 7.2 (Exception 9(b)) which provides an exemption from the ASX Listing Rule 7.1 15% annual limit on securities issued under an employee share incentive scheme provided, within three years before the date of issue, shareholders have approved the issue of securities under the Plan. In the absence of such approval, the issue can still occur but is counted as part of the ASX Listing Rule 7.1 15% limit which would otherwise apply during a 12 month period.

#### Summary of the Plan Rules

The Plan is administered by the Board in accordance with the Plan rules and the Plan operates as follows:-

(a) Plan Administration

The Board may administer the Plan in accordance with the Plan rules and otherwise as it determines from time to time in its absolute discretion. The Board may delegate their powers under the Plan.

(b) Eligibility

Persons eligible to participate in the Plan are full time or part time employees or executive or non executive directors of the Company or a Related Body Corporate of the Company. There are currently approximately 14 Eligible Persons who may participate in the Plan.

The Board may, from time to time in its absolute discretion, issue or cause to be issued, offers on behalf of the Company to Eligible Persons. No issues of securities under the Plan may be made to Directors unless Shareholders have approved the issue at a general meeting.

(c) Performance Rights

The Board may invite Eligible executives to participate in the Plan and be issued Performance Rights that upon vesting entitle the holder to subscribe for Shares in respect of the vested Performance Rights.

A Performance Right does not confer on a participant the right to participate in new issues of Shares by the Company, including by way of bonus issue, rights issue or otherwise.

Performance Rights will not give any right to participate in dividends or any voting rights until Shares are issued or transferred to a Participant pursuant to the exercise of vested Performance Rights.

(d) Grant of Performance Rights

A participant will not pay anything for the grant of Performance Rights.

None of the Performance Rights will be listed for quotation on any stock exchange.

(e) Performance Conditions

The performance conditions applicable to any performance period relating to Performance Rights shall be determined by the Board in its absolute discretion from time to time.

In determining the Performance Conditions applicable to a Performance Right the Board may have regard to the Company's Remuneration Policy.

(f) Operation of the Plan

Offers to Eligible Persons will be in such form as the Board determines from time to time and will include relevant information including the number of Performance Rights which are capable of vesting if performance conditions are met, performance conditions, performance period, measurement date(s), expiry date etc.

Participation in the Plan requires the completed Application Form to be returned within the time period specified.

Eligible persons may nominate a nominee to be granted all the Performance Rights as specified in the Offer by notice in writing to the Board for the Board's approval. The Board has discretion to disallow that nominee, without providing a reason.

(g) Vesting of Performance Rights

A Performance Right will vest:-

- (i) following determination by the Board whether and to what extent the performance conditions applicable to the measurement date have been satisfied;
- (ii) if the Eligible Person retires, dies, becomes totally and permanently disabled or is made redundant, unless otherwise determined by the Board; or
- (iii) a change of control event occurs.

(h) Capital Events

If there are certain variations of the share capital of the Company including a capitalisation or rights issue, sub-division, consolidation or reduction of share capital, a demerger or other distribution in specie, the Board may make such adjustments as it considers appropriate.

(i) Change of Control

In the event that there is a Change of Control Event then:

- (i) If it occurs as a direct consequence of a decision of the Board to procure or seek a change of control of the Company, the participant will be entitled within 60 days of the happening of such Change of Control Event to call on the Company (which call the Company will be obliged to meet) either, at the Company's election:
  - (A) Issue the participant with Shares in respect of those Performance Rights that have not already vested or expired as at the date of the Change of Control Event in the same number as the participant would have been entitled to had the participant met the performance condition applicable to those Performance Rights; or
  - (B) pay to the participant a sum equal to the market value of the Shares that the participant would have received had the participant met the performance conditions applicable to the Performance Rights, referred to (A) above, which market value shall be assessed by reference to the higher of the 30 day daily closing price trading average of the Company's Shares immediately preceding the occurrence of the Change of Control Event and the consideration payable per Share under the Change of Control Event.
- (ii) In any other case, where the Change of Control Event leads to the participant's employment being terminated or the participant's resignation from their current position, the participant will be entitled within 60 days of such Change of Control Event to call on the Company (which call the Company will be obliged to meet) either, at the Company's election:
  - (A) issue the participant with Shares in respect of the next tranche of the Performance Rights that have not already vested or expired as at the date of the Change of Control Event as the participant would have been entitled to if the participant had met the

performance condition applicable to that next unvested tranche of the Performance Rights; or

