

# 2014

## ANNUAL REPORT



elemental  
minerals limited





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## **CORPORATE DIRECTORY**

### ***NON-EXECUTIVE CHAIRMAN***

Thomas Borman

### ***MANAGING DIRECTOR***

John Sanders

### ***NON-EXECUTIVE DIRECTORS***

Michael Golding

Robert Samuel Middlemas

Leonard Math

### ***JOINT COMPANY SECRETARY***

Lawrence Davidson and Leonard Math

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### ***SHARE REGISTRY***

Advanced Share Registry Services

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NEDLANDS WA 6009

Telephone: (08) 9389 8033

Facsimile: (08) 9262 3723

### ***SECURITIES EXCHANGE LISTING***

Australian Securities Exchange (ASX)

Code: ELM, ELMO

**WEBSITE: [www.elementalminerals.com](http://www.elementalminerals.com)**

## REVIEW OF OPERATIONS

### • Key Developments

- Awarded a renewal of the Sintoukola Exploration License for a further two years on 13 January 2015 from the Republic of Congo Ministry of Mines and Geology
- Received a renewal of the Kola Project Environmental Certificate of Compliance for a further four years on 7 January 2015

### • Operational Developments

- Announced a maiden resource for the Dougou (Carnallite<sup>1</sup>) Project
- Completed 2-drillholes at Dougou and a single drillhole at Yangala
- Delivered results for the Kola (Sylvinite<sup>2</sup>) Project Phased Implementation Study
- Exploration Target for the high grade Yangala (Sylvinite) Exploration prospect announced
- Large Mineral Resource Expansion and Upgrade for the Dougou Project declared
- Dougou Carnallite Project scoping study results delivered

### • Corporate Activities

- On 1 July 2013, Elemental and Dingyi Group Investment Limited ("Dingyi"), a company incorporated in Bermuda and listed on the Hong Kong Stock Exchange ("SEHK") executed a bid implementation agreement under which Dingyi would make an off-market takeover offer for 100% of the fully paid ordinary shares of Elemental at an offer price of A\$0.66 per share ("Dingyi Offer"). On 18 March 2014, Dingyi announced that the Dingyi Offer would lapse as a result of Dingyi not being able to satisfy a condition of the Dingyi Offer and on the 19 March 2014, Elemental announced that the parties had agreed to the termination of the bid implementation agreement.
- On 19 May 2014, the Company announced that it had completed the issue of 12,400,000 Shares to sophisticated and institutional investors at an issue price of A\$0.25 per Share (Placement). The Placement was undertaken within the Company's annual 15% placement capacity under ASX Listing Rule 7.1. The Placement raised approximately A\$3.1 million and was used to supplement Elemental's treasury and enable execution on the revised strategy previously announced on 1 May 2014 including the first phase of the Dougou exploration program, working capital and general corporate purposes.
- On 14 July 2014, the Company announced that it had entered into an agreement to acquire the minority holders' direct stake in Sintoukola Potash SA ("Sintoukola"), which took the its holding from the 93% to the current 97%, with terms agreed for the remaining 3%. Les Etablissements Congolais MGM S.A.R.L ("MGM"), will remain as a 3% shareholder and will retain the Chairmanship of Sintoukola. Terms, including first option, have been agreed with MGM for the balance of Sintoukola.
- On 13 October 2014 the Company announced the successful fully underwritten 1 for 6 non-renounceable rights issue at 18 cents per share, with 3 free attaching options (exercisable at 25 cents within 15 months from issue) for every 2 New Shares issued, to raise A\$9.47 million before costs. Net proceeds and existing cash reserves have been utilised for advancing the Dougou Carnallite Deposit (Dougou) to scoping study level, exploration at the Yangala prospect and completion of studies to reduce the initial capital requirement for the Kola Project by introducing a phased implementation approach.
- On 4 November 2014, the Company announced the appointment of the following Directors, Mr Leonard Math (Non-Exec), Mr John Sanders (CEO), Mr Thomas Borman (Non-Exec Chairman) and Mr Michael Golding (Non-Exec)

<sup>1</sup> Carnallite: a rock type containing a significant amount of the potash mineral carnallite ( $\text{KMgCl}_3 \cdot 6\text{H}_2\text{O}$ )

<sup>2</sup> Sylvinite: a rock type containing a significant amount of the potash mineral sylvite ( $\text{KCl}$ )

