elemental minerals limited

AND CONTROLLED ENTITIES
ABN 31 108 066 422

FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

CONTENTS

CORPORATE DIRECTORY

NON-EXECUTIVE CHAIRMAN
David Hathorn

MANAGING DIRECTOR
Sean Bennett

NON-EXECUTIVE DIRECTORS
Robert Samuel Middlemas
Leonard Math

JOINT COMPANY SECRETARY
Lawrence Davidson and Leonard Math

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SECURITIES EXCHANGE LISTING
Australian Securities Exchange (ASX)
Code: ELM

WEBSITE: www.elementalminerals.com

REVIEW OF OPERATIONS

- **KEY DEVELOPMENTS**

  - New Non-Executive Chairman, David Hathorn, and Managing Director, Sean Bennett, appointed on 23 November 2015.

  - Elemental entered into an exclusive non-binding term sheet with Summit Private Equity ("Summit") who are leading a consortium of strategic investors regarding a US$50m equity investment, at A$0.20. This will allow Elemental to accelerate the development of the Kola construction strategy and further production targets of the Congolese potash basin to be implemented by a consortium of worldwide leading engineering and construction companies (the "Construction Consortium").

- **OPERATIONAL DEVELOPMENTS**

  - Drill hole EK_48 was completed on 2 November 2015, at the planned shaft site at Kola. The hole was drilled for hydrological and geotechnical test-work to support the shaft design for the Kola Definitive Feasibility Study (DFS).

  - Meetings with gas and electricity suppliers confirmed the availability of these utilities for the long term and supported the price assumptions used in the 2012 Kola Pre-Feasibility Study (PFS). The suppliers confirmed their commitment to conclude offtake agreements in the near future

  - At Dougou, drillhole ED_05 was completed on 18 October 2015 at a depth of 624.15 metres. The hole intersected a total thickness of 36 m of carnallitite within the four main potash layers.

  - The Company has embarked on the process to finalize the Kola Project Mining Convention. This document, which forms a contract between the state and the Company, will encompass the commercial, legal, financial and operational components of the business for the life of mine. The consummation of this contract is planned for the end of Q2 2016.

- **CORPORATE ACTIVITIES**

  - On 10 July 2015, Elemental announced that it had completed a private placement from existing shareholders, raising A$4.98 million at AU$0.20 per share. The proceeds from this raising were utilised in support of the planned Kola BFS and Dougou PFS respectively.

  - On 26 October 2015, Elemental and Shapoorji Pallonji Infrastructure Capital Company Pvt. Ltd executed a non-binding term sheet that provided for an investment of A$19.3m into the Company through a placement of 101.6m fully paid ordinary shares at A$0.19 per share. The total investment would, if the transaction were successful, equate to a 19.99% shareholding in the Company. This initiative was terminated on 16 December 2015 due to the Company entering into the Summit transaction.

  - On 23 November 2015, David Hathorn was appointed Non-Executive Chairman of the Board and Sean Bennett was appointed Managing Director. David Hathorn (53) is the Chief Executive Officer ("CEO") of the Mondi Group. Prior to Mondi, David was at Anglo American, where he was a member of the group executive committee from 2003 and an executive director of Anglo American PLC from 2005, serving on several of the boards of the group's major mining operations. Sean Bennett ACA (47) was previously CEO of UBS South Africa and Head of Sub-Saharan Africa.

  - Messrs Tom Borman, John Sanders and Michael Golding resigned from the Board of Elemental on the same day. A total of 7,000,000 Performance Rights (3,500,000 Class B – Director Performance Rights and 3,500,000 Class C – Director Performance Rights) lapsed following the resignations of the directors.

- On 11 January 2016, the Company entered into an exclusive non-binding term sheet with Summit regarding a US$50m equity investment that will see it sufficiently funded through to the commencement of the construction of its flagship potash project, the Kola Sylvinite Project. This cash injection would allow the Company to pursue a new strategy accelerating the development of its various Potash projects. The new strategy includes the following:

    - Raising a minimum of US$50m.
    - Creation of a Master Plan, which provides a comprehensive strategic overview of Elemental's Kola, Dougou projects and Yangala resource target (renamed as "Dougou Extension"), and sets out planning considerations of common infrastructure works utilised across the different projects. The Master Plan is expected to be completed in early April 2016.
    - Completion of a Bankable Feasibility Study for the Kola Mine ('DFS'), inclusive of pre-engineering works within 14 months, developed by the Construction Consortium composed of Vinci Construction Group, Technip France SA, Egis Group and Louis Dreyfus Armateurs through an early contractor involvement strategy, .
    - Provision of a binding Engineering, Procurement & Construction ('EPC') (fixed price) offer, on an open-book basis, within 3 months from the completion of the DFS.
    - Reverting to a Kola 2Mtpa MOP operation from start-up, rather than a phased approach, to maximise project value.
    - Depending on the results of the Master Plan, accelerate the development of Dougou and/or Yangala
    - The credentials of the Construction Consortium, supported by the significant financing capability of the Summit Consortium enhances the ability of Elemental to finalise project financing and delivery in an accelerated timeline.

- On 12 February 2016, Elemental announced that it had received an unsolicited, non-binding, incomplete and conditional expression of interest from Dingyi Group Investment Limited ("Dingyi") to acquire by way of an off-market takeover the fully paid ordinary shares of Elemental at a cash consideration of A$0.30 per share. The acquiring entity will be an entity jointly formed by Dingyi, Guangzhou R&F Properties Company Limited ("R&F") and / or its associates. This approach was rejected by the Board.

- On 12 February 2016, Elemental announced that it had received commitments to raise A$4.1m through the issue of 20.5m fully paid ordinary shares at A$0.20 from unrelated sophisticated and institutional investors. The funds raised will be used to supplement Elementals working capital and allow the continuation of the process of completing the planned US$50m equity investment by Summit as well as to continue with the execution of the Company's Master Plan. Of the amount raised of A$4.1m, A$1.66m were completed on 15 February 2016 with the issue of 8,300,000 fully paid ordinary shares. The balance of A$2.44m were completed on 31 March 2016 with the issue of 12,200,200 fully paid ordinary shares. The Company further issued 1,800,000 fully paid ordinary shares at A$0.20, raising A$360,000 on 31 March 2016.

- **FIELD WORK AND EXPLORATION ACTIVITY**

Kola Sylvinite Project

During the period, Hatch and ELM staff identified opportunities for capital expenditure reduction to be adopted for the DFS. These include a review of the preferred ore transport methodology, the shaft sinking methodology (including the possibility of eliminating ground freezing), the brine discharge system design, the process plant layout and the opportunity to outsource the employee facility. Elemental is of the opinion, that these factors combined with the advantageous movement of exchange rates and price of materials have the potential to result in a significant reduction in the Kola project capex with a commiserate improvement in project NPV and IRR.

Discussions were held with electricity and gas suppliers. Both have confirmed their commitment to supplying the Sintoukola Projects in the long term and with Elemental are working towards offtake agreements in the near future. They confirmed the expected price assumptions used in the PFS, underpinning the project's very low operating costs.

Drill hole EK_48 was completed on 2 November 2015, at the planned shaft site at Kola. The hole was drilled for hydrological and geotechnical test-work to support the shaft design for the DFS. The hole was cored from surface and ended at a depth of 217.5 metres in the thick anhydrite layer that overlies the potash bearing 'Salt' sequence. The coring of the relatively soft rocks of the 'cover sequence' was successful and hydrological and geophysical logging was carried out as planned. Rocks were more stable and competent than expected and hydrological data collected does not indicate the presence of high rates of groundwater flow, which should have a positive impact on the shaft design and cost.

The shaft location is central to the deposit and will provide ease of access to the shallow high grade sylvinite reserve[1] (152 Mt grading 31.7% KCl) hosted by the Upper and Lower Seams. The shaft bottom will be at a depth of approximately 240 metres below surface which is very shallow relative to potash mines globally, supporting significant cost savings and a shortened mine construction period.

The Kola DFS work has been put on hold and the Hatch contract has been cancelled. ELM now aims to the start the Kola DFS directly after the completion of the SUMMIT equity raise. The studies will be undertaken by a Consortium of French companies consisting of Technip, Vinci, Egis and LDA. Expected completion of the DFS in in August 2017, with a fixed priced EPC proposal following the study in November 2017.

Dougou Carnallite Project

At Dougou, drilling of drillhole ED_05 was completed on 18 October 2015, at an end of hole depth of 624.15 metres. The hole intersected a total of 36 m of carnallitite[2] within the four main potash layers (Table 1)[3]. Assay data will become available after dissolution testwork has been completed. Mineralisation appears to be similar to that intersected in the other previously reported drillholes at Dougou.

Potash Layer	Depth From (m)	Depth To (m)	Thickness (m)	Av. carnallite (% visual)
Top Seam	499.74	508.62	8.88	60-70
Hangingwall Seam	521.17	531.38	10.21	85-95
Upper Seam	588.02	595.05	7.03	75-85
Lower Seam	598.38	608.26	9.88	65-75

Table 1. Summary of carnallitite intersections in ED_05. Carnallite content is based on inspection of core and conversion of gamma data. All intersections are true thickness as drillholes are vertical and layering is horizontal.

This hole is for the retrieval of core for dissolution, geotechnical and metallurgical test-work to provide data for the design of the solution mining method. The deposit is ideally suited to this mining method having a combined potash interval averaging 35 metres thick and being comprised uniformly of four flat to very gently dipping carnallitite seams.

The results from this test work campaign will form key data inputs into the Dougou PFS – the next big milestone at Dougou. Should assay results be as expected, ED_05 is anticipated to support a significant further increase in the Measured and Indicated Resource which currently stands at 1.1 billion tonnes grading 20.6% KCl (Table 2), including 311 Mt grading 24.6% KCl within the Hangingwall Seam (HWS).[4]

SRK Cardiff advanced their work on the ESIA for the Dougou project. Stakeholder engagement meetings were held with local regulators, NGO's and various affected communities in the Dougou project area. The findings from the engagements were used to compile the terms of reference for the ESIA, which were submitted to the government authorities on 23 December 2015. Detailed social and biophysical baseline studies have been started in Q1 2016 and will be completed in April 2016, when the findings will be presented to an inter-ministerial committee. The assessment will be compliant with IFC Standards and Equator Principles and is expected to be complete in time for a mining license application in September 2016.

[1] NI 43-101 Technical Report. PFS for the Kola Deposit, 17 September 2012 (SRK Consulting)

[2] Carnallitite: a rock type comprising predominantly of the potash mineral carnallite and halite (NaCl).

[3] Announcement dated 10 November 2015

[4] Announcement dated 9 February 2015: Elemental Minerals Announces Large Mineral Resource Expansion and Upgrade for the Dougou Potash Deposit

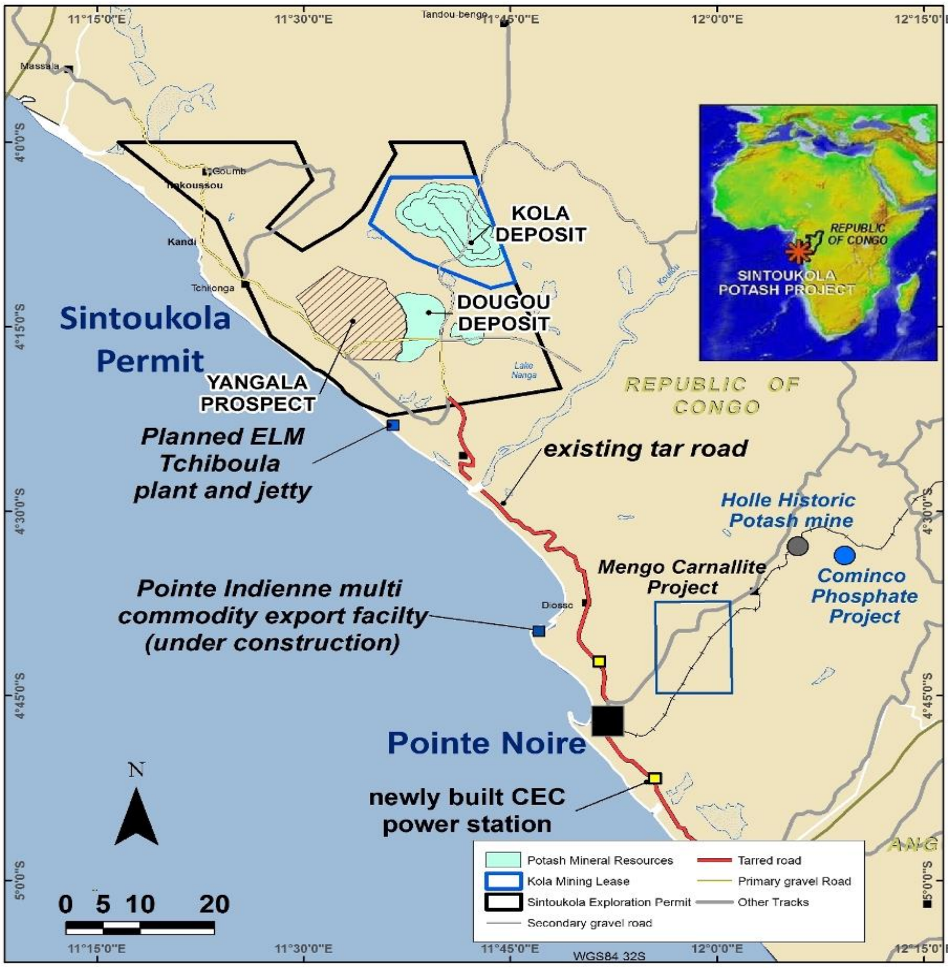

Figure 1. Location of the Sintoukola Project showing the Dougou, Kola and Yangala Projects, and available infrastructure.

Table 2. Elemental Minerals' Potash Mineral Resources

	Potash Mineral Resources		
Potash Deposit	**Category**	**Million Tonnes**	**Grade KCl %**
Kola Sylvinite	Measured	264	33.75
	Indicated	309	32.61
	Inferred	475	32.48
	TOTAL	1,048	32.84
Kola Carnallitite	Measured	295	17.83
	Indicated	449	18.69
	Inferred	473	18.81
	TOTAL	1,217	18.53
Dougou Carnallitite	Measured	148	20.07
	Indicated	920	20.65
	Inferred	1,988	20.77
	TOTAL	3,056	20.70
TOTAL MINERAL RESOURCES	Measured	707	24.24
	Indicated	1,678	22.33
	Inferred	2,936	22.35
	TOTAL	5,321	22.59

Notes: *The Kola Mineral resources were estimated by CSA Global of Perth, and reported under the JORC Code 2004. Elemental is not aware of any new information or data that materially affects the information included in the Announcement to the ASX on the 21st August titled "Elemental Announces Further Significant Mineral Resource Upgrade for Kola". In the case of the Mineral Resources the company can confirm the assumptions and the technical parameters underpinning the estimates continue to apply and have not materially changed. The form and context of the Competent Person's findings as presented in the announcement have not materially changed. The Dougou Mineral Resource was completed by ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau mbH ("ERCOSPLAN") and reported in accordance with the JORC code 2012 in the ASX announcement dated 9 February 2015 titled "Elemental Minerals Announces Large Mineral Resource Expansion and Upgrade for the Dougou Potash Deposit". Table entries are rounded to the appropriate significant figure. A conversion factor of 1.5837 was used to convert K_2O to KCl. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, marketing, or other relevant issues.*

Competent Person Statement

The information relating to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves, and the results of economic studies, is extracted from previous reports, as referred to in footnotes herein, and available to view on the Company's website. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Forward-Looking Statements

This news release contains statements that are "forward-looking". Generally, the words "expect," "potential", "intend," "estimate," "will" and similar expressions identify forward-looking statements. By their very nature and whilst there is a reasonable basis for making such statements regarding the proposed placement described herein; forward-looking statements are subject to known and unknown risks and uncertainties that may cause our actual results, performance or achievements, to differ materially from those expressed or implied in any of our forward-looking statements, which are not guarantees of future performance. Statements in this news release regarding the Company's business or proposed business, which are not historical facts, are "forward looking" statements that involve risks and uncertainties, such as resource estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements. Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date they are made.