- (B) pay to the participant a sum equal to the market value of the Shares that the participant would have received had the holder met the performance conditions applicable to the Performance Rights referred to in (A) above, which market value shall be assessed by reference to the higher of the 30 day daily closing price trading average of the Company's Shares immediately preceding the occurrence of the Change of Control Event and the consideration payable per Share under the Change of Control Event.

#### **Information requirements under ASX Listing Rule 7.2(b)**

As at the date of this Notice of Meeting, the Company has not issued any Performance Rights under the Plan. Resolutions 2-4 below seek Shareholder approval for the issue of Performance Rights to Directors.

The full terms and conditions of the Plan may be obtained free of charge by contacting the Company.

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### **Resolutions 2 to 4 – Approval of Issue of Performance Rights**

#### **Background**

Resolutions 2 to 4 seek Shareholder approval for the issue of Performance Rights to Non Executive Director, Thomas Borman (4.5 million), Non Executive Director, Michael Golding (3 million) and Managing Director, John Sanders (3 million) as announced to the ASX on 5 November 2014.

In determining each Director's remuneration package, including the proposed issue of Performance Rights under the Plan, the Board considered and will continue to consider the scope of the role of each Director, the business challenges facing the Company and market practice for the remuneration of officers in positions of similar responsibility.

#### *Chapter 2E of the Corporations Act*

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the company unless either:

- the giving of the financial benefit falls within one of the exceptions to the provision; or
- prior shareholder approval is obtained to the giving of the financial benefit.

Related party is widely defined under the Corporations Act, and includes directors of a company.

Financial benefit is defined broadly and includes benefits from the public company's subsidiaries. It is necessary to look at the economic and commercial substance and the effect of the transaction in determining the financial benefit. The Corporations Act requires that any consideration that is given is disregarded, even if the consideration is adequate.

Thomas Borman, Michael Golding and John Sanders are Directors, and therefore related parties of the Company, and the issue of the securities to them or their nominees constitutes the provision of a financial benefit for the purposes of Chapter 2E of the Corporations Act.

Shareholder approval is therefore being sought pursuant to Chapter 2E of the Corporations Act and Listing Rule 10.14.

The Performance Rights will be issued subject to the Plan Rules which are summarised above. The Performance Rights proposed to be issued under Resolutions 2-4 have been classified as Class A, Class B and Class C Performance Rights and each class' vesting conditions is as follows:-

#### *Class A Performance Rights*

Performance Rights will vest as one Share for each Performance Right subject to the satisfaction of the following performance criteria within 24 months from the date of issue:-

- the Company's market capitalisation averaging over a period of 30 consecutive days of trading a daily average of not less than \$80 million; and
- completing 12 months of continuous service with the Company.

#### *Class B Performance Rights*

Performance Rights will vest as one Share for each Performance Right subject to the satisfaction of the following performance criteria within 36 months from the date of issue:

- the Company's market capitalisation averaging over a period of 30 consecutive days of trading a daily average

of not less than \$100 million; and

- completing 24 months of continuous service with the Company.

#### *Class C Performance Rights*

Performance Rights will vest as one Share for each Performance Right subject to the satisfaction of the following performance criteria within 48 months from the date of issue:

- the Company's market capitalisation averaging over a period of 30 consecutive days of trading a daily average of not less than \$120 million; and
- completing 36 months of continuous service with the Company.

#### **Resolution 2 – Approval of Issue of Performance Rights to Thomas Borman**

Mr Thomas Borman was appointed to the Board on 5 November 2014. In addition to his salary of US\$75,000 p.a. the Board agreed to grant Mr Borman the following Performance Rights, subject to Shareholder approval:-

- (a) 1.5 million Class A Performance Rights;
- (b) 1.5 million Class B Performance Rights; and
- (c) 1.5 million Class C Performance Rights.