- Field Work and Exploration Activity

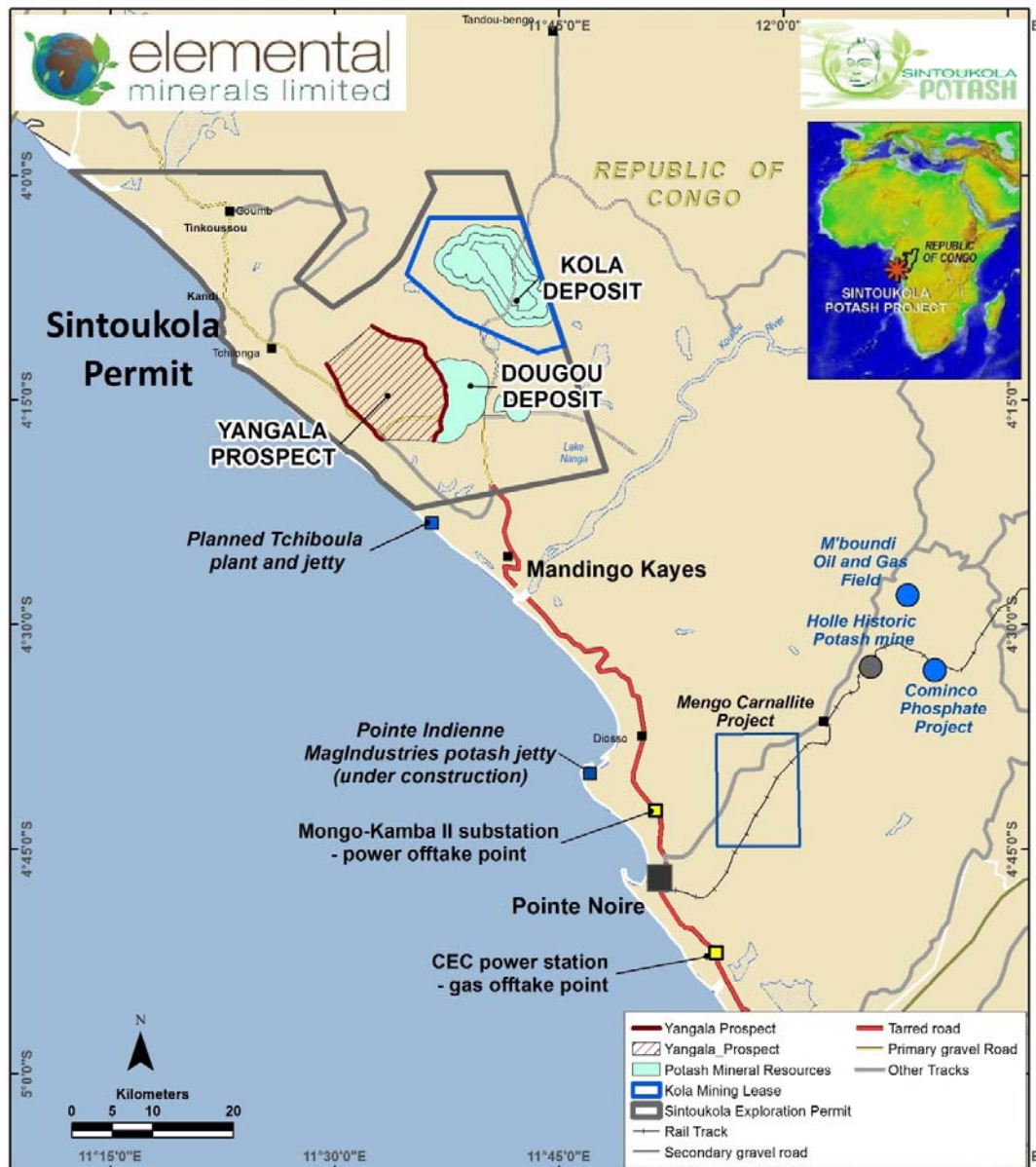


Figure 1. Elementals Sintoukola Permit showing the Kola, Dougou and Yangala Projects

## KOLA SYLVINITE PROJECT

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

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

The highlights from the study are as follows:

- Start production of Phase 1 (1mtpa MoP) in 2018 and ramp up to Phase 2 (2mtpa MoP) by 2022
- Unlevered, after-tax NPV10% of US\$1,836 million and IRR of 24.0%
- Phase 1 project capital expenditure of US\$908 million a 51% reduction in initial capex
- Average, after-tax Free Cash Flows of US\$220m/annum during Phase 1 and US\$500m/annum during Phase 2, using latest potash price forecasts
- Phase 1 free cash flow allows for the self-financing of Phase 2 capital expenditure (US\$684 million)
- Received Expressions of Interest from potential partners to build, own, operate and maintain (BOOM) components of the project to reduce LOM capex by US\$418 million through contract mining, material handling and transshipment
- Life of Mine average operating costs of US\$91/t MoP
- Long term steady state (after year 10) operating costs of US\$75/t MoP could place Kola in the lowest quartile cost of global producers
- Appropriate debt-equity ratios will be considered and discussions with potential project partners could reduce the equity component further