DIRECTORS' REPORT

Your directors present their annual report on Elemental Minerals Limited (Elemental or Company) and its controlled entities (Group or Consolidated Entity) for the financial year ended 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors
The names of directors in office at any time during or since the end of the year are:

David Hathorn	Non-Executive Chairman (appointed 20 November 2015)
Sean Bennett	Managing Director (appointed 20 November 2015)
Robert Samuel Middlemas	Non-Executive Director
Leonard Math	Non-Executive Director
Thomas Borman	Non-Executive Chairman (resigned 20 November 2015)
John Sanders	Managing Director (resigned 20 November 2015)
Michael Golding	Non-Executive Director (resigned 20 November 2015)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Joint Company Secretary
Mr Lawrence Davidson
Mr Leonard Math

Principal Activities and Significant Changes in Nature of Activities
The principal activity of the Group during the financial year was exploration for potash minerals prospect.

Operating Results
The net loss of the Group for the year ended 31 December 2015 after providing for income tax amounted to $2,649,102 (31 December 2014: $3,486,239).

Dividends Paid or Recommended
In respect of the year ended 31 December 2015, no dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Significant Changes in State of Affairs

Board Changes
During the year, Mr David Hathorn was appointed as Non-Executive Chairman on 20 November 2015, replacing Mr Tom Borman.

Mr Sean Bennett was appointed as Managing Director on 20 November 2015, replacing Mr John Sanders.

Mr Tom Borman, Mr John Sanders and Mr Michael Golding resigned as Directors on 20 November 2015.

Capital Raising
On 10 July 2015, Elemental announced the completion of a A$4.98 million private placement at A$0.20 per share (24,925,000 Fully Paid Ordinary Shares) from sophisticated and institutional investors. The capital was used to significantly advance the development of its potash projects in the Republic of Congo (RoC).

Project
The Sintoukola exploration license was renewed on 13 January 2015 for an additional 2 year period. The Kola Mining license was granted on 9 August 2013 for a 25 year period and remains valid.

Capital Structure
Lapsing of Options
- 4,500,000 Unlisted Options exercisable at A$1.07 each expiring 16 February 2015 have lapsed.
- 4,450,000 Unlisted Options exercisable at A$1.07 each expiring 19 May 2015 have lapsed.

DIRECTORS' REPORT (CONT)

On 11 March 2015, shareholders approved the issue of 10,500,000 Performance Rights to the following Directors under the Company's Performance Rights Plan:

Director	Class A	Class B	Class C
Thomas Borman	1,500,000	1,500,000	1,500,000
John Sanders	1,000,000	1,000,000	1,000,000
Michael Golding	1,000,000	1,000,000	1,000,000

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 from the date of appointment.

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 from the date of appointment.

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 from the date of appointment.

During the year, Class A Performance Rights (3,500,000) have vested and 3,500,000 shares were issued to the following:

Director	Shares
Thomas Borman	1,500,000
John Sanders	1,000,000
Michael Golding	1,000,000

Following the resignations of Messrs Borman, Sanders and Golding, Class B (3,500,000) and Class C (3,500,000) Performance Rights have lapsed on 20 November 2015.

DIRECTORS' REPORT (CONT)

On 17 September 2015, the Company issued 7,998,270 Performance Rights to employees of the Company under the Company's Employee Performance Rights Plan.

Class A	Class B	Class C
2,666,090	2,666,090	2,666,090

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 60 consecutive days of trading, a daily average of not less than $85 million; and
- completing 12 months of continuous service with the Company from the date of appointment.

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 60 consecutive days of trading, a daily average of not less than $100 million; and
- completing 24 months of continuous service with the Company from the date of appointment.

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 60 consecutive days of trading, a daily average of not less than $120 million; and
- completing 36 months of continuous service with the Company from the date of appointment.

On 7 December 2015, the Company granted 5,000,000 Performance Rights to the Chief Operating Officer of the Company under the Company's Employee Performance Rights Plan.

Rights and each class' vesting conditions is as follows:

Vesting Conditions	
Joining ELM	
(1) - Sign on bonus	250,000
(1) - allocated after 1 year service	250,000
(1) - allocated after 2 years service	250,000
(1) - allocated after 3 years service	250,000
Kola Resource & Mine	
(2) - DFS Completion	1,000,000
(3) - Off-take secured to support debt finance for mine build	500,000
(4) - Complete finance package for mine build	500,000
Dougou Resource	
(5) - Development advanced to commencement of DFS	500,000
Yangala Resource	
(6) - Development advanced to completion of PFS	500,000
Share Price - allocation matrix	1,000,000
25%	*250,000*
straight line between A$0.50 and A$2.00 *(note 1)*	
100%	*1,000,000*
TOTAL	**5,000,000**

DIRECTORS' REPORT (CONT)

Note 1: Share price allocation matrix
Performance Rights vest on the basis of one Share for each Performance Right vesting, calculated as follows:

(a) For the first Vesting Period following issue, the number of Shares to be issued is:

(i) where the 30 day average daily VWAP is less than $0.50, nil.

(ii) where the 30 day average daily VWAP is $0.50 or more, the Initial Tranche plus 500 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds $0.50.

(b) For the remainder of the Performance Right Term, the number of Shares to be issued at the end of each Vesting Period is:

(i) where the Initial Tranche has not been issued and the 30 day average daily VWAP for the current Vesting period is $0.50 or more, the Initial Tranche plus 500 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds $0.50 on the basis of one Share for each Performance Right.

(ii) where the 30 day average daily VWAP is less than the 30 day average daily VWAP for any pervious Vesting Period, nil.

(iii) where the 30 day average daily VWAP is equal to or more than the highest previous 30 day average daily VWAP, 500 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds the highest previous 30 day average daily VWAP.

On 29 February 2016, 250,000 Fully Paid Ordinary Shares have been issued following the vesting of the Performance Rights as a sign on bonus for the employee.

Significant Events Subsequent to Reporting Date
On 19 January 2016, 4,843 listed options (ELMO) were exercised at A$0.25 each and the remaining of 78,911,086 listed options exercisable at A$0.25 lapsed due to its expiry. A further 500,000 unlisted options exercisable at A$1.09 have also lapsed due to its expity.

On 12 February 2016, Elemental announced that it has received commitments to raise A$4.1m through the issue of 20,500,000 fully paid ordinary shares at A$0.20 from unrelated sophisticated and institutional investors. The funds raised will be used to supplement Elemental's working capital and allow the continuation of the process of completing the planned US$50M equity investment by SUMMIT as well as to continue with the execution of the Company's Master Plan.

Of the amount raised of A$4.1m, A$1.66m were completed on 15 February 2016 with the issue of 8,300,000 fully paid ordinary shares. The balance of A$2.44m were completed on 31 March 2016 with the issue of 12,200,200 fully paid ordinary shares. The Company further issued 1,800,000 fully paid ordinary shares at A$0.20, raising A$360,000 on 31 March 2016.

Lapsing of Options
300,000 unlisted options exercisable at A$1.29 with an expiry date of 13 February 2016 have expired.

On 2 March 2016, shareholders approved the issue of 13,000,000 Performance Rights and 8,500,000 Performance Rights to Mr David Hathorn and Mr Sean Bennett respectively. The Board agreed to grant these performance rights subject to shareholders approval when both Mr Hathorn and Mr Bennett were appointed to the Board.

Below are the details of the Performance Rights issued pursuant to the Company's Performance Rights Plan Rules.

DIRECTORS' REPORT (CONT)

Chairman Performance Rights

Vesting Conditions	
Joining ELM	
(1) - allocated after 1 year service	1,000,000
(1) - allocated after 2 years service	1,000,000
(1) - allocated after 3 years service	1,000,000
Share Price - allocation matrix	10,000,000
20%	*2,000,000*
straight line between A$0.50 and A$2.00 *(note 1)*	
100%	*10,000,000*
TOTAL	**13,000,000**

Note 1: Share price allocation matrix

Performance Rights vest on the basis of one Share for each Performance Right vesting, calculated as follows:

(a) For the first Vesting Period following issue, the number of Shares to be issued is:

(i) where the 30 day average daily VWAP is less than $0.50, nil.

(ii) where the 30 day average daily VWAP is $0.50 or more, the Initial Tranche plus 5,333 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds $0.50.

(b) For the remainder of the Performance Right Term, the number of Shares to be issued at the end of each Vesting Period is:

(i) where the Initial Tranche has not been issued and the 30 day average daily VWAP for the current Vesting period is $0.50 or more, the Initial Tranche plus 5,333 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds $0.50 on the basis of one Share for each Performance Right.

(ii) where the 30 day average daily VWAP is less than the 30 day average daily VWAP for any pervious Vesting Period, nil.

(iii) where the 30 day average daily VWAP is equal to or more than the highest previous 30 day average daily VWAP, 5,333 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds the highest previous 30 day average daily VWAP.

DIRECTORS' REPORT (CONT)

Managing Director Performance Rights

Vesting Conditions	
Joining ELM	
(1) - Sign on bonus	531,250
(1) - allocated after 1 year service	531,250
(1) - allocated after 2 years service	531,250
(1) - allocated after 3 years service	531,250
Kola Resource & Mine	
(2) - DFS Completion	850,000
(3) - Off-take secured to support debt finance for mine build	850,000
(4) - Complete finance package for mine build	850,000
Dougou Resource	
(5) - Development advanced to commencement of DFS	850,000
Yangala Resource	
(6) - Development advanced to completion of PFS	850,000
Share Price - allocation matrix	2,125,000
25%	*531,250*
straight line between A$0.50 and A$2.00 *(note 1)*	
100%	*2,125,000*
TOTAL	**8,500,000**

Note 1: Share price allocation matrix

Performance Rights vest on the basis of one Share for each Performance Right vesting, calculated as follows:

(a) For the first Vesting Period following issue, the number of Shares to be issued is:

(i) where the 30 day average daily VWAP is less than $0.50, nil.

(ii) where the 30 day average daily VWAP is $0.50 or more, the Initial Tranche plus 1,062 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds $0.50.

(b) For the remainder of the Performance Right Term, the number of Shares to be issued at the end of each Vesting Period is:

(i) where the Initial Tranche has not been issued and the 30 day average daily VWAP for the current Vesting period is $0.50 or more, the Initial Tranche plus 1,062 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds $0.50 on the basis of one Share for each Performance Right.

(ii) where the 30 day average daily VWAP is less than the 30 day average daily VWAP for any pervious Vesting Period, nil.

(iii) where the 30 day average daily VWAP is equal to or more than the highest previous 30 day average daily VWAP, 1,062 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds the highest previous 30 day average daily VWAP.

On 2 March 2016, 531,250 Fully Paid Ordinary Shares have been issued following the vesting of the Performance Rights as a sign on bonus for the Managing Director.

SUMMIT Transaction
On 11 January 2016, Elemental has signed a non-binding term sheet and entered into exclusivity with SUMMIT Private Equity ("SUMMIT") in connection with a proposed equity investment in the Company that will see it sufficiently funded through to the commencement of the construction of its flagship potash project, the Kola Sylvinite Project ("Kola") in the Republic of Congo ('RoC').

The non-binding term sheet provides for a minimum equity injection of US$50 million at a subscription price of A$0.20 per share into the Company. This cash injection would allow the Company to pursue a new strategy accelerating the development of its various Potash projects.

Dingyi's Non-Binding and Conditional Expression of Interest
On 12 February 2016, the Company announced that the Company has received an unsolicited, non-binding, incomplete and conditional expression of interest from Dingyi Group Investment Limited ("Dingyi") to acquire by way of an off-market takeover the fully paid ordinary shares of Elemental at a cash consideration of A$0.30 per share. The acquiring entity will be an entity jointly formed by Dingyi, Guangzhou R&F Properties Company Limited ("R&F") and / or its associates.

The proposal is subject to the following pre-conditions:

i) Completion of satisfactory confirmatory due diligence;
ii) The negotiation and execution of pricing and definitive documentation; and
iii) No material change to Elemental's number of issued shares.

A previous off-market bid by Dingyi in 2013-2014 lapsed after the Hong Kong Stock Exchange ("SEHK") determined the bid to be a reverse take-over and that Elemental did not meet the (then) new listing requirements for mineral assets under Chapter 18 of the SEHK Listing Rules. Dingyi have not provided Elemental with sufficient comfort that this is no longer the case.

As the proposal from Dingyi has no guarantee of completing and the consideration is significantly below both the fundamental value of the Company and the value that could be created under the Summit proposal, the Board has rejected Dingyi's proposal and has advised Dingyi that Elemental cannot have any discussions due to the current exclusivity with SUMMIT.

There are no other significant events that have occurred since reporting date requiring separate disclosure.

Future Developments
The Group will continue its mineral exploration activities with the objective of finding mineralised resources, particularly potash and the development of the Kola deposit. The Company will also consider the acquisition of further prospective exploration interests.

Environmental Issues
The Group operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of shareholders, employees and suppliers. In respect of the current year under review, the directors are not aware of any particular or significant environmental issues which have been raised in relation to the Group's operations. The Group holds exploration tenements in the Republic of Congo. The Group's operations are subject to environmental legislation in this jurisdiction in relation to its exploration activities.

DIRECTORS' REPORT (CONT)

Shares under Options

Share options outstanding at the date of this report:

Exercise Period	Exercise Price AUD$	Number of options
On or before 23 April 2016	$1.12	250,000
On or before 1 April 2016	$1.18	500,000
On or before 22 May 2017	$0.90	250,000
On or before 15 April 2018	$0.33	6,691,226
On or before 26 June 2018	$0.33	1,500,000
		9,191,226

The holders of these options do not have the right, by the virtue of the option, to participate in any share issue or interest issue of the Company.

Performance Rights

Performance rights outstanding at the date of this report:

Class	Expiry	Number
Class A (Emp)	16/09/2017	2,666,090
Class B (Emp)	16/09/2018	2,666,090
Class C (Emp)	16/09/2019	2,666,090
COO Performance Rights	06/12/2020	4,750,000
Chairman Performance Rights	01/03/2021	13,000,000
Managing Director Performance Rights	01/03/2021	7,968,750
		33,717,020

DIRECTORS' REPORT (CONT)

Information on Directors

David Hathorn
Non-Executive Chairman
CA

David Hathorn is the Chief Executive Officer ("CEO") of the Mondi Group. Previous to Mondi, David was at Anglo American, where he was a member of the group executive committee from 2003 and an executive director of Anglo American PLC from 2005, serving on several of the boards of the group's major mining operations.

Mondi Group, a FTSE 100 global packaging and paper listed group (listed on both the London and Johannesburg stock exchanges), with a market capitalisation of in excess of US$10.7 billion, with operations in 30 countries and 25,000 employees, has performed exceptionally well under David's leadership, with the share price having risen by over 1000% since 2008/9. The groups relative outperformance is reflected in its FTSE ranking improving over the same period from 198th to its current standing of 68th.

During the past 24 years David has acquired in-depth commodity industries related experience, which combined with his strong managerial skills enables him to lead Elemental through this next exciting phase of its development.

Interest in Shares and Options	4,106,516 Fully Paid Ordinary Shares 13,000,000 Performance Rights
Directorships held in other entities	Mondi Group
Former directorships of listed companies in last three years	Nil

Sean Bennett
Managing Director
ACA

Sean Bennett was previously CEO of UBS South Africa and Head of Sub-Saharan Africa. Sean joined SG Warburg in London in 1995 (now UBS Investment Bank). Sean moved to South Africa in 2008, with HSBC, where he was Co-head of HSBC Global Banking for Africa before re-joining UBS in 2011. Sean has over 20 years' experience in advising a wide range of companies, state owned enterprises and Governments, including a number of large mining houses such as BHP, South32 and Sibanye. Sean has been involved in transactions around the globe as well as numerous countries across Africa.

Interest in Shares and Options	531,250 Fully Paid Ordinary Shares 7,968,750 Performance Rights
Directorships held in other entities	Nil
Former directorships of listed companies in last three years	Nil

Robert Samuel Middlemas
Non-Executive Director
B.Com., PGrad Dip Bus., CA, MAICD

Sam Middlemas is a Chartered Accountant and the principal of a corporate advisory company. He has over 20 years of experience providing Chief Executive Officer, Director, Company Secretarial and Chief Financial Officer services to a number of ASX-listed companies operating primarily in the resources sector.