For the purposes of section 219 of the Corporations Act and ASIC Regulatory Guide 76, the following information is provided to Shareholders to enable them to assess the merits of the resolution:

- (a) The related party to whom Resolution 2 would permit the benefit to be given:  
Thomas Borman, a Non Executive Director
- (b) The nature of the financial benefit:  
The proposed financial benefits to be given are the issue of 4.5 million Performance Rights to Thomas Borman the terms of which are set out in this Explanatory Memorandum.
- (c) Reasons for giving the benefit  
The Board independent of Mr Borman have determined that the issue of 4.5 million Performance Rights to Mr Borman recognises the skills and value that Mr Borman will bring to the Company based on his past and current experience and his contact base. In addition to the normal day to day functions associated with the Chairman's role, he will be providing the Company up to 30% of his time, in order to ensure that the Company is provided with the guidance and input required to progress the definitive feasibility study for the Sintoukola Potash Project.
- (c) Thomas Borman's existing relevant interest  
Thomas Borman currently holds 2,000,000 Shares (equal to approximately 0.52% of the Company's issued share capital).
- (d) Total remuneration package  
As a Non Executive Director, Thomas Borman is paid a remuneration package of USD\$75,000 including superannuation per annum. This package does not include any security based incentive component.
- (e) Dilution  
The Company's issued share capital will not change as a result of the issue of 4.5 million Performance Rights to Thomas Borman.
- (f) Valuation of the financial benefit to be given  
The Company has obtained a valuation of the Performance Rights, which is set out in Schedule 1 to this Explanatory Memorandum.
- (g) Other Information  
The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision on whether it is in the best interests of the Company to pass the Resolution.

In compliance with the information requirements of ASX Listing Rule 10.15, Shareholders are advised of the following information:

- (a) Nature of relationship between allottee and the Company  
The Performance Rights are proposed to be issued to Mr Thomas Borman. Mr Borman is a Non Executive

Director of the Company and, as such, is a related party of the Company.

- (b) Details of the maximum number of securities that may be issued  
The maximum number of securities that may be acquired by Mr Borman under Resolution 2 is 4.5 million. A further 6 million securities may be acquired by Messrs Michael Golding and John Sanders under Resolutions 3 and 4.
- (c) Issue price  
There is no issue price for the 4.5 million Performance Rights.
- (d) Previous issues under the Plan  
At the date of this Notice of Meeting no Performance Rights have been granted to Mr Borman or any other Eligible Persons.
- (e) Eligible participants under the Plan  
Persons eligible to participate in the Plan are full time or part-time employees or executive or non executive directors of the Company or a Related Body Corporate of the Company, being Messrs Thomas Borman, Michael Golding, John Sanders, Robert Samuel Middlemas and Leonard Math.
- (f) Voting exclusion statement  
A voting exclusion statement for Resolution 2 is included in the Notice of General Meeting preceding this Explanatory Statement.
- (g) Terms of any loan  
The Company will not be providing a loan in connection with Mr Borman's acquisition of Performance Rights under the Plan.
- (h) Issue date  
The Company will issue the Performance Rights under Resolution 2 on a date no later than 12 months after the date of this General Meeting.
- (i) Valuation of the Performance Rights  
The value of the Performance Rights being given to Mr Borman, and the pricing methodology is set out in Schedule 1;

#### ***Directors' recommendation***

The Board of Directors, with Mr Thomas Borman abstaining, recommend that Shareholders vote in favour of Resolution 2 as the Company will receive the benefits outlined above and the grant of Performance Rights will allow the Company to preserve cash to advance the definitive feasibility study for the Sintoukola Potash Project.

#### **Resolution 3 – Approval of Issue of Performance Rights to Michael Golding**

Mr Michael Golding was appointed to the Board on 5 November 2014. In addition to his salary of US\$75,000 p.a. the Board agreed to grant Mr Golding the following Performance Rights, subject to Shareholder approval:-

- (a) 1 million Class A Performance Rights;
- (b) 1 million Class B Performance Rights; and
- (c) 1 million Class C Performance Rights.