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

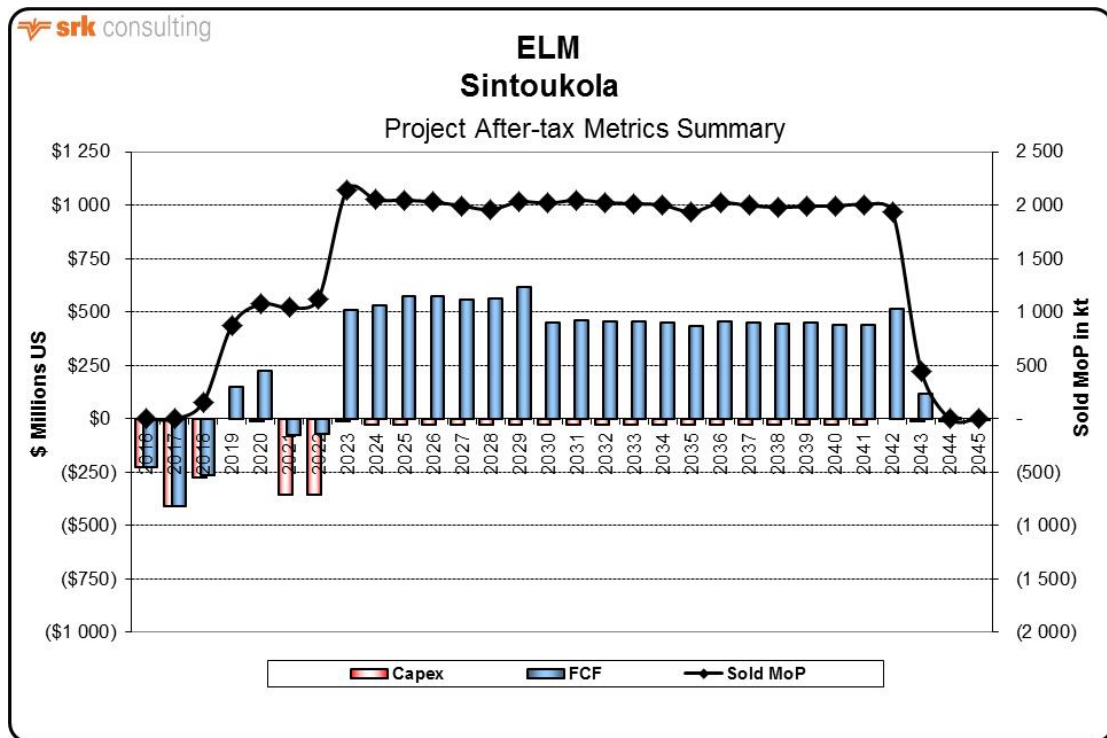


Figure 2 Kola project production and expected free cash flow for the Kola Phased Implementation.

## DOUGOU CARNALLITE PROJECT

### Maiden Resource and Resource Upgrade and Expansion

In July 2014 the company announced a maiden resource for Dougou of Measured and Indicated Mineral Resource (Fig. 1 and 3) of 1.29 billion tonnes grading 21.72% KCl<sup>3</sup>. In July and August, 2 new drillholes were completed (ED\_02 and ED\_04) and additional vintage seismic data was acquired. This data supported an Updated and Expanded Resource, completed by ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau mbH (ERCOSPLAN) which was announced on February 9, 2015 and is as follows: *Measured and Indicated Potash Mineral Resource of 1.1 billion tonnes grading 20.6% KCl and an Inferred Potash Mineral Resource of 2.0 billion tonnes grading 20.8% KCl (Table 1).*

The Dougou deposit is hosted by 4 continuous seams. From uppermost to lowermost the seams are; the Top Seam (TS), Hangingwall Seam (HWS), Upper Seam (US), Lower Seam (LS) and are between 400 and 600 metres depth from surface. Seams are horizontal or very gently dipping (<3°) and are the original sedimentary layers. Seam intersections range from 7.3 to 11.2 metres thickness with a combined average thickness of 35 metres of carnallite. Lateral grade variation within each seam is less than 10%. All seams are 'open' to the North, South and East.

Of particular importance is the HWS, which appears to be unique globally in its purity of potash mineral content over such a significant thickness. At Dougou it is uniformly comprised of between 90% and 91% of the mineral carnallite, averaging 10.0 metres thick and grading 24 to 25% KCl.

Unlike many potash deposits, the seams at Dougou have the advantage of having extremely low insoluble and sulphate mineral content (combined these total less than 1% of the seams by weight). No bischofite is present in the vicinity of any of the mining seams, an unstable mineral that represents a major challenge for solution mine cavern control. Upper and lower contacts of the seams are abrupt and the adjacent lithology is rock-salt.

**Table 1. Summary of Measured, Indicated and Inferred Potash Mineral Resource for the Dougou Deposit**

| CATEGORY                             | Potash Seam | Million Tonnes carnallite | average grade KCl % | average grade K2O % | Million tonnes contained KCl |
|--------------------------------------|-------------|---------------------------|---------------------|---------------------|------------------------------|
| <b>Total Measured</b>                | All seams   | <b>148</b>                | <b>20.07</b>        | 12.67               | 30                           |
| <b>Total Indicated</b>               | All seams   | <b>920</b>                | <b>20.65</b>        | 13.04               | 190                          |
| <b>Subtotal Measured + Indicated</b> | All seams   | <b>1068</b>               | <b>20.57</b>        | 12.99               | 220                          |
| <b>Total Inferred</b>                | All Seams   | <b>1988</b>               | <b>20.77</b>        | 13.11               | 413                          |