He is currently Chief Executive Officer and Company Secretary of ASX listed Bauxite Resources Limited. He is also Company Secretary and Chief Financial Officer of the ASX listed Manhattan Resources Limited and Rubicon Resources Limited. Sam trained with Price Waterhouse in Australia including secondments to Canada and United Kingdom. His expertise includes board and management consulting, corporate secretarial, financial, accounting and management reporting in the mining industry, capital raisings, cash flow modelling and corporate governance.

Sam holds a bachelor of commerce degree from the University of Western Australia and a graduate diploma of accounting from Curtin University of Western Australia. He is an Associate Member of the Institute of Chartered Accountants in Australia.

DIRECTORS' REPORT (CONT)

Interest in Shares & Options	337,122 Shares 400,000 Unlisted Options exercisable at $0.33 expiring 26 June 2018
Directorships held in other entities	Nil
Former directorships of listed companies in last three years	Rubicon Resources Limited

Leonard Math
Non-Executive Director & Joint Company Secretary
B.Com., CA, MAICD

Leonard Math graduated from Edith Cowan University in 2003 with a Bachelor of Business majoring in Accounting and Information Systems. He is a member of the Institute of Chartered Accountants and the Australian Institute of Company Directors.

In 2005, he worked as an auditor at Deloitte before joining GDA Corporate as Manager of Corporate Services.

In 2015, GDA Corporate merged with Nexia Perth Pty Ltd and Leonard was appointed as Senior Client Manager for Nexia.

Leonard has extensive experience in relation to public company responsibilities including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting and shareholder relations with both retail and institutional investors.

Interest in Shares & Options	183,600 Unlisted Options exercisable at $0.33 each expiring 15 April 2018.
Directorships held in other entities	RMA Energy Limited and Mako Hydrocarbons Limited.
Former directorships of listed companies in last three years	Kangaroo Resources Limited

Thomas Borman
Non-Executive Chairman
B.Comm (Hons)

(Resigned 20 November 2015)

Tom Borman has an honours degree in accounting, and over 20 years' experience in the mining and minerals industry. He served in excess of 11 years with the BHP Billiton Group ("BHP") in various senior managerial roles including strategy and business development and served as the project manager for the integration of the BHP and Billiton merger. He has extensive global business experience, having worked in several countries including South Africa, Kenya, the Netherlands, the United Kingdom and Australia. Tom was part of the executive management team that established and consolidated the Optimum group of companies, a Johannesburg Stock Exchange ("JSE") listed company that was acquired by a Glencore led consortium in March 2012. Tom also serves as a Non-Executive Director of the TSX listed minerals exploration and development company Alphamin Resources Corp, is a Non-Executive Director of the South African based JSE listed company Metmar, a commodities trading company, and is also a director of Beacon Rock Corporate Services, a company which provides advisory services to the mining industry. More recently, Tom became a director of the Univeg group of companies. Univeg is a fresh fruit and vegetable provider in Europe and the USA, with a turnover in excess of €3 billion with farms in Turkey, South Africa and South America.

John Sanders
Managing Director
MTech (EconGeol,) AusIMM

(Resigned 20 November 2015)

John has extensive experience totalling over 30 years in African exploration and mining projects. Prior to his previous association with Elemental, he held the positions of Vice President Exploration for UraMin, Chief Executive Officer of Niger Uranium, Regional Exploration Manager East and West Africa at Anglogold Ashanti, Country Manager Anglo Gold Mali and Country Manager Anglo American Botswana.

DIRECTORS' REPORT (CONT)

Michael Golding
Non-Executive Director
B.Comm, B.Acc, CA (SA), MBL
(Resigned 20 November 2015)

Mike is a Chartered Accountant and holds a Masters Degree in Business Leadership. He has over 20 years experience in corporate and project finance and private equity, and has held senior positions in Billiton Plc (Head of South African Corporate Finance), HSBC (Director: Corporate Finance and Advisory), Actis Plc (Director: Africa Business) and Imara Holdings Ltd (Executive Director and Head of Corporate Finance). He left formal employment in 2007 to establish his own corporate and project finance advisory firm, where he provides advisory services to companies active in the mining, oil and gas sectors in Sub-Saharan Africa.

Company Secretary
Lawrence Davidson
B.Comm, Finance

Mr. Davidson graduated from the University of the Witwatersrand in Johannesburg, South Africa in 1991, and has held senior financial management roles for the past 20 years. He recently occupied the position of managing director of DF2 Consulting (Pty) Ltd., a South African financial and management consulting company, a position he had held for the past 5 years. Prior to this Mr. Davidson was a management consultant to Barclays Bank plc, as part of their Barclays Africa integration team. Lawrence spent the early part of his career within the investment banking field, holding various financial management positions at Gensec Bank Ltd., a specialist South African investment bank, and was part of a group of employees to successfully set up and manage Gensec Bank's Irish domiciled operation, Gensec Ireland Ltd., in Dublin, Ireland during 1999-2001.

Meetings of Directors
The number of meetings of the Company's directors and the number of meetings attended by each director during the year ending 31 December 2015 are:

Director	Directors Meetings		Audit Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
D Hathorn (i)	3	3	-	-
S Bennett (i)	3	3	-	-
S Middlemas	15	15	2	2
L Math	15	15	2	-
T Borman(ii)	12	12	-	-
J Sanders(ii)	12	12	-	2
M Golding(ii)	12	12	2	2

There were 15 directors' meetings and 2 audit committee meetings held during the year.

(i)Appointed 20 November 2015
(ii)Resigned 20 November 2015

Non-audit Services
The board of directors is satisfied that the provision of non-audit services during the year as disclosed in Note 19 is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that non-audit services below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES:110 Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

DIRECTORS' REPORT (CONT)

Indemnifying Officers and Auditor
The Company has agreed to indemnify the directors of the Company, against all liabilities to another person that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company agreed to pay an annual insurance premium of $33,630 in respect of directors' and officers' liability and legal expenses' insurance contracts, for directors, officers and employees of the Company. The insurance premium relates to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever the outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty.

Remuneration Report – Audited
Key Management Personnel of the Company
This report details the nature and amount of remuneration for key management personnel of Elemental Minerals Limited. Key management personnel during the financial year 2015 were:

David Hathorn	Non-Executive Chairman (Appointed 20 November 2015)
Sean Bennett	Managing Director (Appointed 20 November 2015)
Robert Samuel Middlemas	Non-Executive Director
Leonard Math	Non- Executive Director & Joint Company Secretary
Lawrence Davidson	Chief Financial Officer & Joint Company Secretary
Werner Swanepoel	Chief Operating Officer
Julien Babey	Country Manager
Thomas Borman	Non-Executive Chairman (Resigned 20 November 2015)
John Sanders	Managing Director (Resigned 20 November 2015)
Michael Golding	Non-Executive Director (Resigned 20 November 2015)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Elemental Minerals Limited's key management personnel for the financial year ended 31 December 2015. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity. The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel
- remuneration policy
- relationship between the remuneration policy and company performance
- remuneration of key management personnel

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five financial periods to 31 December 2015:

	12 months 31 Dec 2015 USD$	12 months 31 Dec 2014 USD$	12 months 31 Dec 2013 USD$	12 months 31 Dec 2012 AUD$	6 months 31 Dec 2011 AUD$
Other income	18,339	123,128	121,240	463,278	850,897
Net loss before tax	2,649,102	3,940,592	7,680,553	10,671,818	6,821,698
Net loss after tax	2,649,102	3,486,239	7,680,553	10,671,818	6,821,698

	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
Share price at start of period	A$0.23	A$0.33	A$1.03	A$1.04	A$1.25
Share price at end of period	A$0.20	A$0.23	A$0.33	A$1.03	A$1.04
Basic loss per share (cents)	USD$0.67	USD$1.08	USD$2.62	A$4.34	A$3.25
Diluted loss per share (cents)	USD$0.67	USD$1.08	USD$2.62	A$4.34	A$3.25

DIRECTORS' REPORT (CONT)

There were no dividends paid or payable in the last 5 financial periods.

Voting and comments made at the Group's 2014 Annual General Meeting
Elemental Minerals Limited received more than 98.6% of "yes" votes on its remuneration report for the 2014 financial year. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Remuneration policy
The remuneration policy of Elemental Minerals Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The board of Elemental Minerals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain high calibre executives and directors to run and manage the Group.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth. Executives are also entitled to participate in the employee share and option arrangements.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. During the financial year, no independent external advice was sought for the purpose of determining the remuneration of the key management personnel. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in employee option plans. The Board has adopted the Elemental Performance Rights Plan to establish an incentive plan aiming to create a stronger link between employee performance and reward and increasing shareholder value by enabling the participants of the plan to have a greater involvement with, and share in the future growth and profitability of the Company.

Key Terms of Employment Contracts
Effective 1 January 2016 the following base salary applies:

Name	**Base salary**	**Term of agreement**	**Notice period**
Sean Bennett Managing Director	USD300,000	No Fixed Term	6 months notice period
Werner Swanepoel Chief Operating Officer	USD250,000	No Fixed Term	3 months notice period
Lawrence Davidson CFO and Company Secretary	USD180,000	No Fixed Term	3 months notice period
Julien Babey Country Manager	USD220,000	No Fixed Term	3 months notice period

DIRECTORS' REPORT (CONT)

Key Terms of Employment Contracts for the financial year ending 31 December 2015:

Name	Base salary	Term of agreement	Notice period
Sean Bennett Managing Director *(Appointed 20 Nov 2015)*	USD300,000	No Fixed Term	6 months notice period
John Sanders Managing Director *(Resigned 20 Nov 2015)*	USD252,000	No Fixed Term	3 months notice period
Werner Swanepoel Chief Operating Officer *(Appointed 7 Dec 2015)*	USD250,000	No Fixed Term	3 months notice period
Lawrence Davidson CFO and Company Secretary	USD180,000	No Fixed Term	3 months notice period
Julien Babey Country Manager	EURO139,620	No Fixed Term	3 months notice period

Key Management Personnel Remuneration

The remuneration for each director and key management personnel of the Company during the year ended 31 December 2015 was as follows:

1 January 2015 to 31 December 2015

	Short term employee benefits			Post-employment benefits			
	Salary and Fees **USD$**	**Bonus** **USD$**	**Non-Monetary** **USD$**	**Superannuation** **USD$**	**Share based payments – options/rights** **USD$**	**Total** **USD$**	**Performance Related** **%**
Directors							
D Hathorn (i)	-	-	-	-	57,147	57,147	44.61
S Bennett(i)	25,000	-	-	-	139,981	164,981	26.24
S Middlemas	45,342	-	-	-	10,860	56,202	-
L Math (iii)	122,567	-	-	-	5,307	127,875	-
T Borman(ii)	66,667	-	-	-	153,367	220,034	69.70
J Sanders(ii)	252,000	-	-	-	102,245	354,245	28.86
M Golding(ii)	66,667	-	-	-	102,245	168,911	60.53
	578,242	**-**	**-**	**-**	**571,152**	**1,149,394**	
Executives							
L. Davidson	180,000	-	-	-	33,865	213,865	6.10
W.Swanepoel(iv)	14,792	-	-	-	77,934	92,726	18.26
J. Babey	128,457	-	-	-	50,998	179,455	10.09
	901,491	**-**	**-**	**-**	**733,949**	**1,635,440**	

(i) Appointed 20 November 2015.
(ii) Resigned 20 November 2015.
(iii) GDA Corporate ("GDA") has been engaged to provide accounting, administrative and company secretarial services on commercial terms. In October 2015, GDA merged with Nexia Perth Pty Ltd and continued to provide accounting, administrative and company secretarial services to Elemental. Mr Leonard Math was an employee with GDA and currently employed by Nexia following the merger. Total amount paid for Director's fees is $45,795.
(iv) Appointed 7 December 2015.

DIRECTORS' REPORT (CONT)

1 January 2014 to 31 December 2014

	Short term employee benefits			Post-employment benefits			
	Salary and Fees USD$	Bonus USD$	Non-Monetary USD$	Superannuation USD$	Share based payments – options/rights USD$	Total USD$	Performance Related %
Directors							
T. Borman(i)	12,500	-	-	-	-	12,500	-
J. Sanders(ii)	72,079	-	-	-	37,031	109,110	-
M Golding(i)	12,500	-	-	-	-	12,500	-
S. Middlemas	85,361	-	-	-	37,954	123,315	-
L.Math(iii)	127,873	-	-	-	15,480	143,353	-
I. Macpherson(v)	277,040	-	-	-	107,723	384,763	-
J.I. Stalker(iv)	13,865	-	-	-	30,859	44,724	-
M. Barton(vi)	13,777	-	-	-	15,605	29,382	-
R. Franklyn(vi)	12,564	-	-	1,148	20,086	33,798	-
	627,559	**-**	**-**	**1,148**	**264,738**	**893,445**	
Executives							
L. Davidson	188,592	-	-	-	151,255	339,847	-
J. Babey	196,945	-	-	-	129,317	326,262	-
	1,013,096	**-**	**-**	**1,148**	**545,310**	**1,559,554**	

(i) Appointed 4 November 2014.
(ii) Appointed 16 July 2014.
(iii) Appointed 24 April 2014. Mr Leonard Math is an employee of GDA Corporate. GDA Corporate ("GDA") has been engaged to provide accounting, administrative and company secretarial services on commercial terms. Total amount paid for Director's fees is $35,579.
(iv) Resigned 24 April 2014.
(v) Resigned 7 August 2014.
(vi) Resigned 31 March 2014.

Share-based payments granted as compensation for the current financial year

Employee Share Option Plan and Employee Performance Rights Plan

Elemental Minerals Limited operates an ownership-based scheme for executives and senior employees of the consolidated entity. In accordance with the provisions of the plans, as approved by shareholders at a previous general meeting, executives and senior employees may be granted performance rights and/or options to purchase parcels of ordinary shares at an exercise price determined by the Remuneration Committee.

Each employee share option converts into one ordinary share of Elemental Minerals Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. Each employee performance rights will be converted into one ordinary share of Elemental Minerals Limited upon vesting conditions being met. No amounts are paid or payable by the recipient on receipt of the performance rights. The performance rights carry neither rights to dividends nor voting rights.

The performance rights/options granted expire as determined by the Remuneration Committee, or immediately following the resignation of the executive or senior employee, whichever is the earlier.