For the purposes of section 219 of the Corporations Act and ASIC Regulatory Guide 76, the following information is provided to Shareholders to enable them to assess the merits of the resolution:

- (a) The related party to whom Resolution 3 would permit the benefit to be given:  
Michael Golding, a Non Executive Director
- (b) The nature of the financial benefit:  
The proposed financial benefits to be given are the issue of 3 million Performance Rights to Michael Golding the terms of which are set out in this Explanatory Memorandum.
- (c) Reasons for giving the benefit  
The Board independent of Michael Golding have determined that the issue of 3 million Performance Rights to Mr Golding recognises the skills and value that Mr Golding will bring to the Company based on his past and

current experience. In addition to the normal day to day functions associated with a non-executive director's role, he will be providing the Company up to 30% of his time in order to ensure that the Company is provided with the guidance and input required to progress the definitive feasibility study for the Sintoukola Potash Project.

(c) Michael Golding's existing relevant interest

Michael Golding does not hold any Shares in the Company.

(d) Total remuneration package

As a Non Executive Director, Michael Golding is paid a remuneration package of USD\$75,000 including superannuation per annum. This package does not include any security based incentive component.

(e) Dilution

The Company's issued share capital will not change as a result of the issue of 3 million Performance Rights to Michael Golding.

(f) Valuation of the financial benefit to be given

The Company has obtained a valuation of the Performance Rights, which is set out in Schedule 1 to this Explanatory Memorandum.

(g) Other Information

The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision on whether it is in the best interests of the Company to pass the Resolution.

In compliance with the information requirements of ASX Listing Rule 10.15, Shareholders are advised of the following information:

(a) Nature of relationship between allottee and the Company

The Performance Rights are proposed to be issued to Mr Michael Golding. Mr Golding is a Non Executive Director of the Company and, as such, is a related party of the Company.

(b) Details of the maximum number of securities that may be issued

The maximum number of securities that may be acquired by Mr Golding under Resolution 3 is 3 million. A further 7.5 million securities may be acquired by Messrs Thomas Borman and John Sanders under Resolutions 2 and 4.

(c) Issue price

There is no issue price for the 3 million Performance Rights.

(d) Previous issues under the Plan

At the date of this Notice of Meeting no Performance Rights have been granted to Mr Golding or any other Eligible Persons.

(e) Eligible participants under the Plan

Persons eligible to participate in the Plan are full time or part-time employees or executive or non executive directors of the Company or a Related Body Corporate of the Company, being Messrs Thomas Borman, Michael Golding, John Sanders, Robert Samuel Middlemas and Leonard Math.

(f) Voting exclusion statement

A voting exclusion statement for Resolution 3 is included in the Notice of General Meeting preceding this Explanatory Statement.

(g) Terms of any loan

The Company will not be providing a loan in connection with Mr Golding's acquisition of Performance Rights under the Plan.

(h) Issue date

The Company will issue the Performance Rights under Resolution 3 on a date no later than 12 months after the date of this General Meeting.

(i) Valuation of the Performance Rights

The value of the Performance Rights being given to Mr Golding, and the pricing methodology is set out in Schedule 1.

### ***Directors' recommendation***

The Board of Directors, with Mr Michael Golding abstaining, recommend that Shareholders vote in favour of Resolution 3 as the Company will receive the benefits outlined above and the grant of Performance Rights will allow the Company to preserve cash to advance the definitive feasibility study for the Sintoukola Potash Project.

### **Resolution 4 – Approval of issue of Performance Rights to John Sanders**

Mr John Sanders was appointed Managing Director on 17 July 2014 and was paid US\$156,000 p.a. From 1 January 2015, Mr Sanders will be remunerated at US\$252,000 p.a. The Board agreed to grant Mr Sanders the following Performance Rights, subject to Shareholder approval:-

- (a) 1 million Class A Performance Rights;
- (b) 1 million Class B Performance Rights; and
- (c) 1 million Class C Performance Rights.