*This Mineral Resource Estimate is effective as of 9 February 2015 and was completed by ERCOSPLAN. A 5% allowance for structure has been removed from the Estimate. No thickness and grade cut-off was applied as all intersections are > 7 m and seams have abrupt grade (lithological) upper and lower contacts. Bulk density for each seam is between 1.64 and 1.81 (t/m<sup>3</sup>). Insoluble material plus anhydrite content is <1% throughout. Classification of Resources is described in full in the Company's announcement of 9/2/2015 and summarised: Measured: 750 m radius around a drill hole intersection if a correlation is possible on 2 sides to other comparable potash intervals. Indicated: 1,500m radius around a drill hole intersection if a correlation is possible on 2 sides to other drill holes with a comparable potash intervals. Inferred: 3,000m radius around an intersection if a correlation is possible on 2 sides to other comparable potash intervals. Table entries are rounded to the appropriate significant figure. 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.*

<sup>3</sup> Announcement dated 9 July, 2014



## Scoping Study Results for a solution mine at Dougou

On February 17, 2015 Elemental announced the results of a Scoping Study for a solution mine on the Dougou Deposit, completed by ERCOSPLAN. The study objective was to provide design and cost estimates for the brine field and process plant, define and estimate requirements for further infrastructure and determine the economic viability of the Project by means of an economic evaluation. Production is to be undertaken in three distinct project phases:

- Phase 1: 400ktpa K60 MoP (0% granular)
- Phase 2: 800ktpa K60 MoP (67% granular) → to start production 5 years after Phase 1.
- Phase 3: 1,200ktpa K60 MoP (89% granular) → to start production 3 years after Phase 2.

The ore will be mined by solution mining and the brine produced is processed at a centrally located process plant facility. Electrical power and steam for the operation are generated from gas turbines and a gas boiler system. Gas to operate these facilities will be sourced by means of a 70km long gas pipeline joining the main existing pipeline in the north of Pointe Noire.

The required amounts of water for the operation are obtained from groundwater for Phase 1. Ocean water will be used for Phase 2 and Phase 3 solution mining, whereas the groundwater is used as process water in the plant.

Maintenance and office facilities for the operation will be built at the plant site. The existing exploration camp will be upgraded for the personnel working at the operation.

Several ROC mining companies are pursuing the construction of an export facility at Pointe Indienne for the direct loading of bulk commodities such as potash, phosphate and iron ore. ELM is in discussion with one of these companies to share joint usage of a common facility at Pointe Indienne. This Scoping Study assumes ELM will make use of a containerised solution to store and transport MoP to this facility during all three phases of the project.

The highlights from this study are summarised in the table and bullets below.

*Table 2. Summary of the Dougou Scoping Study Results*

|   |              |
|---|--------------|
| Phase 1 MoP Production  | 400ktpa      |
| Phase 1 Capital Expenditure (including 20% contingency)         | US\$430m     |
| Average Life of mine operating costs (including 3% contingency) | US\$68/t MoP |
| Life of mine based on measured and indicated resource           | 47 years     |
| Internal Rate of Return (IRR) <sup>1</sup>                      | 21.67%       |
| After Tax NPV 10% <sup>1</sup>                                  | US\$880m     |

- First production in 2019
- Phase 1 free cash flows (approximately US\$100m/annum) potentially allow for the self-financing of Phase 2 and subsequent Phase 3 capital expenditures
- Unleveraged Phase 1 capex of US\$430m. Appropriate debt-equity ratios will be considered, further reducing the initial project equity requirements
- The recently announced 1.1 billion tonne Measured and Indicated Resource @ 20.6% KCI underpins a 47 year mine life

ERCOSPLAN has recommended that the project be progressed to Feasibility Study. Minimal additional resource work and field data acquisition will be required.

## YANGALA SYLVINITE PROJECT

### Exceptional Drill-hole results

This Prospect occupies an area of approximately 10 by 15 kilometres, in the western part of Elemental's Sintoukola Licence (Fig 1 and 3). The area is defined by a broad zone of gentle undulation (Fig. 5) of the stratigraphy and elevation of the evaporite rocks forming a 'high', similar to the setting found at the Company's Kola sylvinite deposit.

The results of Elemental's second drillhole at Yangala were announced on 20 October, 2014. ED\_03, returned HWS intersection of 59.48 % KCl (37.56 % K<sub>2</sub>O) over a thickness of 4.21 metres, from a depth of 398.95 metres. This borehole is 1.4 km west of ED\_01 (Fig. 3 and 5) drilled in 2012 which contained 4.47 metres grading 57.66 % KCl (36.41 % K<sub>2</sub>O)<sup>4</sup> from a depth of 421.93 metres. In both the potash seam is close to horizontal and entirely of sylvinite (Fig. 4). A cross-section through ED\_01 and ED\_03 is provided in figure 5. At 55 to 60 % KCl, the sylvinite HWS is a candidate for the world's highest grading potash seam.

### Exploration Target Announced

Based on the above and on an interpretation of over 110 line kilometres of oil-industry seismic data, an Exploration Target for the Yangala Prospect was announced on the 27 January 2015 of: 235 to 570 million tonnes (Mt) grading between 55% and 60% KCl (35% to 38% K<sub>2</sub>O). To further test the Exploration Target, an initial 4-5 new holes of average depth of 500m are planned to step-out from ED\_01 and ED\_03.