During the financial year, the following share-based payment arrangements were in existence:

	Grant date	Vesting date	Number of options	Expiry Date	Fair value at grant date AUD$	Exercise price AUD$
Option Series 1*	18/05/2011	16/02/2013	1,500,000	16/02/2015	$1.4925	$1.07
Option Series 2*	18/05/2011	16/02/2014	1,500,000	16/02/2015	$1.6481	$1.07
Option Series 3*	18/05/2011	16/02/2015	1,500,000	16/02/2015	$1.7321	$1.07
Option Series 4*	18/05/2011	19/05/2012	1,650,000	19/05/2015	$1.5472	$1.07
Option Series 5*	18/05/2011	19/05/2013	1,250,000	19/05/2015	$1.6811	$1.07
Option Series 6*	18/05/2011	19/05/2014	1,550,000	19/05/2015	$1.7566	$1.07
Option Series 7	31/05/2012	23/04/2013	83,333	23/04/2016	$0.3569	$1.12
Option Series 8	31/05/2012	23/04/2014	83,333	23/04/2016	$0.3897	$1.12
Option Series 9	31/05/2012	23/04/2015	83,334	23/04/2016	$0.4149	$1.12
Option Series 10	12/03/2012	09/01/2013	166,666	09/01/2016	$0.6948	$1.09
Option Series 11	12/03/2012	09/01/2014	166,666	09/01/2016	$0.7647	$1.09
Option Series 13	12/03/2012	09/01/2013	100,000	09/01/2016	$0.6748	$1.29
Option Series 14	12/03/2012	09/01/2014	100,000	09/01/2016	$0.7406	$1.29
Option Series 15	12/03/2012	09/01/2015	100,000	09/01/2016	$0.7847	$1.29
Option Series 16	30/03/2012	01/04/2013	166,666	01/04/2016	$0.8324	$1.18
Option Series 17	30/03/2012	01/04/2014	166,667	01/04/2016	$0.8324	$1.18
Option Series 18	30/03/2012	01/04/2015	166,667	01/04/2016	$0.8324	$1.18
Option Series 19	22/05/2013	22/05/2014	83,333	22/05/2017	$0.2181	$0.90
Option Series 20	22/05/2013	22/05/2015	83,333	22/05/2017	$0.2181	$0.90
Option Series 21	22/05/2013	22/05/2016	83,334	22/05/2017	$0.2181	$0.90
Option Series 22	9/04/2014	10/04/2014	2,169,671	15/04/2018	$0.1242	$0.33
Option Series 23	9/04/2014	10/04/2015	1,760,778	15/04/2018	$0.1391	$0.33
Option Series 24	9/04/2014	10/04/2016	1,760,777	15/04/2018	$0.1522	$0.33
Option Series 25	12/05/2014	10/04/2014	333,333	15/04/2018	$0.0948	$0.33
Option Series 26	12/05/2014	10/04/2015	333,333	15/04/2018	$0.1073	$0.33
Option Series 27	12/05/2014	10/04/2016	333,334	15/04/2018	$0.1194	$0.33
Option Series 28	30/05/2014	10/04/2014	500,000	26/06/2018	$0.1177	$0.33
Option Series 29	30/05/2014	10/04/2015	500,000	26/06/2018	$0.1303	$0.33
Option Series 30	30/05/2014	10/04/2016	500,000	26/06/2018	$0.1432	$0.33

**Option Series expired during the financial year.*

	Grant date	Vesting date	Number of rights	Expiry Date	Fair value at grant date AUD$
Rights Series 1*	11/03/2015	*Refer below*	3,500,000	11/03/2017	$0.1360
Rights Series 2**	11/03/2015	*Refer below*	3,500,000	11/03/2018	$0.1370
Rights Series 3**	11/03/2015	*Refer below*	3,500,000	11/03/2019	$0.1390
Rights Series 4	17/09/2015	*Refer below*	2,666,090	16/09/2017	$0.1451
Rights Series 5	17/09/2015	*Refer below*	2,666,090	16/09/2018	$0.1507
Rights Series 6	17/09/2015	*Refer below*	2,666,090	16/09/2019	$0.1510
Rights Series 7	07/12/2015	*Refer below*	5,000,000	06/12/2020	$0.1753
Rights Series 8	20/11/2015	*Refer below*	13,000,000	01/03/2021	$0.1596
Rights Series 9	20/11/2015	*Refer below*	8,500,000	01/03/2021	$0.1867

**Vested and converted to fully paid ordinary shares on 16 November 2015.*
***Expired following resignation of directors.*

There are no performance criteria that need to be met in relation to options granted above before the beneficial interest vests in the recipient. However, the executives and senior employees receiving the options meet the vesting conditions only if they continue to be employed with the company at the vesting date.

Below are the performance criteria for the performance rights granted above:

Series 1 - 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 from date of appointment.

Series 2 - 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 from date of appointment.

Series 3 - 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 from date of appointment.

Series 4 - 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 60 consecutive days of trading, a daily average of not less than $85 million; and
- completing 12 months of continuous service with the Company.

Series 5 - 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 60 consecutive days of trading, a daily average of not less than $100 million; and
- completing 24 months of continuous service with the Company.

DIRECTORS' REPORT (CONT)

Series 6 - 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 60 consecutive days of trading, a daily average of not less than $120 million; and
- completing 36 months of continuous service with the Company.

Series 7 – Performance Rights (COO)

Performance Rights will vest as one Share for each Performance Right subject to the satisfaction of the following:

Vesting Conditions	
Joining ELM	
(1) - Sign on bonus	250,000
(1) - allocated after 1 year service	250,000
(1) - allocated after 2 years service	250,000
(1) - allocated after 3 years service	250,000
Kola Resource & Mine	
(2) - DFS Completion	1,000,000
(3) - Off-take secured to support debt finance for mine build	500,000
(4) - Complete finance package for mine build	500,000
Dougou Resource	
(5) - Development advanced to commencement of DFS	500,000
Yangala Resource	
(6) - Development advanced to completion of PFS	500,000
Share Price - allocation matrix	1,000,000
25%	*250,000*
straight line between A$0.50 and A$2.00 *(note 1)*	
100%	*1,000,000*
TOTAL	**5,000,000**

Note 1: Share price allocation matrix

Performance Rights vest on the basis of one Share for each Performance Right vesting, calculated as follows:

(a) For the first Vesting Period following issue, the number of Shares to be issued is:

(i) where the 30 day average daily VWAP is less than $0.50, nil.

(ii) where the 30 day average daily VWAP is $0.50 or more, the Initial Tranche plus 500 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds $0.50.

(b) For the remainder of the Performance Right Term, the number of Shares to be issued is at the end of each Vesting Period is:

(i) where the Initial Tranche has not been issued and the 30 day average daily VWAP for the current Vesting period is $0.50 or more, the Initial Tranche plus 500 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds $0.50 on the basis of one Share for each Performance Right.

(ii) where the 30 day average daily VWAP is less than the 30 day average daily VWAP for any pervious Vesting Period, nil.

(iii) where the 30 day average daily VWAP is equal to or more than the highest previous 30 day average daily VWAP, 500 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds the highest previous 30 day average daily VWAP.

On 29 February 2016, 250,000 Fully Paid Ordinary Shares have been issued following the vesting of the Performance Rights as a sign off bonus for the employee.

DIRECTORS' REPORT (CONT)

Series 8 – Performance Rights (Chairman)

Performance Rights will vest as one Share for each Performance Right subject to the satisfaction of the following:

Vesting Conditions	
Joining ELM	
(1) - allocated after 1 year service	1,000,000
(1) - allocated after 2 years service	1,000,000
(1) - allocated after 3 years service	1,000,000
Share Price - allocation matrix	10,000,000
20%	*2,000,000*
straight line between A$0.50 and A$2.00 *(note 1)*	
100%	*10,000,000*
TOTAL	**13,000,000**

Note 1: Share price allocation matrix

Performance Rights vest on the basis of one Share for each Performance Right vesting, calculated as follows:

(a) For the first Vesting Period following issue, the number of Shares to be issued is:

(i) where the 30 day average daily VWAP is less than $0.50, nil.

(ii) where the 30 day average daily VWAP is $0.50 or more, the Initial Tranche plus 5,333 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds $0.50.

(b) For the remainder of the Performance Right Term, the number of Shares to be issued is at the end of each Vesting Period is:

(i) where the Initial Tranche has not been issued and the 30 day average daily VWAP for the current Vesting period is $0.50 or more, the Initial Tranche plus 5,333 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds $0.50 on the basis of one Share for each Performance Right.

(ii) where the 30 day average daily VWAP is less than the 30 day average daily VWAP for any pervious Vesting Period, nil.

(iii) where the 30 day average daily VWAP is equal to or more than the highest previous 30 day average daily VWAP, 5,333 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds the highest previous 30 day average daily VWAP.

The Board agreed to grant these performance rights subject to shareholders approval when both Mr Hathorn was appointed to the Board on 20 November 2015. These performance rights were subsequently issued following shareholders' approval on 2 March 2016.

Series 9 – Performance Rights (Managing Director)

Vesting Conditions	
Joining ELM	
(1) - Sign on bonus	531,250
(1) - allocated after 1 year service	531,250
(1) - allocated after 2 years service	531,250
(1) - allocated after 3 years service	531,250
Kola Resource & Mine	
(2) - DFS Completion	850,000
(3) - Off-take secured to support debt finance for mine build	850,000
(4) - Complete finance package for mine build	850,000
Dougou Resource	
(5) - Development advanced to commencement of DFS	850,000
Yangala Resource	
(6) - Development advanced to completion of PFS	850,000
Share Price - allocation matrix	2,125,000
25%	*531,250*
straight line between A$0.50 and A$2.00 *(note 1)*	
100%	*2,125,000*
TOTAL	**8,500,000**

Note 1: Share price allocation matrix

Performance Rights vest on the basis of one Share for each Performance Right vesting, calculated as follows:

(a) For the first Vesting Period following issue, the number of Shares to be issued is:

(i) where the 30 day average daily VWAP is less than $0.50, nil.

(ii) where the 30 day average daily VWAP is $0.50 or more, the Initial Tranche plus 1,062 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds $0.50.

(b) For the remainder of the Performance Right Term, the number of Shares to be issued is at the end of each Vesting Period is:

(i) where the Initial Tranche has not been issued and the 30 day average daily VWAP for the current Vesting period is $0.50 or more, the Initial Tranche plus 1,062 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds $0.50 on the basis of one Share for each Performance Right.

(ii) where the 30 day average daily VWAP is less than the 30 day average daily VWAP for any pervious Vesting Period, nil.

(iii) where the 30 day average daily VWAP is equal to or more than the highest previous 30 day average daily VWAP, 1,062 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds the highest previous 30 day average daily VWAP.

The Board agreed to grant these performance rights subject to shareholders approval when both Mr Hathorn was appointed to the Board on 20 November 2015. These performance rights were subsequently issued following shareholders' approval on 2 March 2016.

On 2 March 2016, 531,250 Fully Paid Ordinary Shares have been issued following the vesting of the Performance Rights as a sign off bonus for the Managing Director.

DIRECTORS' REPORT (CONT)

The following grants of share-based payment compensation to directors and key management personnel relate to the current financial year:

Name	Rights/Option Series	During the financial year				% of compensation of the year consisting of rights/options
		No. Granted	No. Vested	% Granted Vested	% Granted Forfeited	
D. Hathorn*	Rights – Granted 02/03/16	13,000,000	-	-	-	100%
S. Bennett*	Rights – Granted 02/03/16	8,500,000	531,250	6.25	-	84.85%
W. Swanepoel**	Rights – Granted 07/12/15	5,000,000	250,000	5.00	-	84.05%
L. Davidson	Rights – Granted 17/09/15	1,129,122	-	-	-	15.83%
J. Babey	Rights – Granted 17/09/15	1,565,871	-	-	-	28.42%
T. Borman**	Rights – Granted 11/03/15	4,500,000	1,500,000	33.33	66.67	69.70%
M. Golding**	Rights – Granted 11/03/15	3,000,000	1,000,000	33.33	66.67	60.53%
J. Sanders**	Rights – Granted 11/03/15	3,000,000	1,000,000	33.33	66.67	28.86%

*Appointed on 20 November 2015 – Performance Rights were contractually agreed by the Company during the financial year and approved by shareholders on 2 March 2016.
**Appointed 7 December 2015
***Resigned on 20 November 2015

There were no exercise of options that were granted to directors and key management personnel as part of their compensation during the year.

The following table summarises the value of options to key management personnel granted, exercised or lapsed during the year:

	Value of rights/options granted at grant date (i) USD$	Value of rights/options exercised at the exercise date USD $	Value of rights/options lapsed at the date of lapsed (ii) USD $
D. Hathorn*	1,559,985	-	-
S. Bennett*	1,193,229	-	-
W. Swanepoel**	659,103	-	-
L. Davidson	126,426	-	-
J. Babey	175,328	-	-
T. Borman***	464,612	153,367	311,245
M. Golding***	309,742	102,245	207,497
J. Sanders***	309,742	102,245	207,497

*Appointed on 20 November 2015
**Appointed on 7 December 2015
***Resigned on 20 November 2015

(i) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.

(ii) The value of options lapsing during the period due to the failure to satisfy a vesting condition is determined assuming the vesting condition had been satisfied.

Shares issued on exercise of options/performance rights
3,500,000 shares were issued during the year ended 31 December 2015 following the vesting of the performance rights.

There were no shares issued from the exercise of options during the year ended 31 December 2015.

DIRECTORS' REPORT (CONT)

Shareholdings

The numbers of shares in the company held during the financial year by key management personnel, including shares held by entities they control, are set out below.

31 December 2015	Balance at 1 Jan 2015	Received as Remuneration	Options Exercised	Other Movements (i)(ii)	Balance at 31 Dec 2015
Directors					
David Hathorn(i)	-	-	-	4,106,516	4,106,516
Sean Bennett(i)	-	-	-	-	-
Robert Samuel Middlemas	337,122	-	-	-	337,122
Leonard Math	-	-	-	-	-
Thomas Borman(ii)	2,000,000	1,500,000	-	(3,500,000)	-
John Sanders(ii)	1,227,859	1,000,000	-	(2,227,859)	-
Michael Golding(ii)	-	1,000,000	-	(1,000,000)	-
Executives					
Lawrence Davidson	58,334	-	-	-	58,334
Werner Swanepoel(iii)	-	-	-	150,000	150,000
Julien Babey	-	-	-	-	-

(i)Appointed 20 November 2015. Shares held at the beginning of the appointment date.
(ii)Resigned 20 November 2015. Shares held at the end of the resignation date.
(iii)Appointed 7 December 2015. Shares held at the beginning of the appointment date.

31 December 2014	Balance at 1 Jan 2014	Received as Remuneration	Options Exercised	Other Movements	Balance at 31 Dec 2014
Directors					
Thomas Borman(i)	-	-	-	2,000,000	2,000,000
John Sanders(ii)	1,052,451	-	-	175,408	1,227,859
Michael Golding(i)	-	-	-	-	-
Leonard Math(iii)	-	-	-	-	-
Robert Samuel Middlemas	250,000	-	-	87,122	337,122
Iain Macpherson(v)	4,010,000	-	-	(4,010,000)	-
John Ian Stalker(iv)	1,750,000	-	-	(1,750,000)	-
Michael Barton(vi)	-	-	-	-	-
Robert Franklyn(vi)	-	-	-	-	-
Executives					
Lawrence Davidson	50,000	-	-	8,334	58,334
Julien Babey	-	-	-	-	-

(i)Appointed 4 November 2014.
(ii)Appointed 16 July 2014.
(iii)Appointed 24 April 2014.
(iv)Resigned 24 April 2014. Shares held at the end of the resignation date.
(v)Resigned 7 August 2014. Shares held at the end of the resignation date.
(vi)Resigned 31 March 2014.

DIRECTORS' REPORT (CONT)

Options and rights over equity instruments granted as compensation
The numbers of options and rights over ordinary shares in the company held during the financial year by key management personnel, including options and rights held by entities they control, are set out below.

31 December 2015	Balance at 1 Jan 2015	Received as Remuneration	Rights/Options Exercised / (Expired)	Other Movements	Balance at 31 Dec 2015	Vested and exercisable at year end
Directors						
David Hathorn(i)	-	-	-	322,824	322,824	322,824
Sean Bennett(i)	-	-	-	-	-	-
Robert Samuel Middlemas	722,242	-	(250,000)	-	472,242	338,908
Leonard Math	183,600	-	-	-	183,600	122,400
Thomas Borman(ii)	-	4,500,000	(4,500,000)	-	-	-
John Sanders(ii)	1,763,112	3,000,000	(4,500,000)	(263,112)	-	-
Michael Golding(ii)	-	3,000,000	(3,000,000)	-	-	-
Executives						
Lawrence Davidson	1,932,501	1,129,122	(1,200,000)	-	1,861,623	492,501
Werner Swanepoel(iii)	-	-	-	720,000	720,000	480,000
Julien Babey	1,353,333	1,565,871	-	-	2,919,204	1,068,889

(i)Appointed 20 November 2015. Options held at the beginning of the appointment date.
(ii)Resigned 20 November 2015. Options held at the end of the resignation date.
(iii)Appointed 7 December 2015. Options held at the beginning of the appointment date.

31 December 2014	Balance at 1 Jan 2014	Received as Remuneration	Options Exercised / (Expired)	Other Movements	Balance at 31 Dec 2014	Vested and exercisable at year end
Directors						
Thomas Borman(i)	-	-	-	-	-	-
John Sanders(ii)	-	-	-	1,763,112	1,763,112	1,763,112
Michael Golding(i)	-	-	-	-	-	-
Leonard Math(iii)	-	-	-	183,600	183,600	61,200
Robert Samuel Middlemas	250,000	400,000	-	72,242	722,242	455,575
Iain Macpherson(v)	1,500,000	1,100,000	-	(2,600,000)	-	-
John Ian Stalker(iv)	1,250,000	-	-	(1,250,000)	-	-
Michael Barton(vi)	250,000	-	-	(250,000)	-	-
Robert Franklyn(vi)	250,000		-	(250,000)	-	-
Executives						
Lawrence Davidson	1,200,000	720,000	-	12,501	1,932,501	1,452,501
Julien Babey	500,000	853,333	-	-	1,353,333	617,777

(i)Appointed 4 November 2014
(ii)Appointed 16 July 2014. Options held at the appointment date. Received 263,112 listed options as part of participating in the Rights Issue.
(iii)Appointed 24 April 2014. Options held at the appointment date
(iv)Resigned 24 April 2014. Options held at the end of the resignation date.
(v)Resigned 7 August 2014. Options held at the end of the resignation date.
(vi)Resigned 31 March 2014. Options held at the end of the resignation date.