For the purposes of section 219 of the Corporations Act and ASIC Regulatory Guide 76, the following information is provided to Shareholders to enable them to assess the merits of the resolution:

- (a) The related party to whom Resolution 4 would permit the benefit to be given:  
John Sanders, the Managing Director
- (b) The nature of the financial benefit:  
The proposed financial benefits to be given are the issue of 3 million Performance Rights to John Sanders the terms of which are set out in this Explanatory Memorandum.
- (c) Reasons for giving the benefit  
The Board independent of John Sanders have determined that the issue of 3 million Performance Rights to John Sanders recognises the skills and value that John Sanders has brought and will bring to the Company based on his past and current experience and knowledge on the Sintoukola Project.
- (c) John Sanders's existing relevant interest  
John Sanders currently holds 1,227,859 Shares (equal to approximately 0.32% of the Company's issued share capital).
- (d) Total remuneration package  
As the Managing Director, John Sanders is paid a remuneration package of USD\$252,000 including superannuation per annum. This package does not include any security based incentive component.
- (e) Dilution  
The Company's issued share capital will not change as a result of the issue of 3 million Performance Rights to John Sanders.
- (f) Valuation of the financial benefit to be given  
The Company has obtained a valuation of the Performance Rights, which is set out in Schedule 1 to this Explanatory Memorandum.
- (g) Other Information  
The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision on whether it is in the best interests of the Company to pass the Resolution.

In compliance with the information requirements of ASX Listing Rule 10.15, Shareholders are advised of the following information:

- (a) Nature of relationship between allottee and the Company  
The Performance Rights are proposed to be issued to Mr John Sanders. Mr Sanders is the Managing Director of the Company and, as such, is a related party of the Company.
- (b) Details of the maximum number of securities that may be issued  
The maximum number of securities that may be acquired by Mr Sanders under Resolution 4 is 3 million. A further 7.5 million securities may be acquired by Messrs Thomas Borman and Michael Golding under Resolutions 2 and 3.

- (c) Issue price  
There is no issue price for the 3 million Performance Rights.
- (d) Previous issues under the Plan  
At the date of this Notice of Meeting no Performance Rights have been granted to Mr Sanders or any other Eligible Persons.
- (e) Eligible participants under the Plan  
Persons eligible to participate in the Plan are full time or part-time employees or executive or non executive directors of the Company or a Related Body Corporate of the Company, being Messrs Thomas Borman, Michael Golding, John Sanders, Robert Samuel Middlemas and Leonard Math.
- (f) Voting exclusion statement  
A voting exclusion statement for Resolution 4 is included in the Notice of General Meeting preceding this Explanatory Statement.
- (g) Terms of any loan  
The Company will not be providing a loan in connection with Mr Sander's acquisition of Performance Rights under the Plan.
- (h) Issue date  
The Company will issue the Performance Rights under Resolution 4 on a date no later than 12 months after the date of this General Meeting.
- (i) Valuation of the Performance Rights  
The value of the Performance Rights being given to Mr Sanders, and the pricing methodology is set out in Schedule 1;

#### ***Directors' recommendation***

The Board of Directors, with Mr John Sanders abstaining, recommend that Shareholders vote in favour of Resolution 4 as the Company will receive the benefits outlined above and the grant of Performance Rights will allow the Company to preserve cash to advance the definitive feasibility study for the Sintoukola Potash Project.

#### **Resolution 5 – Approval of Potential Termination Benefits Under the Elemental Performance Rights Plan**

##### **Background**

The Elemental Minerals Limited Performance Rights Plan is summarised in detail in Resolution 1 of this Explanatory Statement.

The purpose of Resolution 5 is for Shareholders to approve the potential provision of termination benefits to participants under the Plan.

The Company is seeking this approval to provide the Company with the flexibility to continue to remunerate employees and Directors fairly and responsibly in the future and in a manner that appropriately drives long term performance for Shareholders.

##### **Regulatory Requirements**

The Corporations Act restricts the benefits that can be given to persons who hold a "managerial or executive office" (as defined in the Corporations Act) on leaving their employment with the Company or any of its Related Bodies Corporate.