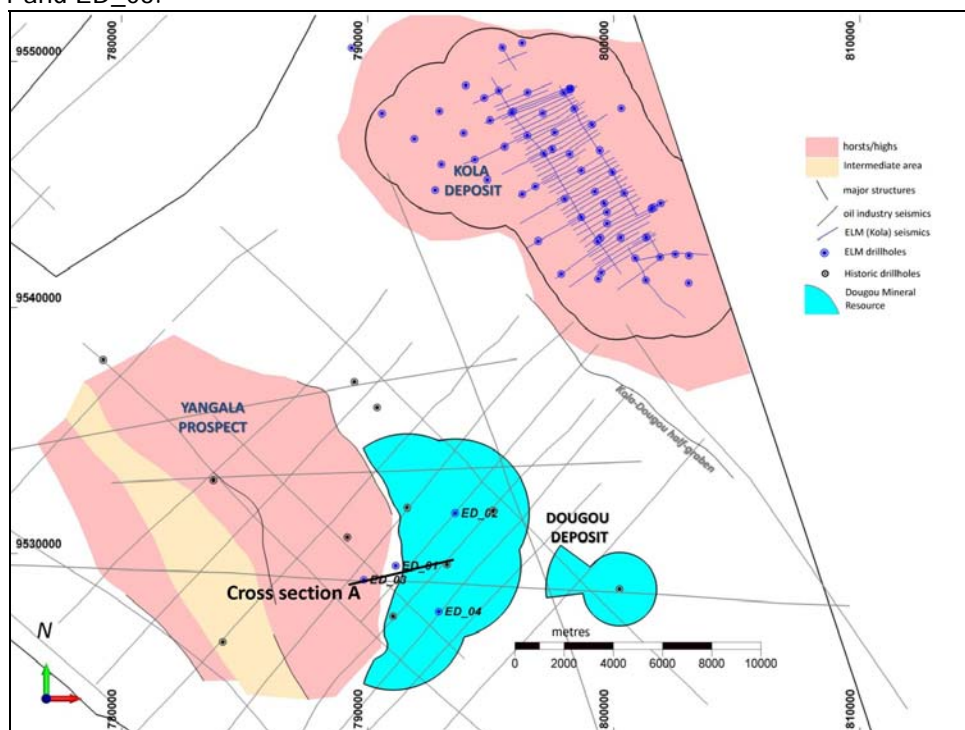


Figure 3. The Yangala Prospect and adjacent Dougou Deposit with simplified structural interpretation. ED\_01 and ED\_03 (at Yangala) and ED\_02 and ED\_03 at Dougou are shown. The Dougou deposit outline is that defined by ERCOSPLAN for the February Resource Update. The line of cross section in figure 4 is shown.

<sup>4</sup> Announcement dated 20 August, 2012

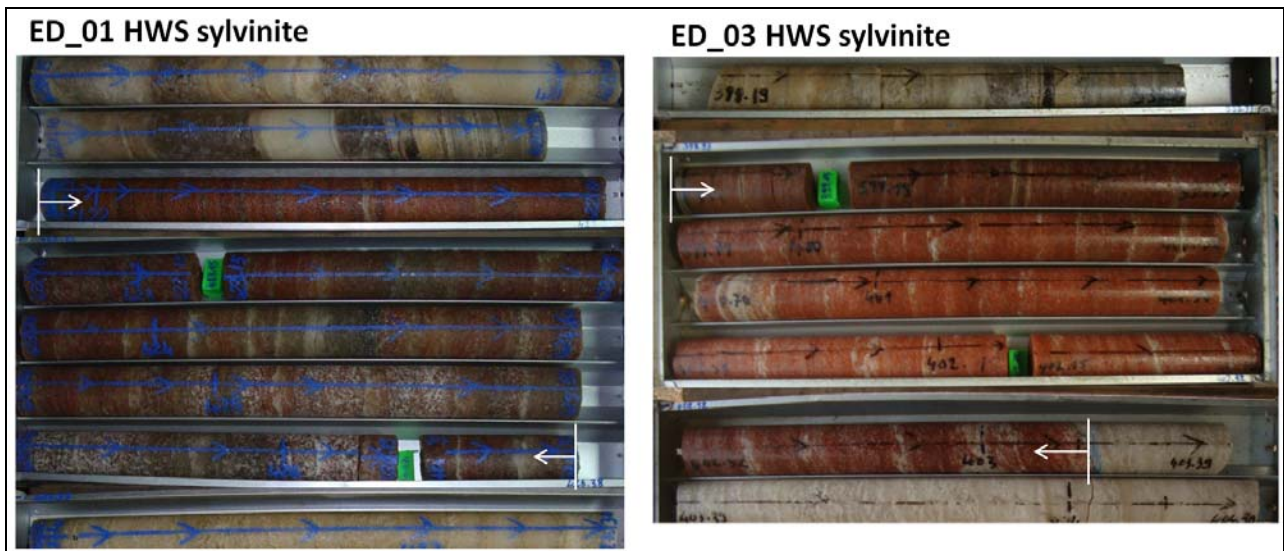


Figure 4. HWS sylvinite from Elemental's two holes at Yangala. ED\_01 grading 57.66 % KCl over 4.47 metres. ED\_03 grading 59.48 % KCl over 4.21 metres. Note excellent core recovery and horizontal layering throughout both. These intersections are approximately 1.4 kilometres apart.