Other transactions with Key Management Personnel during the financial year ended 31 December 2015
The company paid USD$45,342 (31 December 2014: USD$85,361) to Sparkling Investments Pty Ltd for Mr Sam Middlemas director's fees. Mr Sam Middlemas is a director of and has a beneficial interest in Sparkling Investments Pty Ltd.

GDA Corporate ("GDA") has been engaged to provide accounting, administrative and company secretarial services on commercial terms. In October 2015, GDA merged with Nexia Perth Pty Ltd ("Nexia"). Mr Leonard Math was an employee of GDA and currently as an employee of Nexia. Total amounts paid to GDA and Nexia for providing accounting, administration and company secretarial services were USD$76,772 during the reporting period (31 December 2014: USD$92,291). Total amount paid to GDA and Nexia for Director's fees received on behalf of Mr Leonard Math were USD$49,401 (2014: 35,579).

- End of Remuneration Report -

Proceedings on Behalf of Company
No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Auditor's Independence Declaration
The auditor's independence declaration for the year ended 31 December 2015 has been received and can be found on Page 33.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

David Hathorn
Non-Executive Chairman
Date: 31 March 2016

Deloitte.

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The Board of Directors
Elemental Minerals Limited
Level 3, 88 William Street
PERTH WA 6000

31 March 2016

Dear Board of Directors

Elemental Minerals Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Elemental Minerals Limited.

As lead audit partner for the audit of the consolidated financial statements of Elemental Minerals Limited for the year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

John Sibenaler
Partner
Chartered Accountants
Perth, 31 March 2016

DIRECTORS' DECLARATION

The directors of the company declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;
(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

____

David Hathorn
Non-Executive Chairman
Date: 31 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Dec 2015 USD$	Dec 2014 *Restated USD$
Continuing Operations			
Other income	2	18,339	123,128
Directors remuneration		(350,314)	(310,563)
Equity compensation benefits	3(a)	(920,489)	(1,150,508)
Salaries, employee benefits and consultancy expense	3(b)	(448,810)	(891,131)
Administration expenses		(752,677)	(1,276,957)
Net realised foreign exchange losses		(171,854)	(169,086)
Interest and finance expenses		(23,297)	(265,475)
Loss before income tax expense		(2,649,102)	(3,940,592)
Income tax benefit	4	-	454,353
Loss for the year from continuing operations		**(2,649,102)**	**(3,486,239)**
Other comprehensive loss, net of income tax			
Items that may be classified subsequent to profit or loss			
Exchange differences on translating foreign operations		(9,794,758)	(11,623,267)
Other comprehensive income for the year, net of tax		(9,794,758)	(11,623,267)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(12,443,860)**	**(15,109,506)**
Loss attributable to:			
Owners of the Company		(2,649,102)	(3,486,239)
Non-Controlling interest		-	-
		(2,649,102)	**(3,486,239)**
Total comprehensive loss attributable to:			
Owners of the Company		(12,443,860)	(15,070,322)
Non-Controlling interest		-	(39,184)
		(12,443,860)	**(15,109,506)**
Basic and Diluted loss per share (cents per share)	23	(0.67)	(1.08)

* Please refer to note 1(w)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	NOTE	Dec 2015 USD$	Dec 2014 *Restated USD$
CURRENT ASSETS			
Cash and cash equivalents	5	3,058,606	5,894,073
Trade and other receivables	6	203,165	386,709
TOTAL CURRENT ASSETS		3,261,771	6,280,782
NON CURRENT ASSETS			
Property, plant and equipment	8	399,152	663,768
Exploration and evaluation expenditure	9	93,068,160	97,701,924
TOTAL NON CURRENT ASSETS		93,467,312	98,365,692
TOTAL ASSETS		96,729,083	104,646,474
CURRENT LIABILITIES			
Trade and other payables	10	(320,976)	(438,251)
TOTAL CURRENT LIABILITIES		(320,976)	(438,251)
TOTAL LIABILITIES		(320,976)	(438,251)
NET ASSETS		**96,408,107**	**104,208,223**
EQUITY			
Contributed equity	11	154,657,058	150,933,803
Reserves	12	13,128,517	22,002,786
Accumulated losses		(71,377,468)	(68,728,366)
Equity attributable to owners of the Company		96,408,107	104,208,223
Non-controlling interests		-	-
TOTAL EQUITY		**96,408,107**	**104,208,223**

* Please refer to note 1(w)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Contributed Equity USD$	Accumulated Losses USD$	Option Reserve USD$	Foreign Currency Translation Reserve USD$	Non-controlling Interest USD$	Total Equity USD$
Balance at 31 December 2013 (as previously reported)	**142,042,802**	**(62,886,030)**	**25,917,078**	**2,400,393**	**40,017**	**107,514,260**
Loss for the period	-	(3,486,239)	-	-	-	(3,486,239)
Other comprehensive loss for the period	-	-	-	(11,584,083)	(39,184)	(11,623,267)
Total comprehensive loss for the period	-	(3,486,239)	-	(11,584,083)	(39,184)	(15,109,506)
Share issue (net of costs)	8,891,001	-	4,118,890	-	-	13,009,891
Share based payments	-	-	1,150,508	-	-	1,150,508
Increase in non-controlling interests	-	(2,356,097)	-	-	-	(2,356,097)
Decrease in non-controlling interest	-	-	-	-	(833)	(833)
Balance at 31 December 2014 (restated, see note 1(w))	**150,933,803**	**(68,728,366)**	**31,186,476**	**(9,183,690)**	**-**	**104,208,223**
Loss for the period	-	(2,649,102)	-	-	-	(2,649,102)
Other comprehensive loss for the period	-	-	-	(9,794,758)	-	(9,794,758)
Total comprehensive loss for the period	-	(2,649,102)	-	(9,794,758)	-	(12,443,860)
Share issue (net of costs)	3,723,255	-	-	-	-	3,723,255
Share based payments	-	-	920,489	-	-	920,489
Balance at 31 December 2015	**154,657,058**	**(71,377,468)**	**32,106,965**	**(18,978,448)**	**-**	**96,408,107**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTE	31 Dec 2015 USD$	31 Dec 2014 USD$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers		(1,603,849)	(2,508,041)
Research & Development refund received		-	454,353
Net cash used in operating activities	14	(1,603,849)	(2,053,688)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration activities		(4,535,937)	(7,102,329)
Interest received		18,339	123,128
Net cash used in investing activities		(4,517,598)	(6,979,201)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		3,723,255	11,134,972
Cost of capital raising		-	(481,092)
Proceeds from issue of Convertible Notes		-	8,803,980
Repayment of Convertible Notes		-	(8,194,391)
Interest payment		-	(265,475)
Net cash provided by financing activities		3,723,255	10,997,994
Net (decrease)/increase in cash and cash equivalents held		**(2,398,192)**	**1,965,105**
Cash and cash equivalents at beginning of financial year		5,894,073	4,910,157
Foreign currency differences		(437,275)	(981,189)
Cash and cash equivalents at end of financial year	**5**	**3,058,606**	**5,894,073**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Elemental Minerals Limited (the Company) is a public company incorporated and domiciled in Australia and listed on the Australian Securities Exchange. The consolidated financial statements of the Company as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is involved in mining and exploration activity in the Republic of Congo.

Basis of preparation

(a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 31 March 2016.

(b) Going Concern

The consolidated entity incurred a loss of US$2,384,790 (2014: US$3,486,239) and experienced net cash outflows from operating and investing activities of US$6,121,447 (2014: US$9,032,889) for the year ended 31 December 2015. Cash and cash equivalents totaled US$3,058,606 as at 31 December 2015.

The directors have prepared a cash flow forecast for the period ending 31 March 2017, which indicates the consolidated entity will have sufficient cash flow to meet working capital requirements through to 31 March 2017 including corporate costs, exploration expenditure, Definitive Feasibility Study ("DFS") costs related to the Kola Project and Pre-Feasibility Study ("PFS") costs related to the Dougou Project, which has been based on the following assumption:

a) The completion of an equity investment from SUMMIT raising approximately $50m. A non-binding term sheet has been signed with SUMMIT and the Directors are continuing discussions with SUMMIT to advance the term sheet to a Definitive Agreement expected by early Q2 2016. The final form and structure of the equity investment will require approval by Elemental shareholders with receipt of funds expected in May 2016.

The Directors are confident that this raising initiative with SUMMIT will be successful and the financial report has therefore been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the above capital raising involving SUMMIT not be finalised in the timeframe indicated the Directors will pursue additional capital raising initiatives in May 2016. Further, the Directors will manage and defer costs where applicable to coincide with the capital raising activity.

The Directors have reviewed the consolidated entity's overall position and outlook in respect of the matters identified above and are of the opinion that there are reasonable grounds to believe that the operational and financial plans in place are achievable and accordingly that the company and consolidated entity will be able to continue as going concerns and meet their obligations as and when they fall due.

Should the Directors not be successful in achieving the matters set out above, there is a material uncertainty whether the company and the consolidated entity will be able to continue as going concerns and therefore whether they will be able to realise their assets and extinguish their liabilities in the normal course of business.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

(c) Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost, except financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(d) Functional and presentation currency

The functional and presentation currency of the Company is US dollars.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All differences in the consolidated financial report are taken to the Statement of Profit or Loss and Other Comprehensive Income with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of a net investment, at which time they are recognised in the profit or loss in the Statement of Profit or Loss and Other Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date the fair value was determined.

The functional currency of the overseas subsidiaries are:
Sintoukola Potash SA - CFA Franc BEAC (XAF)
Elemental Minerals Limited South Africa – South African RAND

As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the reporting currency of the company at the rate of exchange ruling at the reporting date and the profit or loss in the Statement of Profit or Loss and Other Comprehensive Income are translated at the weighted average exchange rates for the period. The exchange differences on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity is recognised in the profit or loss in the Statement of Profit or Loss and Other Comprehensive Income. The functional currency for Sintoukola will change to US dollars upon the commencement of mining.

(e) Basis of Consolidation

Subsidiaries are entities controlled by the Group. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated Statement of Profit or Loss and Other Comprehensive Income and within equity in the consolidated Statement of Financial Position.

In the company's financial statements, investments in subsidiaries are carried at cost. A list of controlled entities is contained in Note 7 to the financial statements.

(f) Income tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the profit or loss in the Statement of Profit or Loss and Other Comprehensive Income except where it relates to items that are recognised directly in equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(g) Property, Plant and Equipment

Property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their estimated useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for the plant and equipment is in the range of 20% - 40%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit or loss in the Statement of Profit or Loss and Other Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(h) Impairment of Assets

(i) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised either in the profit or loss in the Statement of Profit or Loss and Other Comprehensive Income or revaluation reserves in the period in which the impairment arises.

(i) Exploration and Evaluation Assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount at the reporting date.Refer to note (p) for further details.

(ii) Non-financial Assets Other Than Exploration and Evaluation Assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss in the Statement of Profit or Loss and Other Comprehensive Income.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

(i) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Interest income is recognised in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest method.

(j) Trade and other Receivables

All trade receivables are recognised when invoiced as they are due for settlement within 30 days.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exist.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which is readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(m) Financial Instruments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) *Financial assets at fair value through profit or loss*

This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date.

(ii) *Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

(iii) *Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Purchases and sales of investments are recognised on trade-date being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are included in the profit or loss in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale investments revaluation reserve are recognised in equity in the “available for sale revaluation reserve”. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Statement of Profit or Loss and Other Comprehensive Income as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing methods refined to reflect the issuer's specific circumstances.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss, is removed from equity and recognised in the Statement of Profit or Loss and Other Comprehensive Income. Impairment losses recognised in the Statement of Profit or Loss and Other Comprehensive Income on equity instruments are not reversed through the Statement of Profit or Loss and Other Comprehensive Income.

(iv) *Derivative financial instruments*

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the profit or loss in the Statement of Profit or Loss and Other Comprehensive Income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income. The Group has nominated not to apply the hedge accounting principles.

(n) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flow on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) Capitalisation of exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and
(ii) at least one of the following conditions is also met:

a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is assessed for impairment and the balance is classified as a development asset. The point at which an area of interest is considered developmental is based on finalisation of a definitive feasibility study, a bankable feasibility study and the finalisation of appropriate funding.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining or petroleum permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

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Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(q) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

(r) Share Based Payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

(s) Employee Benefits

(i) *Wages, salaries and annual leave*

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) *Superannuation*

Contributions are made by the company to superannuation funds as stipulated by statutory requirements and are charged as expenses when incurred.

(iii) *Employee benefit on costs*

Employee benefit on costs, including payroll tax, are recognised and included in employee benefits liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(iv) *Options*

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date.

The fair value at grant rate is independently determined using the Binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Upon the exercise of options, the balance of the share based payments relating to those options is transferred to share capital.

(t) Earnings Per Share

(i) *Basic earnings per share*

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(u) Issued Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(v) Critical Accounting Estimates and Judgements

(i) Significant accounting judgements include:

Exploration and evaluation costs

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active Group operations in, or relating to, the area of interest are continuing.

(ii) Significant accounting estimates and assumptions include:

Share based payment transactions

The Group measures the cost of equity-settled transactions with management personnel and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes and Monte Carlo Simulation option pricing model, with the assumptions detailed in note 22. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Impairment of exploration and evaluation assets

The ultimate recoupment of the value of exploration and evaluation assets, the company's investment in subsidiaries, and loans to subsidiaries is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation assets.

On a regular basis, management consider whether there are indicators as to whether the asset carrying values exceed their recoverable amounts. This consideration includes assessment of the following:

(a) expiration of the period for which the entity has the right to explore in the specific area of interest with no plans for renewal;

(b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

(c) exploration for and evaluation activities have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;

(c) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where an impairment indicator is identified, the determination of the recoverable amount requires the use of estimates and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of judgement and estimate include:

– Recent exploration and evaluation results and resource estimates;
– Environmental issues that may impact on the underlying tenements;
– Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

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Income tax expenses
Judgement is required in assessing whether deferred tax assets and liabilities are recognised on the Statement of Financial Position. Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised.

Estimation of useful lives of assets
The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and turnover policies (for motor vehicles). In addition, the condition of assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation policy is included in note 1(g).

(w) Prior period error- Translation of foreign operations

During the year the directors changed the method for the translation of foreign operations to be in line with AASB 121 *The Effects of Changes in Foreign Exchange Rates*. Certain non-monetary items, as noted below, previously included foreign exchange losses on a monetary intercompany loan which had been capitalised to exploration and evaluation expenditure assets. The foreign exchange losses are now included in other comprehensive income as required by AASB 121 *The Effects of Changes in Foreign Exchange Rates*. There was no impact to periods ended on or before 31 December 2013.

The Directors note that this change has no impact on the Consolidated statement of cash flow nor the basic and diluted loss per share for the year ended 31 December 2014.

	31 December 2014		
	As previously stated	**Restatement**	**As restated**
Loss for the year	(3,486,239)	-	(3,486,239)
Exchange differences on translating foreign operations	(201,594)	(11,421,673)	(11,623,267)
Total comprehensive loss	**(3,687,833)**	**(11,421,673)**	**(15,109,506)**
Total comprehensive income for the year is attributable to:			
Consolidated statement of financial position			
Exploration and evaluation expenditure	109,123,597	(11,421,673)	97,701,924
Total non-current assets	**109,787,365**	**(11,421,673)**	**98,365,692**
TOTAL ASSETS	**116,068,147**	**(11,421,673)**	**104,646,474**
Reserves	(33,412,881)	11,410,095	(22,002,786)
Minority interest	(11,578)	11,578	-
Total EQUITY	**115,629,896**	**(11,421,673)**	**104,208,223**

(x) Segment Reporting
Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of directors, which is responsible for allocating resources and assessing performance of the operating segments.