Under Section 200B of the Corporations Act, a company may only give a person a benefit in connection with them ceasing to hold a managerial or executive office if the benefit is approved by Shareholders or an exemption applies. The term "benefit" has a wide meaning and may include benefits resulting from the Board exercising certain discretions under the Rules of the Plan. Listing Rule 10.19 restricts the circumstances in which an entity can give termination benefits without Shareholder approval.

If Shareholder approval is given under this Resolution the Company will still be required to comply with ASX Listing Rule 10.18, which prevents an entity from giving termination benefits upon a change of control.

#### **Details of the Termination Benefit**

As described above, where the participant's employment ceases due to retirement, total and permanent disablement, redundancy, death or a Change of Control Event which leads to a participant's employment being terminated, some or all of a Participant's unvested Performance Rights may not lapse and may vest or Shares may become unrestricted or the performance criteria may be waived. This may constitute a "benefit" for the purposes of Section 200B of the Corporations Act.

The Company is therefore seeking Shareholder approval in respect of any current or future Participant in the Plan who holds:

- (a) a managerial or executive office in the Company (or any of its related bodies corporate) at the time of their leaving or at any time in the three years prior to their leaving; and
- (b) Performance Rights or Shares under the Plan at the time of their leaving.

Provided Shareholder approval is given, the value of these benefits may be disregarded when applying Section 200F(2)(b) or Section 200G(1)(c) of the Corporations Act (i.e. the approved benefit will not count towards the statutory cap under the legislation).

The Board's current intention is to only exercise their discretion to determine the vesting of Performance Rights or the removal of a trading restriction or performance criteria on Performance Based Shares:

- a) where an employee leaves employment without fault on their part; and
- b) so as only to preserve that number of unvested Performance Rights or Performance Based Shares as are pro-rated to the date of leaving.

#### **Value of the Termination Benefits**

The value of the termination benefits that a Participant may receive or the Board may give under the Plan cannot be determined in advance. This is because various matters will or are likely to affect that value. In particular, the value of a particular benefit will depend on factors such as the Company's Share price at the time of vesting, the number of Shares that become unrestricted and the number of Performance Rights that vest.

The following additional factors may also affect the benefit's value:

- (a) the Participant's length of service and length of performance period at the time they cease employment;
- (b) the status of the performance conditions at the time the Participant's employment ceases; and
- (c) the number of unvested Performance Rights or Shares that the Participant holds at the time they cease employment.

#### **Board Recommendation**

The Board, excluding Mr Thomas Borman, Mr Michael Golding and Mr John Sanders, who have abstained from making such recommendation as they are potential Participants under the Plan, recommend that Shareholders approve Resolution 5.

## Schedule 1

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### VALUATION OF DIRECTORS PERFORMANCE RIGHTS

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The Performance Rights to be issued to Messrs Thomas Borman, Michael Golding and John Sanders pursuant to Resolution 2 - 4 have been independently valued.

The variables required to value the Performance Rights are as follows:

Item	Class A	Class B	Class C
Underlying Security Spot Price	\$0.225	\$0.225	\$0.225
Share Price Barrier	nil	\$0.2618	\$0.3142
Assumed Grant Date	15/2/15	15/2/15	15/2/15
Expiration Date	15/2/17	15/2/18	15/2/19
Life of Rights (years)	2	3	4
Volatility	85%	85%	85%
Risk free rate	2.7%	2.95%	3.0%

Using the above variables, Stantons International Securities have calculated the value for the Performance Rights as follows:

Performance Rights	Average Value per right	Number	Value
Class A Performance Rights	\$0.225	3,500,000	\$787,500
Class B Performance Rights	\$0.208	3,500,000	\$728,000
Class C Performance Rights	\$0.163	3,500,000	\$570,500
<b>TOTAL</b>		<b>10,500,000</b>	<b>\$2,086,000</b>

Director	Class A Performance Rights	Class B Performance Rights	Class C Performance Rights	Total
T Borman	\$337,500	\$312,000	\$244,500	\$894,000
M Golding	\$225,000	\$208,000	\$163,000	\$596,000
J Sanders	\$225,000	\$208,000	\$163,000	\$596,000
<b>TOTAL</b>				<b>\$2,086,000</b>

## Glossary

**\$** means Australian dollars.

**ASX** means ASX Limited or the Australian Securities Exchange, as the context requires.

**ASX Listing Rules** means the Official Listing Rules of ASX.

**AWST** means Australian Western Standard Time.

**Board** means the current board of directors of the Company.

**Change of Control Event** means a change in ownership of the Company occurs when:

- (a) any one person or more than one person acting as a group acquires ownership of Shares in the Company that constitutes more than 50% of the total fair market value or total voting power of the Shares of the Company; or
- (b) a merger of the Company with another; or
- (c) the disposal of all or the greater part of the Company's assets takes place.