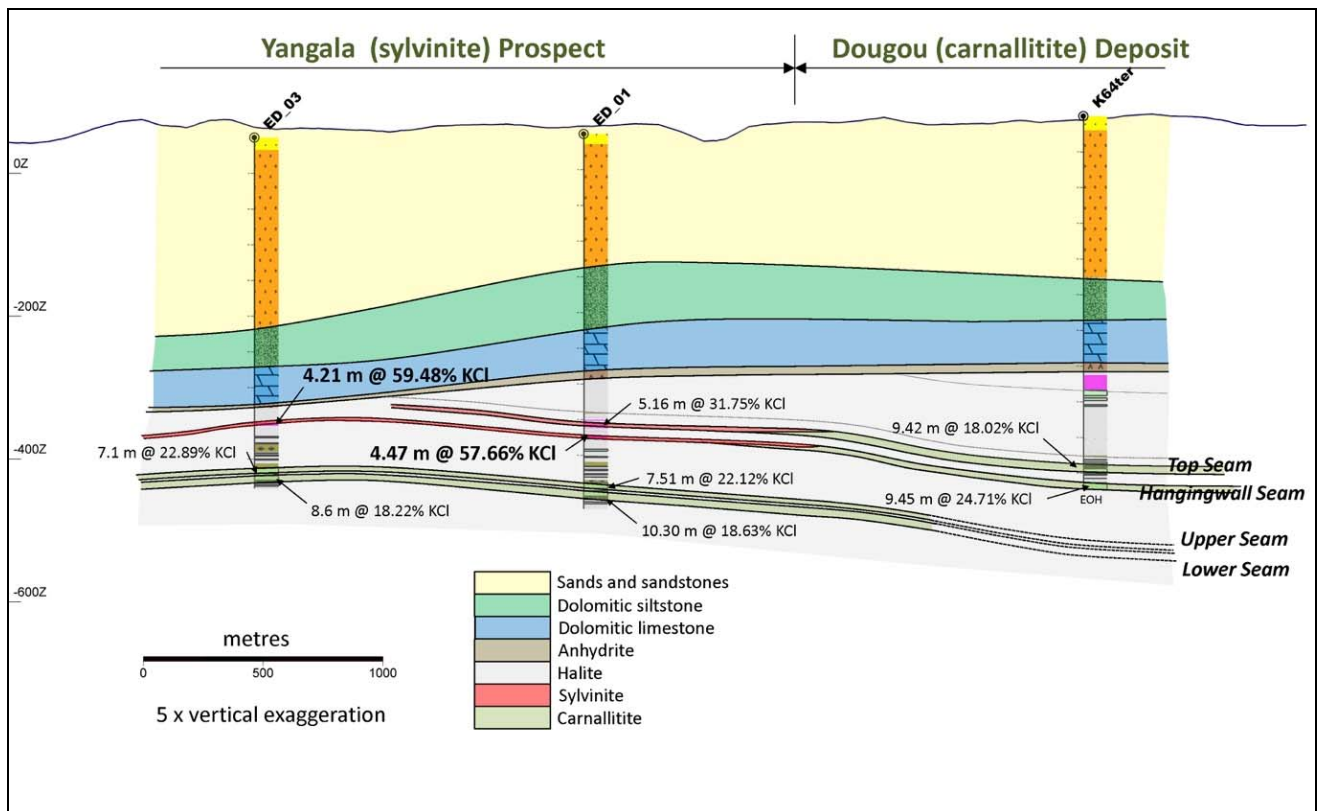


Figure 5. Cross-section (line A on figure 3) through a small portion of the Yangala prospect, and adjacent Dougou deposit showing the interpretation of the sylvinite Hangingwall Seam and Top Seam intersected in ED\_01 and ED\_03. All intersections are previously reported.



### **Competent Person/s Statement:**

All scientific and technical information ("Information") in this report relating to the Phased Implementation Study for the Kola Deposit is based on information approved by Neal Rigby, CEng MIMMM, PhD (SRK) and Paul O'Hara P.Eng. (AMEC) (minerals processing), who are independent of the Company and have sufficient experience to qualify as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code).

Information that relates to Exploration Targets, Exploration Results, Mineral Resources and Ore Reserves at the Kola deposit was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. This information relating to the Sintoukola Project and Kola deposit was extracted from a Technical Report entitled "NI 43-101 Technical Report, Sintoukola Potash Project, Republic of Congo" dated September 17, 2012 with an effective date of September 17, 2012 (the "Technical Report") which is available on the Company's website ([www.elementalminerals.com](http://www.elementalminerals.com)). 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.