(y) New and Revised Accounting Standards and Interpretations Adopted
The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current financial reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current financial reporting period that are relevant to the Group include:

- AASB 2013-9 'Amendments to Australian Accounting Standards' – Conceptual framework, materiality and financial instrument
- AASB 2014-1 'Amendments to Australian Accounting Standards'

- Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
- Part C: 'Materiality'
- AASB 2014-2 'Amendments to the AASB 1053' – Transition to and between Tiers, and related Tier 2 Disclosure requirements

None of the above mentioned Standards and Interpretations had any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

(z) New and Revised Accounting Standards and Interpretations in issue but not yet Adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	31 December 2018
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	31 December 2016
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' and AASB 2015-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15'	1 January 2018	31 December 2018
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	31 December 2016
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	31 December 2016
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	31 December 2016
AASB 2015-9 'Amendments to Australian Accounting Standards – Scope and Application Paragraphs'	1 January 2016	31 December 2016

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
IFRS 16 *Leases*	1 January 2019	31 December 2019
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017	31 December 2017
Disclosure Initiative (Amendments to IAS 7)	1 January 2017	31 December 2017

The impact of these recently issued or amended standards and interpretations have not been determined as yet by the Consolidated Entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Dec 2015 USD$	Dec 2014 USD$
NOTE 2: OTHER INCOME		
Interest	18,339	123,128
Total Income	18,339	123,128
NOTE 3: LOSS FOR THE YEAR		
Expenses		
(a) Individually significant items included in loss		
- Equity based payments – directors, key management personnel and other employees	920,489	1,150,508
	920,489	1,150,508
(b) Salaries, employee benefits and consultancy expense		
Wages and salaries	263,293	566,470
Employee benefits	108,876	150,346
Consultants	76,641	174,315
	448,810	891,131
NOTE 4: INCOME TAX EXPENSE/BENEFIT		
Income Tax Benefit		
Research and Development Refund	-	454,353
	-	454,353
The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-

The prima facie income tax expense/(benefit) on pre-tax accounting profit/(loss) from operations reconciles to the income tax expense/(benefit) in the financial statements as follows:

	Dec 2015 USD$	Dec 2014 USD$
Prima facie income tax expense/(benefit) at 30% (2014: 30%)	(794,730)	(1,182,177)
Add:		
Tax effect of:		
Other non-allowable items	276,146	345,152
Deferred tax asset not recognised	518,584	837,025
	-	-
Income tax expense/(benefit)	-	-

NOTE 4: INCOME TAX EXPENSE (CONT)

	Dec 2015 USD$	Dec 2014 USD$
The following deferred tax balances have not been recognised:		
Deferred Tax Assets at 30%:		
Carry forward revenue losses	2,813,451	5,302,975
Carry forward capital losses	108,319	108,319
Capital raising costs	86,762	124,844
Provision and accruals	17,100	13,950
	3,025,632	5,550,088

The tax benefits of the above Deferred Tax Assets will only be obtained if:

a) The company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised
b) The company continues to comply with the conditions for deductibility imposed by law; and
c) No changes in income tax legislation adversely affect the company in utilising the benefits.

	Dec 2015 USD$	Dec 2014 USD$
Deferred Tax Liabilities at 30%:		
Accrued interest	-	1,454
	-	1,454

NOTE 5: CASH AND CASH EQUIVALENTS

	Dec 2015 USD$	Dec 2014 USD$
Cash at bank	3,058,606	5,894,073
	3,058,606	5,894,073

NOTE 6: TRADE AND OTHER RECEIVABLES

	Dec 2015 USD$	Dec 2014 USD$
Current		
Interest receivable	-	4,847
GST recoverable	60,143	58,003
Prepayments	143,022	323,859
	203,165	386,709

Trade and other receivables apart from prepayments are settled within 30 days.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 7: CONTROLLED ENTITIES	**Country of Incorporation**	**Percentage Owned**	**Investment**	**Percentage Owned**	**Investment**
Controlled Entities Consolidated					
		31 Dec 2015	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2014**
		%	**USD$**	**%**	**USD$**
Subsidiaries					
Elemental Minerals Limited South Africa	South Africa	100	10	100	10
Sintoukola Potash S.A.	Republic of Congo	97	9,397,413	97	9,397,413

The principal activity of Sintoukola Potash S.A. during the financial year was exploration for potash minerals prospect.
The principal activity of Elemental Minerals Limited South Africa during the financial year was for South African administration operation to support for the exploration for potash minerals prospect.

NOTE 8: PROPERTY, PLANT AND EQUIPMENT	**Dec 2015 USD$**	**Dec 2014 USD$**
Plant and equipment – at cost	1,563,726	1,734,988
Less accumulated depreciation	(1,164,574)	(1,071,220)
	399,152	**663,768**
Reconciliation:		
Opening balance	663,768	1,041,115
Additions	4,062	1,511
Depreciation capitalised under exploration and evaluation	(204,674)	(257,288)
Foreign exchange differences	(64,004)	(121,570)
Closing balance at period end	**399,152**	**663,768**

NOTE 9: EXPLORATION AND EVALUATION EXPENDITURE	**Dec 2015 USD$**	**Dec 2014 * Restated USD$**
Opening balance	97,701,924	101,639,595
Exploration and evaluation expenditure capitalised during the year	4,932,911	7,737,695
Foreign exchange differences	(9,566,675)	(11,675,366)
Closing balance at period end	**93,068,160**	**97,701,924**

* Please refer to note 1(w)

The ultimate recoupment of costs carried forward for exploration expenditure phases is dependent on the successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

NOTE 10: TRADE AND OTHER PAYABLES		
Trade and other creditors and accruals	320,976	438,251
	320,976	**438,251**

Trade and other creditors are non-interest bearing and are normally settled on 30 day terms.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Dec 2015 USD$	Dec 2014 USD$
NOTE 11: ISSUED CAPITAL		
410,275,877 Fully Paid Ordinary Shares (31 December 2014: 381,850,877)	154,657,058	150,933,803
Issued Capital	**154,657,058**	**150,933,803**

(a) Movements in fully paid ordinary shares

	Number	USD$
On Issue at 31 December 2013	**303,263,391**	**142,042,802**
Share placement at A$0.25 each – issued on 23 May 2014	1,800,000	421,146
Share placement at A$0.25 each – issued on 22 July 2014	10,600,000	2,474,191
Rights issue at A$0.18 each – issued on 15 October 2014	52,610,566	8,239,635
Share placement at A$0.20 each – issued on 30 October 2014	13,576,920	2,356,930
Less capital raising costs	-	(482,011)
Less cost of issuing free attaching options*	-	(4,118,890)
On Issue at 31 December 2014	**381,850,877**	**150,933,803**
Share placement at A$0.20 each – issued on 13 July 2015	24,925,000	3,723,255
Conversion of performance rights on 16 November 2015	3,500,000	-
On Issue at 31 December 2015	**410,275,877**	**154,657,058**

*The capital raising costs includes the value of the free attaching listed options provided to shareholders who participated in the Rights Issue completed on 15 October 2014. A total of 78,915,929 listed options exercisable at A$0.25 expiring 15 January 2016 were issued with a black & scholes valuation method of A$0.0571 per option.

(b) Movements in listed options

	2015 USD$	2014 USD$
On Issue at 1 January	78,915,929	-
Issue of options at A$0.25 each	-	78,915,929
On Issue at 31 December	**78,915,929**	**78,915,929**

NOTE 11: ISSUED CAPITAL (CONT)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the process on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

The option holders do not hold any voting rights or rights to participate in dividends unless the options were converted to fully paid ordinary shares.

Performance Rights

The performance rights holders do not hold any voting rights or rights to participate in dividends unless the rights have vested and were converted to fully paid ordinary shares.

(c) Movements in unlisted options

31 December 2015

Exercise Period	Exercise Price A$	Balance 1 Jan 2015	Options Issued	Options Exercised/ Lapsed	Balance 31 Dec 2015
		Number	*Number*	*Number*	*Number*
On or before 15 April 2018	$0.33	6,691,226	-	-	6,691,226
On or before 26 June 2018	$0.33	1,500,000	-	-	1,500,000
On or before 19 February 2015	$1.07	4,500,000	-	(4,500,000)	-
On or before 19 May 2015	$1.07	4,450,000	-	(4,450,000)	-
On or before 9 January 2016	$1.09	333,332	-	-	333,332
On or before 13 February 2016	$1.29	300,000	-	-	300,000
On or before 23 April 2016	$1.12	250,000	-	-	250,000
On or before 1 April 2016	$1.18	500,000	-	-	500,000
On or before 22 May 2017	$0.90	250,000	-	-	250,000
		18,774,558	-	(9,950,000)	9,824,558

31 December 2014

Exercise Period	Exercise Price A$	Balance 1 Jan 2014	Options Issued	Options Exercised/ Lapsed	Balance 31 Dec 2014
		Number	*Number*	*Number*	*Number*
On or before 15 April 2018	$0.33	-	7,509,013	(817,787)	6,691,226
On or before 26 June 2018	$0.33	-	1,500,000	-	1,500,000
On or before 19 February 2015	$1.07	4,500,000	-	-	4,500,000
On or before 19 May 2015	$1.07	4,450,000	-	-	4,450,000
On or before 9 January 2016	$1.09	500,000	-	(166,668)	333,332
On or before 13 February 2016	$1.29	300,000	-	-	300,000
On or before 23 April 2016	$1.12	250,000	-	-	250,000
On or before 1 April 2016	$1.18	500,000	-	-	500,000
On or before 22 May 2017	$0.90	250,000		-	250,000
		10,750,000	9,009,013	(984,455)	18,774,558

(d) Movement in Performance Rights

31 December 2015

	Expiry Period	Balance 1 Jan 2015 *Number*	Rights Issued *Number*	Rights Converted/ Lapsed *Number*	Balance 31 Dec 2015 *Number*
Class A – Performance Rights (Dir)	11/03/2017	-	3,500,000	(3,500,000)	-
Class B – Performance Rights (Dir)	11/03/2018	-	3,500,000	(3,500,000)	-
Class C – Performance Rights (Dir)	11/03/2019	-	3,500,000	(3,500,000)	-
Class A – Performance Rights (Emp)	16/09/2017	-	2,666,090	-	2,666,090
Class B – Performance Rights (Emp)	16/09/2018	-	2,666,090	-	2,666,090
Class C – Performance Rights (Emp)	16/09/2019	-	2,666,090	-	2,666,090
COO Performance Rights	06/12/2020	-	5,000,000	-	5,000,000
		-	23,498,270	(10,500,000)	12,998,270

There were no performance rights issued during the last financial year ending 31 December 2014.

(e) Capital Management

The Directors primary objective is to maintain a capital structure that ensures the lowest cost of capital to the Group. At reporting date the Group has no external borrowings. The Group is not subject to any externally imposed capital requirements.

	Dec 2015 USD$	Dec 2014 USD$
NOTE 12: RESERVES		
a) Option Reserve		
Movements during the period		
Opening balance	31,186,476	25,917,078
Share based payment vesting expense (i)	920,489	1,150,508
Free attaching options issued (ii)	-	4,118,890
Closing balance	**32,106,965**	**31,186,476**

(i) For parameters used in the valuation of these options see Note 22.
(ii) For parameters used in the valuation of these options see Note 22 – Series D.

b) Foreign Currency Translation Reserve

	Dec 2015 USD$	Dec 2014 Restated USD$
Movements during the period		
Opening balance	(9,183,690)	2,400,393
Currency translation differences arising during the year	(9,794,758)	(11,584,083)
Closing balance	**(18,978,448)**	**(9,183,690)**
Total reserves	**13,128,517**	**22,2002,786**

Option premium reserve:

The option premium reserve is used to accumulate proceeds received from the issuing of options and accumulate the value of options issued in consideration for services rendered and to record the fair value of options issued but not exercised. The reserve is transferred to accumulated losses upon expiry or recognised as share capital if exercised.

Foreign currency translation reserve

The foreign currency translation reserve is used to record currency differences arising from the translation of the financial statements of the foreign subsidiary.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 13: DIVIDENDS
No dividends have been proposed or paid during the year (2014: Nil).

NOTE 14: NOTES TO STATEMENT OF CASH FLOWS	**Dec 2015 USD$**	**Dec 2014 USD$**
Reconciliation of cash flows from operating activities:		
Loss for the year	(2,649,102)	(3,486,239)
Adjustments for:		
Equity compensation benefits	920,489	1,150,508
Net realised foreign exchange losses	171,854	169,086
Interest received not classified as operating activities cash inflow	(18,339)	(123,128)
Interest expensed not classified as operating activities cash outflow	-	265,475
Operating loss before changes in working capital		
Decrease/(increase) in receivables	-	-
Increase/(decrease) in payables	(28,751)	(29,390)
Net cash used in operating activities	(1,603,849)	(2,053,688)

NOTE 15: FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS
Overview
The Group has exposure to the following risks from their use of financial instruments:

- market risk,
- credit risk, and
- liquidity risks.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the business. The Group will use different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

(a) Market Risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Foreign currency risk
The Group undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cashflow forecasting.

NOTE 15: FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT)

As a result of the operating activities in Congo and the ongoing funding of overseas operations from Australia, the Group's Statement of Financial Position can be affected by movements in the Congolese dollar (CFA) / Australian Dollar (AUD) and US Dollar (USD) / Australian Dollar (AUD) exchange rates. The Group seeks to mitigate the effect of its foreign currency exposure by timing its purchase and payment to coincide with highs in the CFA/AUD and USD/AUD exchange rate cycle.

95% of the Group's transactions are denominated in USD, with the majority of costs relating to drilling costs also denominated in the unit's functional currency.

Presently, each operating entity' profits and surplus cashflows are reinvested back into the operating entity to fund and facilitate ongoing growth, thus eliminating the need for measures to mitigate currency exposure.

(ii) Interest rate risk

The Group is exposed to movements in market interest rates on short term deposits.

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

	Weighted Average Effective Interest Rate		**Floating Interest Rate**		**Non Interest Bearing**	
	Dec 2015 %	**Dec 2014 %**	**Dec 2015 USD$**	**Dec 2014 USD$**	**Dec 2015 USD$**	**Dec 2014 USD$**
FINANCIAL ASSETS						
Cash at bank	2.5	2.5	3,058,606	5,894,073	-	-
Receivables	-	-		-	203,165	386,709
Total financial assets			3,058,606	5,894,073	203,165	386,709
FINANCIAL LIABILITIES						
Non-derivative						
Payables			-	-	320,976	438,251
Total financial liabilities			-	-	320,976	438,251

Sensitivity analysis

A change of 100 basis point in interest rates at the reporting date would have increased (decreased) equity or profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed the same basis for the consolidated entity for 2014.

	Profit or Loss	
	100bp Increase USD$	**100bp Decrease USD$**
31 December 2015		
Variable rate instrument	30,586	(30,586)
31 December 2014		
Variable rate instrument	58,941	(58,941)

NOTE 15: FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT)

Financial assets
Trade receivables from other entities are carried at cost less any allowance for doubtful debts. Other receivables are carried at cost. Interest is recorded as income using the effective interest rate method.

Financial liabilities
Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the group.

Net fair value of financial assets and liabilities
The carrying amount of financial assets and liabilities at 31 December 2015 and 31 December 2014 is equivalent to the fair value.

(b) Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and investment deposits. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk.

(c) Liquidity and capital risk
The Group's total capital is defined as the shareholders' net equity plus any net debt. The objectives when managing the Group's capital is to safeguard the business as a going concern, to maximise returns to shareholders and to maintain an optimal capital structure in order to reduce the cost of capital.

The Group does not have a target debt / equity ratio, but has a policy of maintaining a flexible financing structure so as to be able to take advantage of investment opportunities when they arise. There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

NOTE 15: FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT)

The table below analyses the Group's financial liabilities into maturity groupings based on the remaining period from the balance date to the contractual maturity date.