**Company** means Elemental Minerals Limited ACN 108 066 422.

**Constitution** means the constitution of the Company.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director** means a current director of the Company.

**Eligible Person** means a person eligible to participate in the Plan.

**Explanatory Statement** means this explanatory statement.

**General Meeting** or **Meeting** means the general meeting convened by the Notice.

**Notice** or **Notice of Meeting** means the notice of meeting accompanying this Explanatory Statement.

**Performance Right** means a performance right to acquire Shares in the Company under the Plan.

**Plan** means the Elemental Minerals Limited Performance Rights Plan.

**Proxy Form** means the proxy form accompanying the Notice of Meeting.

**Related Body Corporate** means a related body corporate as defined in the Corporations Act.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**ELEMENTAL MINERALS LIMITED**  
**ABN 31 108 066 422**  
**PROXY FORM**

**Shareholder Details**

Name: .....

Address: .....

Contact Telephone No: .....

Contact Email Address: .....

Contact Name (if different from above): .....

**Step 1: Appointment of Proxy**

I/We being a Shareholder/s of Elemental Minerals Limited and entitled to attend and vote hereby appoint

☐

The Chairman  
of the meeting  
(mark with an 'X')

OR

Write here the name of the person you  
are appointing if this person is someone  
other than the Chairman of the Meeting.

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to attend and act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Elemental Minerals Limited to be held at The CWA House, 1176 Hay Street, West Perth, Western Australia on 11 March 2015 at 10.00 am AWST and at any adjournment of that meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each of the proposed Resolutions (to the extent permitted by law).

**Step 2: Voting directions to your proxy – please mark ☒ to indicate your directions**

		For	Against	Abstain*
Resolution 1	Approval of Elemental Minerals Performance Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval of issue of 4.5 million Performance Rights to Thomas Borman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of issue of 3 million Performance Rights to Michael Golding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of issue of 3 million Performance Rights to John Sanders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of potential termination benefits under the Performance Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\*If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Appointment of a second proxy (see instructions attached).

- If you wish to appoint a second proxy, state the % of your voting rights applicable to the proxy appointed by this form

%

**PLEASE SIGN HERE**      **This section must be signed in accordance with the instructions attached to enable your directions to be implemented**

Individual or Shareholder 1

Sole Director and  
Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

## How to complete this Proxy Form

### Your Name and Address

Please print your name and address as it appears on your holding statement and the Company's share register. If shares are jointly held, please ensure the name and address of each joint Shareholder is indicated. Shareholders should advise the Company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. Please note, you cannot change ownership of your securities using this form.

### Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a Shareholder of the Company.

### Votes on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

### Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company on 08 9322 2700 or you may photocopy this form.

To appoint a second proxy you must on each Proxy Form state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both Proxy Forms do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

### Signing Instructions

You must sign this form as follows in the spaces provided:

- |                    |  |
|--------------------|--|
| Individual:        | where the holding is in one name, the holder must sign.  |
| Joint Holding:     | where the holding is in more than one name, all of the Shareholders should sign.   |
| Power of Attorney: | to sign under Power of Attorney, you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.   |
| Companies:         | where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place. |

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate can be obtained from the Company's share registry.

### Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting. ie. no later than 10.00 am on 9 March 2015. Any Proxy Form received after that time will not be valid for the scheduled meeting.

This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be sent or delivered to the Company's registered office at 14 Emerald Terrace, West Perth Western Australia 6005 or sent by facsimile to the registered office on (08) 9322 7211 or by email at [leonard@gdacorporate.com.au](mailto:leonard@gdacorporate.com.au).

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