The Information in this report that relates to the Dougou Deposit and Scoping Study is based on information compiled by Dr. Sebastiaan van der Klauw and Ms. Jana Neubert. Sebastiaan van der Klauw and Jana Neubert are senior geologists and employees of ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau mbH and are members of good standing of the European Federation of Geologists registered as "European Geologist" (Registration Numbers 756 and 1033). Both have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as Competent Persons, as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code). Dr. van der Klauw and Ms. Neubert consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

The Information in this presentation that relates to the Yangala Prospect and exploration potential outside of the Kola and Dougou Projects is based on information compiled by Mr. Andrew Pedley, Elemental's Chief Geologist and a full-time employee of the Company. Mr. Pedley is a member of the South African Council for Natural Scientific Professions (SACNASP) being a registered Professional Natural Scientist in the field of Geological Science. Mr. Pedley has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person, as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code). Mr. Pedley consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

### **Forward-Looking Statements**

This report 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, 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 report 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 (the Company) and its controlled entities (Group or Consolidated Entity) for the financial year ended 31 December 2014. 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:

|                          |  |
|--------------------------|--|
| Thomas Borman            | Non-Executive Chairman (appointed 4 November 2014) |
| John Sanders             | Managing Director (appointed 16 July 2014)         |
| Robert Samuel Middlemas  | Non-Executive Director                             |
| Michael Golding          | Non-Executive Director (appointed 4 November 2014) |
| Leonard Math             | Non-Executive Director (appointed 24 April 2014)   |
| Iain Macpherson          | Managing Director (resigned 7 August 2014)         |
| Ian Stalker              | Non-Executive Director (resigned 24 April 2014)    |
| Michael Barton           | Non-Executive Director (resigned 31 March 2014)    |
| Robert Geoffrey Franklyn | Non-Executive Director (resigned 31 March 2014)    |

Mr Borman replaced Mr Middlemas as Chairman on 4 November 2014. Mr Macpherson was replaced as Managing Director on 16 July 2014 and subsequently resigned as a Director on 7 August 2014.

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 2014 after providing for income tax amounted to \$3,486,239 (31 December 2013: \$7,680,553).

### Dividends Paid or Recommended

In respect of the year ended 31 December 2014, 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

#### Dingyi Shareholder Approval Condition and Hong Kong Stock Exchange ("SEHK") decision

On 18 March 2014, the Company was informed that Dingyi's review of the SEHK Decision had been unsuccessful with the SEHK Listing Committee deciding to uphold the SEHK Decision. As a result of that decision by the SEHK Listing Committee and Dingyi not being able to satisfy the Dingyi Shareholder Approval Condition, it was announced that the Dingyi Offer would lapse.

Elemental and Dingyi subsequently agreed to the termination of the bid implementation agreement they entered into on 1 July 2013 in relation to the Dingyi Offer meaning the previously announced provisions of that agreement were no longer of any force or effect.

Dingyi, being a significant shareholder in Elemental, has indicated it remains firmly committed to its investment in Elemental and, as a result, the Sintoukola Project and continues to be open to ways in which it can continue its co-operation with Elemental and its major shareholders.

## DIRECTORS' REPORT (CONT)

During the year, the Company also completed the drawdown from Dingyi of A\$10 million of the A\$15 million available under the secured Convertible Note Facility from (and issue of 10 million convertible notes to Dingyi). The funds were used by the Company to continue to progress further work on its Sintoukola Project.

The convertible notes of A\$10 million were subsequently repaid in June 2014.

### Board Changes

During the year, Mr Michael Barton and Mr Robert Franklyn resigned as Directors on 31 March 2014. Mr Leonard Math was appointed as Non-Executive Director on 24 April 2014, replacing Mr Ian Stalker who resigned on the same day.

Mr John Sanders was appointed as Managing Director on 17 July 2014, replacing Mr Iain Macpherson. Mr Macpherson subsequently resigned as a Director on 7 August 2014.

Mr Thomas Borman and Mr Michael Golding were appointed as Non-Executive Chairman and Non-Executive Director respectively on 4 November 2014. Mr Sam Middlemas stepped down as the Chairman and remained as Non-Executive Director.

### Capital Raising

On 19 May 2014, Elemental announced that it had placement commitments to raise A\$3.1 million at A\$ 0.25 per share from sophisticated and institutional investors. The non-broker placement at a premium of 11 percent to the closing price of Elemental shares on Friday 16 May 2014 was to long-term existing shareholders of the Company. The capital was used to supplement Elemental's treasury and enable execution on the revised strategy previously announced on 1 May 2014. The issue of the 12,400,000 shares at A\$0.25 each was completed in July 2014.