31 Dec 2015	Within 1 Month USD$	1-3 Months USD$	3-12 Months USD$
Non-derivatives			
Non-interest bearing			
Trade and other payables	320,976	-	-
Total Financial Liabilities	320,976	-	-

31 Dec 2014	Within 1 Month USD$	1-3 Months USD$	3-12 Months USD$
Non-derivatives			
Non-interest bearing			
Trade and other payables	438,251	-	-
Total Financial Liabilities	438,251	-	-

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

If the company anticipates a need to raise additional capital in the next 6 months to meet forecasted operational activities, then the decision on how the company will raise future capital will depend on market conditions existing at that time.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

NOTE 15: FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT)

(d) Fair Value of Financial Instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fait value disclosures are required)

The directors consider that carrying amounts at financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair value.

	Fair value hierarchy as at 31 December 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	USD$	**USD$**	**USD$**	**USD$**
Financial assets				
Loans and receivables:				
- Trade and other receivables	203,165	-	-	203,165
Total	**203,165**	**-**	**-**	**203,165**
Financial liabilities				
Financial liabilities held at amortised cost:				
- Trade and other payables	320,976	-	-	320,976
Total	**320,976**	**-**	**-**	**320,976**

NOTE 16: SEGMENT INFORMATION

Management has determined that the Company has one reporting segment being mineral exploration in central Africa.

As the Company is focused on mineral exploration, management make resource allocation decisions by reviewing the working capital balance, comparing cash balances to committed exploration expenditure and reviewing the current results of exploration work performed. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date and capital available to the Company.

NOTE 17: EVENTS SUBSEQUENT TO REPORTING DATE

On 19 January 2016, 4,843 listed options (ELMO) were exercised at A$0.25 each and the remaining of 78,911,086 listed options exercisable at A$0.25 lapsed due to its expiry. A further 500,000 unlisted options exercisable at A$1.09 have also lapsed due to its expiry.

On 12 February 2016, Elemental announced that it has received commitments to raise A$4.1m through the issue of 20,500,000 fully paid ordinary shares at A$0.20 from unrelated sophisticated and institutional investors. The funds raised will be used to supplement Elemental's working capital and allow the continuation of the process of completing the planned US$50M equity investment by SUMMIT as well as to continue with the execution of the Company's Master Plan.

Of the amount raised of A$4.1m, A$1.66m were completed on 15 February 2016 with the issue of 8,300,000 fully paid ordinary shares. The balance of A$2.44m were completed on 31 March 2016 with the issue of 12,200,200 fully paid ordinary shares. The Company further issued 1,800,000 fully paid ordinary shares at A$0.20, raising A$360,000 on 31 March 2016.

Lapsing of Options
300,000 unlisted options exercisable at A$1.29 with an expiry date of 13 February 2016 have expired.

On 2 March 2016, shareholders approved the issue of 13,000,000 Performance Rights and 8,500,000 Performance Rights to Mr David Hathorn and Mr Sean Bennett respectively. The Board agreed to grant these performance rights subject to shareholders approval when both Mr Hathorn and Mr Bennett were appointed to the Board.

Details of the Performance Rights issued pursuant to the Company's Performance Rights Plan Rules are set out in Note 22.

SUMMIT Transaction
On 11 January 2016, Elemental has signed a non-binding term sheet and entered into exclusivity with SUMMIT Private Equity ("SUMMIT") in connection with a proposed equity investment in the Company that will see it sufficiently funded through to the commencement of the construction of its flagship potash project, the Kola Sylvinite Project ("Kola") in the Republic of Congo ('RoC').

The non-binding term sheet provides for a minimum equity injection of US$50 million at a subscription price of A$0.20 per share into the Company. This cash injection would allow the Company to pursue a new strategy accelerating the development of its various Potash projects.

Dingyi's Non-Binding and Conditional Expression of Interest

On 12 February 2016, the Company announced that the Company has received an unsolicited, non-binding, incomplete and conditional expression of interest from Dingyi Group Investment Limited ("Dingyi") to acquire by way of an off-market takeover the fully paid ordinary shares of Elemental at a cash consideration of A$0.30 per share. The acquiring entity will be an entity jointly formed by Dingyi, Guangzhou R&F Properties Company Limited ("R&F") and / or its associates.

The proposal is subject to the following pre-conditions:

i) Completion of satisfactory confirmatory due diligence;
ii) The negotiation and execution of pricing and definitive documentation; and
iii) No material change to Elemental's number of issued shares.

A previous off-market bid by Dingyi in 2013-2014 lapsed after the Hong Kong Stock Exchange ("SEHK") determined the bid to be a reverse take-over and that Elemental did not meet the (then) new listing requirements for mineral assets under Chapter 18 of the SEHK Listing Rules. Dingyi have not provided Elemental with sufficient comfort that this is no longer the case.

As the proposal from Dingyi has no guarantee of completing and the consideration is significantly below both the fundamental value of the Company and the value that could be created under the Summit proposal, the Board has rejected Dingyi's proposal and has advised Dingyi that Elemental cannot have any discussions due to the current exclusivity with SUMMIT.

There are no other significant events that have occurred since reporting date requiring separate disclosure.

NOTE 18: COMMITMENTS FOR EXPENDITURE

In order to maintain current rights of tenure to exploration and mining licences, the Group is required to perform respective minimum exploration and development work to meet the minimum expenditure requirements.

The Group has satisfied the minimum exploration expenditure requirements to maintain its rights to tenure in relation to the Sintoukola exploration license relating to the Dougou/Yangala deposit located in the Dougou and Yanika areas. The Group will be entitled to apply for the mining license of the Dougou/Yangala deposit (Dougou Mining license) by Quarter 3, 2016 and to develop the Kola Mining license and the Dougou Mining license as an aggregated area for the mining site development in accordance with the Mining Convention encompassing the two mining permits, to be agreed with the RoC State by Quarter 3, 2016.

If the Company decides to relinquish certain licences and/or does not meet these obligations, assets recognised in the statement of financial position may require review to determine the appropriateness of the carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

	Dec 2015 USD$	Dec 2014 USD$
NOTE 19: AUDITORS' REMUNERATION		
Audit services:		
Deloitte – Audit and half year review	87,000	107,887
Deloitte Congo – Audit and half year review	43,700	52,000
Non-Audit Services		
Deloitte – Tax, Research and Development consulting	15,449	54,835
	146,149	214,722

NOTE 20: RELATED PARTY TRANSACTIONS

Loans to key management personnel and their related parties
There were no loans outstanding at the reporting date to key management personnel and their related parties.

Other transactions with the company
No director has entered into a material contract (apart from employment) with the company since the incorporation of the company and there were no material contracts involving directors' interests subsisting at year end.

Director and Key Management Personnel related entities
The company paid USD$45,342 (31 December 2014: USD$85,361) to Sparkling Investments Pty Ltd for Mr Sam Middlemas director's fees. Mr Sam Middlemas is a director of and has a beneficial interest in Sparkling Investments Pty Ltd.

GDA Corporate ("GDA") has been engaged to provide accounting, administrative and company secretarial services on commercial terms. In October 2015, GDA merged with Nexia Perth Pty Ltd ("Nexia"). Mr Leonard Math was an employee of GDA and currently as an employee of Nexia. Total amounts paid to GDA and Nexia for providing accounting, administration and company secretarial services were USD$76,772 during the reporting period (31 December 2014: USD$92,291). Total amount paid to GDA and Nexia for Director's fees received on behalf of Mr Leonard Math were USD$45,795 (2014: 35,579).

NOTE 21: KEY MANAGEMENT PERSONNEL DISCLOSURES

The following were key management personnel of the company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

David Hathorn	Non-Executive Chairman (Appointed 20 November 2015)
Sean Bennett	Managing Director (Appointed 20 November 2015)
Robert Samuel Middlemas	Non-Executive Director
Leonard Math	Non- Executive Director & Joint Company Secretary
Lawrence Davidson	Chief Financial Officer & Joint Company Secretary
Werner Swanepoel	Chief Operating Officer (Appointed 7 December 2015)
Julien Babey	Country Manager
Thomas Borman	Non-Executive Chairman (Resigned 20 November 2015)
John Sanders	Managing Director (Resigned 20 November 2015)
Michael Golding	Non-Executive Director (Resigned 20 November 2015)

Key management personnel compensation

The key management personnel compensation included in “Employee and Consultant Expenses” and “Exploration Expenditure” is as follows:

	Dec 2015 USD$	Dec 2014 USD$
Short-term employee benefits	901,491	1,013,096
Post-employment benefits	-	1,148
Equity compensation benefits	733,949	545,310
	1,635,440	1,559,554

Individual directors and executives compensation disclosures

Information regarding individual directors and executives’ compensation and equity instruments disclosures is provided in the Remuneration Report section of the Directors’ report. Apart from the details disclosed in this note, no director has entered into a material contract with the company or the Group since the end of the previous financial year and there were no material contracts involving directors’ interests existing at year-end.

NOTE 22: SHARE BASED PAYMENTS

Recognised share-based payment expense

The expense recognised for employee and consultant services during the year is shown in the table below:

	Dec 2015 USD$	Dec 2014 USD$
Expense arising from equity-settled share-based payment transactions	920,489	1,150,508

The Group granted shares rights and options to key management personnel and other employees as part of as an incentive for future services and as a reward for past services. The tables below show the vesting expense recognised during the year.

	Share based payments – rights/options USD$	Share based payments – shares USD$	TOTAL USD$
31 December 2015			
Key management personnel			
David Hathorn (Appointed 20 Nov 2015)	57,147	-	57,147
Sean Bennett (Appointed 20 Nov 2015)	139,981	-	139,981
Robert Samuel Middlemas	10,860	-	10,860
Leonard Math	5,307	-	5,307
Lawrence Davidson	33,865	-	33,865
Werner Swanepoel (Appointed 7 Dec 2015)	77,934		77,934
Julien Babey	50,998	-	50,998
Thomas Borman (Resigned 20 Nov 2015)	153,367	-	153,367
John Sanders (Resigned 20 Nov 2015)	102,245	-	102,245
Michael Golding (Resigned 20 Nov 2015)	102,245	-	102,245
Other Employees	**186,540**	**-**	**186,540**
Total	**920,489**	**-**	**920,489**

	Share based payments – options USD$	Share based payments – shares USD$	TOTAL USD$
31 December 2014			
Key management personnel			
John Sanders	37,031	-	37,031
Leonard Math	15,480	-	15,480
Iain Macpherson	107,723	-	107,723
John Ian Stalker	30,859	-	30,859
Robert Samuel Middlemas	37,954	-	37,954
Michael Barton	15,605	-	15,605
Robert Franklyn	20,086	-	20,086
Lawrence Davidson	151,255	-	151,255
Julien Babey	129,317	-	129,317
	545,310	**-**	**545,310**
Other Employees	**605,198**	**-**	**605,198**
Total	**1,150,508**	**-**	**1,150,508**

NOTE 22: SHARE BASED PAYMENTS (CONT)

Details of options and shares issued to the key management personnel
On 11 March 2015, shareholders approved the issue of 10,500,000 Performance Rights to the following Directors under the Company's Performance Rights Plan:

Director	Class A	Class B	Class C
Thomas Borman	1,500,000	1,500,000	1,500,000
John Sanders	1,000,000	1,000,000	1,000,000
Michael Golding	1,000,000	1,000,000	1,000,000

Rights and each class' vesting conditions is as follows:-

Series 1 - Class A Performance Rights (Director)
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 from date of appointment.

Series 2 - Class B Performance Rights (Director)
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 from date of appointment.

Series 3 - Class C Performance Rights (Director)
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 from date of appointment.

During the year, Class A Performance Rights (3,500,000) have vested and 3,500,000 shares were issued to the following:

Director	Shares
Thomas Borman	1,500,000
John Sanders	1,000,000
Michael Golding	1,000,000

Following the resignations of Messrs Borman, Sanders and Golding, Class B (3,500,000) and Class C (3,500,000) Performance Rights have lapsed on 20 November 2015.

The fair value of the performance rights granted is estimated as at the grant date using the monte-carlo pricing model taking into account the terms and conditions upon which the instruments were granted.

The input used in the measurement of the fair value at grant date of the performance rights were as follows:

Input into the model	Series 1 – Class A	Series 2 – Class B	Series 3 – Class C
Grant Date Share Price	A$0.25	A$0.25	A$0.25
Expected Volatility	80%	80%	80%
Rights Life	2 years	3 years	4 years
Grant date fair value	A$0.136	A$0.137	A$0.139

NOTE 22: SHARE BASED PAYMENTS (CONT)

On 17 September 2015, the Company issued 7,998,270 Performance Rights to employees of the Company under the Company's Employee Performance Rights Plan.

Class A	Class B	Class C
2,666,090	2,666,090	2,666,090

Rights and each class' vesting conditions is as follows:-

Series 4 - Class A Performance Rights (Employee)
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 60 consecutive days of trading a daily average of not less than $85 million; and
- completing 12 months of continuous service with the Company.

Series 5 - Class B Performance Rights (Employee)
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 60 consecutive days of trading a daily average of not less than $100 million; and
- completing 24 months of continuous service with the Company.

Series 6 - Class C Performance Rights (Employee)
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 60 consecutive days of trading a daily average of not less than $120 million; and
- completing 36 months of continuous service with the Company.

The fair value of the performance rights granted is estimated as at the grant date using the monte-carlo pricing model taking into account the terms and conditions upon which the instruments were granted.

The input used in the measurement of the fair value at grant date of the performance rights were as follows:

Input into the model	Series 4 – Class A	Series 5 – Class B	Series 6 – Class C
Grant Date Share Price	A$0.185	A$0.185	A$0.185
Expected Volatility	80%	80%	80%
Rights Life	2 years	3 years	4 years
Grant date fair value	A$0.1451	A$0.1507	A$0.1510

Series 7 – Performance Rights (COO)

On 7 December 2015, the Company agreed to issue 5,000,000 Performance Rights to Mr Werner Swanepoel pursuant to the employment agreement. The performance rights were subsequently issued on 29 February 2016. The Performance Rights will vest as one Share for each Performance Right subject to the satisfaction of the following:

Vesting Conditions	
Joining ELM	
(1) - Sign on bonus	250,000
(1) - allocated after 1 year service	250,000
(1) - allocated after 2 years service	250,000
(1) - allocated after 3 years service	250,000
Kola Resource & Mine	
(2) - DFS Completion	1,000,000
(3) - Off-take secured to support debt finance for mine build	500,000
(4) - Complete finance package for mine build	500,000
Dougou Resource	
(5) - Development advanced to commencement of DFS	500,000
Yangala Resource	
(6) - Development advanced to completion of PFS	500,000
Share Price - allocation matrix	1,000,000
25%	*250,000*
straight line between A$0.50 and A$2.00 *(note 1)*	
100%	*1,000,000*
TOTAL	**5,000,000**

Note 1: Share price allocation matrix

Performance Rights vest on the basis of one Share for each Performance Right vesting, calculated as follows:

(a) For the first Vesting Period following issue, the number of Shares to be issued is:
- (i) where the 30 day average daily VWAP is less than $0.50, nil.
- (ii) where the 30 day average daily VWAP is $0.50 or more, the Initial Tranche plus 500 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds $0.50.

(b) For the remainder of the Performance Right Term, the number of Shares to be issued at the end of each Vesting Period is:
- (i) where the Initial Tranche has not been issued and the 30 day average daily VWAP for the current Vesting period is $0.50 or more, the Initial Tranche plus 500 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds $0.50 on the basis of one Share for each Performance Right.
- (ii) where the 30 day average daily VWAP is less than the 30 day average daily VWAP for any pervious Vesting Period, nil.
- (iii) where the 30 day average daily VWAP is equal to or more than the highest previous 30 day average daily VWAP, 500 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds the highest previous 30 day average daily VWAP.

On 29 February 2016, 250,000 Fully Paid Ordinary Shares have been issued following the vesting of the Performance Rights as a sign on bonus for the employee.

The fair value of the operational performance rights granted (4,000,000) is calculated based on the share price at grant date. The fair value of these operational performance rights is $0.19.

The fair value of the performance rights granted with share price threshold (1,000,000) is estimated as at the grant date using the monte-carlo pricing model taking into account the terms and conditions upon which the instruments were granted.

The input used in the measurement of the fair value at grant date of these performance rights were as follows:

Input into the model	Series 7
Grant Date Share Price	A$0.19
Expected Volatility	80%
Rights Life	5 years
Grant date fair value	A$0.1167

Series 8 – Performance Rights (Chairman)
The Board agreed to grant these performance rights subject to shareholders approval when both Mr Hathorn was appointed to the Board on 20 November 2015. These performance rights were subsequently issued following shareholders' approval on 2 March 2016. Performance Rights will vest as one Share for each Performance Right subject to the satisfaction of the following:

Vesting Conditions	
Joining ELM	
(1) - allocated after 1 year service	1,000,000
(1) - allocated after 2 years service	1,000,000
(1) - allocated after 3 years service	1,000,000
Share Price - allocation matrix	10,000,000
20%	*2,000,000*
straight line between A$0.50 and A$2.00 *(note 1)*	
100%	*10,000,000*
TOTAL	**13,000,000**

Note 1: Share price allocation matrix
Performance Rights vest on the basis of one Share for each Performance Right vesting, calculated as follows:

(a) For the first Vesting Period following issue, the number of Shares to be issued is:
   (i) where the 30 day average daily VWAP is less than $0.50, nil.
   (ii) where the 30 day average daily VWAP is $0.50 or more, the Initial Tranche plus 5,333 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds $0.50.

(b) For the remainder of the Performance Right Term, the number of Shares to be issued at the end of each Vesting Period is:
   (i) where the Initial Tranche has not been issued and the 30 day average daily VWAP for the current Vesting period is $0.50 or more, the Initial Tranche plus 5,333 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds $0.50 on the basis of one Share for each Performance Right.
   (ii) where the 30 day average daily VWAP is less than the 30 day average daily VWAP for any pervious Vesting Period, nil.
   (iii) where the 30 day average daily VWAP is equal to or more than the highest previous 30 day average daily VWAP, 5,333 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds the highest previous 30 day average daily VWAP.

The fair value of the operational performance rights granted (3,000,000) is calculated based on the share price at grant date. The fair value of these operational performance rights is $0.20.

The fair value of the performance rights granted with share price threshold (10,000,000) is estimated as at the grant date using the monte-carlo pricing model taking into account the terms and conditions upon which the instruments were granted.

The input used in the measurement of the fair value at grant date of these performance rights were as follows:

Input into the model	Series 8
Issue Date Share Price	A$0.165
Expected Volatility	80%
Rights Life	5 years
Grant date fair value	A$0.1475

Series 9 – Performance Rights (Managing Director)
The Board agreed to grant these performance rights subject to shareholders approval when both Mr Hathorn was appointed to the Board on 20 November 2015. These performance rights were subsequently issued following shareholders' approval on 2 March 2016. Performance Rights will vest as one Share for each Performance Right subject to the satisfaction of the following:

Vesting Conditions	
Joining ELM	
(1) - Sign on bonus	531,250
(1) - allocated after 1 year service	531,250
(1) - allocated after 2 years service	531,250
(1) - allocated after 3 years service	531,250
Kola Resource & Mine	
(2) - DFS Completion	850,000
(3) - Off-take secured to support debt finance for mine build	850,000
(4) - Complete finance package for mine build	850,000
Dougou Resource	
(5) - Development advanced to commencement of DFS	850,000
Yangala Resource	
(6) - Development advanced to completion of PFS	850,000
Share Price - allocation matrix	2,125,000
25%	*531,250*
straight line between A$0.50 and A$2.00 *(note 1)*	
100%	*2,125,000*
TOTAL	**8,500,000**

Note 1: Share price allocation matrix
Performance Rights vest on the basis of one Share for each Performance Right vesting, calculated as follows:

(a) For the first Vesting Period following issue, the number of Shares to be issued is:

(i) where the 30 day average daily VWAP is less than $0.50, nil.
(ii) where the 30 day average daily VWAP is $0.50 or more, the Initial Tranche plus 1,062 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds $0.50.

(b) For the remainder of the Performance Right Term, the number of Shares to be issued at the end of each Vesting Period is:

(i) where the Initial Tranche has not been issued and the 30 day average daily VWAP for the current Vesting period is $0.50 or more, the Initial Tranche plus 1,062 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds $0.50 on the basis of one Share for each Performance Right.

(ii) where the 30 day average daily VWAP is less than the 30 day average daily VWAP for any pervious Vesting Period, nil.

(iii) where the 30 day average daily VWAP is equal to or more than the highest previous 30 day average daily VWAP, 1,062 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds the highest previous 30 day average daily VWAP.

The fair value of the operational performance rights granted (6,375,000) is calculated based on the share price at grant date. The fair value of these operational performance rights is $0.20.

The fair value of the performance rights granted with share price threshold (2,125,000) is estimated as at the grant date using the monte-carlo pricing model taking into account the terms and conditions upon which the instruments were granted.

The input used in the measurement of the fair value at grant date of the performance rights were as follows:

Input into the model	Series 8
Issue Date Share Price	A$0.165
Expected Volatility	80%
Rights Life	5 years
Grant date fair value	A$0.1469

On 2 March 2016, 531,250 Fully Paid Ordinary Shares have been issued following the vesting of the Performance Rights as a sign on bonus for the Managing Director.

NOTE 22: SHARE BASED PAYMENTS (CONT)

The following share based payment arrangements were in existence during the current and prior period:

	Grant date	Vesting date	Number of options	Expiry Date	Fair value at grant date AUD$	Exercise price AUD$
Option Series 1*	18/05/2011	16/02/2013	1,500,000	16/02/2015	$1.4925	$1.07
Option Series 2*	18/05/2011	16/02/2014	1,500,000	16/02/2015	$1.6481	$1.07
Option Series 3*	18/05/2011	16/02/2015	1,500,000	16/02/2015	$1.7321	$1.07
Option Series 4*	18/05/2011	19/05/2012	1,650,000	19/05/2015	$1.5472	$1.07
Option Series 5*	18/05/2011	19/05/2013	1,250,000	19/05/2015	$1.6811	$1.07
Option Series 6*	18/05/2011	19/05/2014	1,550,000	19/05/2015	$1.7566	$1.07
Option Series 7	31/05/2012	23/04/2013	83,333	23/04/2016	$0.3569	$1.12
Option Series 8	31/05/2012	23/04/2014	83,333	23/04/2016	$0.3897	$1.12
Option Series 9	31/05/2012	23/04/2015	83,334	23/04/2016	$0.4149	$1.12
Option Series 10	12/03/2012	09/01/2013	166,666	09/01/2016	$0.6948	$1.09
Option Series 11	12/03/2012	09/01/2014	166,666	09/01/2016	$0.7647	$1.09
Option Series 12*	12/03/2012	09/01/2015	166,668	09/01/2016	$0.8086	$1.09
Option Series 13	12/03/2012	09/01/2013	100,000	09/01/2016	$0.6748	$1.29
Option Series 14	12/03/2012	09/01/2014	100,000	09/01/2016	$0.7406	$1.29
Option Series 15	12/03/2012	09/01/2015	100,000	09/01/2016	$0.7847	$1.29
Option Series 16	30/03/2012	01/04/2013	166,666	01/04/2016	$0.8324	$1.18
Option Series 17	30/03/2012	01/04/2014	166,667	01/04/2016	$0.8324	$1.18
Option Series 18	30/03/2012	01/04/2015	166,667	01/04/2016	$0.8324	$1.18
Option Series 19	22/05/2013	22/05/2014	83,333	22/05/2017	$0.2181	$0.90
Option Series 20	22/05/2013	22/05/2015	83,333	22/05/2017	$0.2181	$0.90
Option Series 21	22/05/2013	22/05/2016	83,334	22/05/2017	$0.2181	$0.90
Option Series 22	9/04/2014	10/04/2014	2,169,671	15/04/2018	$0.1242	$0.33
Option Series 23	9/04/2014	10/04/2015	1,760,778	15/04/2018	$0.1391	$0.33
Option Series 24	9/04/2014	10/04/2016	1,760,777	15/04/2018	$0.1522	$0.33
Option Series 25	12/05/2014	10/04/2014	333,333	15/04/2018	$0.0948	$0.33
Option Series 26	12/05/2014	10/04/2015	333,333	15/04/2018	$0.1073	$0.33
Option Series 27	12/05/2014	10/04/2016	333,334	15/04/2018	$0.1194	$0.33
Option Series 28	30/05/2014	10/04/2014	500,000	26/06/2018	$0.1177	$0.33
Option Series 29	30/05/2014	10/04/2015	500,000	26/06/2018	$0.1303	$0.33
Option Series 30	30/05/2014	10/04/2016	500,000	26/06/2018	$0.1432	$0.33
Option Series 31	15/10/2014	15/10/2014	78,915,929	15/01/2016	$0.0571	$0.25

**Option Series expired during the financial year.*

	Grant date	Vesting date	Number of rights	Expiry Date	Fair value at grant date AUD$
Rights Series 1*	11/03/2015	*Refer below*	3,500,000	11/03/2017	$0.1360
Rights Series 2**	11/03/2015	*Refer below*	3,500,000	11/03/2018	$0.1370
Rights Series 3**	11/03/2015	*Refer below*	3,500,000	11/03/2019	$0.1390
Rights Series 4	17/09/2015	*Refer below*	2,666,090	16/09/2017	$0.1451
Rights Series 5	17/09/2015	*Refer below*	2,666,090	16/09/2018	$0.1507
Rights Series 6	17/09/2015	*Refer below*	2,666,090	16/09/2019	$0.1510
Rights Series 7	07/12/2015	*Refer below*	5,000,000	06/12/2020	$0.1753
Rights Series 8	20/11/2015	*Refer below*	13,000,000	01/03/2021	$0.1596
Rights Series 9	20/11/2015	*Refer below*	8,500,000	01/03/2021	$0.1867

**Vested and converted to fully paid ordinary shares on 16 November 2015.*
***Expired following resignation of directors.*

Movement in share options during the year
The following reconciles the share options outstanding at the beginning and end of the year:

31 December 2015

Exercise Period	Exercise Price AUD$	Balance 1 Jan 2015 Number	Options Issued Number	Options Exercised/ Lapsed Number	Balance 31 Dec 2015 Number
On or before 15 January 2016	$0.25	78,915,929	-	-	78,915,929
On or before 15 April 2018	$0.33	6,691,226	-	-	6,691,226
On or before 26 June 2016	$0.33	1,500,000	-	-	1,500,000
On or before 19 February 2015	$1.07	4,500,000	-	(4,500,000)	-
On or before 19 May 2015	$1.07	4,450,000	-	(4,450,000)	-
On or before 9 January 2016	$1.09	333,332	-	-	333,332
On or before 13 February 2016	$1.29	300,000	-	-	300,000
On or before 23 April 2016	$1.12	250,000	-	-	250,000
On or before 1 April 2016	$1.18	500,000	-	-	500,000
On or before 22 May 2017	$0.90	250,000	-	-	250,000
		97,690,487	**-**	**(8,950,000)**	**88,740,487**

Share options exercised during the year
No share options were exercised during the year:

Share options outstanding at the end of the year

Exercise Period	Exercise Price AUD$	Number of options
On or before 15 January 2016	$0.25	78,915,929
On or before 15 April 2018	$0.33	6,691,226
On or before 26 June 2016	$0.33	1,500,000
On or before 9 January 2016	$1.09	333,332
On or before 13 February 2016	$1.29	300,000
On or before 23 April 2016	$1.12	250,000
On or before 1 April 2016	$1.18	500,000
On or before 22 May 2017	$0.90	250,000
		88,740,487

NOTE 22: SHARE BASED PAYMENTS (CONT)

Movement in performance rights during the year
The following reconciles the performances rights outstanding at the beginning and end of the year:

31 December 2015

	Expiry Period	Balance 1 Jan 2015	Rights Issued	Rights Converted/ Lapsed	Balance 31 Dec 2015
		Number	*Number*	*Number*	*Number*
Class A – Performance Rights (Dir)	11/03/2017	-	3,500,000	(3,500,000)	-
Class B – Performance Rights (Dir)	11/03/2018	-	3,500,000	(3,500,000)	-
Class C – Performance Rights (Dir)	11/03/2019	-	3,500,000	(3,500,000)	-
Class A – Performance Rights (Emp)	16/09/2017	-	2,666,090	-	2,666,090
Class B – Performance Rights (Emp)	16/09/1028	-	2,666,090	-	2,666,090
Class C – Performance Rights (Emp)	16/09/2018	-	2,666,090	-	2,666,090
COO Performance Rights	06/12/2020	-	5,000,000	-	5,000,000
		-	23,498,270	(10,500,000)	12,998,270

Shares
During the year ended 31 December 2015, the following shares were issued to the directors following the vesting of the performance rights:

Director	Number of Shares
Thomas Borman*	1,500,000
John Sanders*	1,000,000
Michael Golding*	1,000,000
	3,500,000

*Resigned 20 November 2015

There were no other shares issued to other directors and employees during the year ended 31 December 2015.

elemental minerals limited

NOTE 23: LOSS PER SHARE

Classification of securities as ordinary shares

The company has only one category of ordinary shares included in basic earnings per share.

Classification of securities as potential ordinary shares – share options and rights outstanding

The company has granted share options in respect of a total of 88,740,487 ordinary shares at 31 December 2015 (31 December 2014: 97,690,487) and 44,998,270 performance rights (31 December 2014: Nil). Options and rights are considered to be potential ordinary shares. However, as the company is in a loss position they are anti-dilutive in nature, as their exercise will not result in a diluted earnings per share that shows an inferior view of earnings performance of the company than is shown by basic earnings per share. The rights and options have not been included in the determination of basic earnings per share.

	31 Dec 2015	31 Dec 2014
Earnings reconciliation	USD$	USD$
Profit/(Loss) attributable to ordinary shareholders	(2,649,102)	(3,486,239)
	Number	Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares at period end	393,959,576	322,467,727

NOTE 24: CONTINGENT LIABILITIES AND ASSETS

As at the date of this report, Sintoukola Potash S.A. is currently in litigation before the Administrative Chamber of the Congolese Supreme Court challenging an abusive of power with the State regarding the Minister of Labour's decision cancelling the Dispute Commission's approval to retrench 32 Sintoukola Potash employees in late 2014. The Dispute Commission is the local regulator empowered to assess and authorise any retrenchment which is composed of the employees and employers Unions headed by the Local Labour Authorities. Sintoukola Potash's financial exposure at 31 December 2015 equates to USD$491,000 should the 32 employees be reinstated in the Sintoukola Potash's payroll. Sintoukola Potash has vehemently dispute this claim and commence the legal proceedings with the former employees.

NOTE 25: COMPANY DETAILS

During the year, the registered office and principal place of business of the company changed to:

Level 3,
88 William Street,
Perth WA 6000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 26: PARENT INFORMATION

	Dec 2015 USD$	Dec 2014 USD$
ASSETS		
Current Assets	2,513,148	5,894,611
Non-current Assets	118,560,965	112,877,653
TOTAL ASSETS	121,074,113	118,772,264
LIABILITIES		
Current Liabilities	93,002	121,754
TOTAL LIABILITIES	93,002	121,754
NET ASSETS	120,981,111	118,650,510
EQUITY		
Contributed equity	154,657,058	150,933,803
Reserves	33,456,097	32,535,608
Retained earnings	(67,132,044)	(64,818,901)
	120,981,111	118,650,510
FINANCIAL PERFORMANCE		
Loss for the year	2,313,144	3,032,527
Other comprehensive income	-	-
Total comprehensive income	2,313,144	3,032,527

Contractual Commitments
There are no significant contractual commitments.

Guarantees and Contingent Liabilities
There are no guarantees or contingent liabilities.

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Independent Auditor's Report to the members of Elemental Minerals Limited

Report on the Financial Report

We have audited the accompanying financial report of Elemental Minerals Limited, which comprises the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 34 to 76.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Elemental Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

In our opinion:

(a) the financial report of Elemental Minerals Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(b) in the financial statements, which indicates that the consolidated entity incurred a loss of $2,649,102 (2014: $3,486,239) and experienced net cash outflows from operating and investing activities of $6,121,447 (2014: $9,032,889) for the year ended 31 December 2015. These conditions, along with other matters as set forth in Note 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company and the Consolidated entity to continue as going concerns and therefore the Company and Consolidated Entity may be unable to realise their assets and extinguish their liabilities in the ordinary course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 32 of the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Elemental Minerals Limited for the year ended 31 December 2015, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

John Sibenaler
Partner
Chartered Accountants
Perth, 31 March 2016