On 9 September 2014, Elemental announced a fully underwritten 1 for 6 non-renounceable rights issue at 18 cents per share, with 3 free attaching options (exercisable at 25 cents within 15 months from issue) for every 2 New Shares issued, to raise A\$9.47 million before costs. Net proceeds and existing cash reserves were used for the following objectives:

- Advancing the Dougou Carnallite Deposit (Dougou) to scoping study level. In this regard an updated and expanded resource, completed by ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau mbH (ERCOSPLAN) was announced on February 9<sup>th</sup>, 2015 and is as follows: Measured and Indicated Potash Mineral Resource of 1.1 billion tonnes grading 20.6% KCl and an Inferred Potash Mineral Resource of 2.0 billion tonnes grading 20.8% KCl. Coupled with the grade and low insoluble content, the apparent continuity of grade and thickness and the gentle dip of the seams at Dougou, provide key advantages for extraction by solution mining. On February 17, 2015 Elemental announced the results of a Scoping Study for a solution mine on the Dougou Deposit, completed by ERCOSPLAN.
- Exploration at the Yangala Sylvinitic Prospect which has potential to host high-grade sylvinitic Hangingwall Seam. To this end, an Exploration Target for the prospect was announced on the 27<sup>th</sup> January 2015 of: 235 to 570 million tonnes (Mt) grading between 55% and 60% KCl (35% to 38% K<sub>2</sub>O) and a 4 to 5 hole drill programme is planned to test this target.
- Continue current studies to reduce the initial capital requirement for the Kola Project by introducing a phased implementation approach which resulted in the delivery of the Kola Phased Implementation Study on 23 October 2014.

The offer was made to eligible shareholders on the basis of 1 new share for every 6 shares held on the record date of 23 September 2014 at the issue price of A\$0.18 each, which represents a 16% discount to the 7 day volume weighted average price (VWAP) of A\$0.215.

Shareholders also received three (3) free attaching options with an exercise price of \$0.25 and exercisable within 15 months of issue for every two (2) new shares issued.

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<sup>5</sup> Elemental announcement dated 9<sup>th</sup> July 2014



## DIRECTORS' REPORT (CONT)

The non-renounceable rights issue was completed in October 2014 with 52,610,566 new shares and 78,915,929 listed options exercisable at \$0.25 each expiring 15 January 2016 being issued.

During the year, Elemental issued 7,509,013 options exercisable at \$0.33 each expiring 15 April 2018 to employees under the company's Employee Share Option Plan.

On 13 October 2014, shareholders approved the issue of 1,500,000 options exercisable at \$0.33 each expiring 26 June 2018 to Directors of the Company under the Employee Share Option Plan.

### Subsequent Events

The Sintoukola exploration license was been renewed on 13 January 2015 for an additional 2 year period. The Kola Mining license remains valid for a 25 year period.

4,500,000 Unlisted Options exercisable at AUD\$1.07 each expiring 16 February 2015 have lapsed.

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.

### *Class B Performance Rights*

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

- the Company's market capitalisation averaging over a period of 30 consecutive days of trading a daily average of not less than \$100 million; and
- completing 24 months of continuous service with the Company.

### *Class C Performance Rights*

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

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

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.

## DIRECTORS' REPORT (CONT)

### 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.

### Shares under Options

Share options outstanding at the date of this report:

| Exercise Period               | Exercise Price<br>AUD\$ | Number of options |
|-------------------------------|-------------------------|-------------------|
| On or before 19 May 2015      | \$1.07                  | 4,450,000         |
| 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           |
| 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 2018     | \$0.33                  | 1,500,000         |
|                               |                         | <u>93,190,487</u> |

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 | 11/03/2017 | 3,500,000         |
| Class B | 11/03/2018 | 3,500,000         |
| Class C | 11/03/2019 | 3,500,000         |
|         |            | <u>10,500,000</u> |

## DIRECTORS' REPORT (CONT)

### Information on Directors

#### Thomas Borman

Non-Executive Chairman

*B.Comm (Hons)*

(Member of the Nomination and Remuneration Committee)

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.

Interest in Shares & Options

2,000,000 Shares

4,500,000 Performance Rights

Directorships held in other entities

Alphamin Resources Corp, Metmar Limited and Univeg Group.

Former directorships of listed companies in last three years

Optimum Coal Limited

#### John Sanders

Managing Director

*MTech (EconGeol.) AusIMM*

(Member of the Safety, Health and Environment Committee)

Interest in Shares & Options

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.

1,227,859 Shares

263,112 Listed Options exercisable at \$0.25 expiring 15 January 2016

3,000,000 Performance Rights

1,500,000 Unlisted Options exercisable at \$1.07 expiring 16 February 2015 (lapsed on 16 February 2015)

Directorships held in other entities

Nil.

Former directorships of listed companies in last three years

Nil.

#### Michael Golding

Non-Executive Director

*B.Comm, B.Acc, CA (SA), MBL*

(Chairman of the Nomination and Remuneration Committee, Member of the Audit & Risk Committee and Member of the Safety, Health and Environment Committee)

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.

Interest in Shares & Options

3,000,000 Performance Rights

Directorships held in other entities

Nil.

Former directorships of listed companies in last three years

Nil.



## DIRECTORS' REPORT (CONT)

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

(Chairman of the Audit & Risk Committee)

Robert 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 was acting CEO of the ASX listed Bauxite Resources Limited, and remains as Company secretary. 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 and a member of the Australian Institute of Company Directors.

Interest in Shares & Options

337,122 Shares

400,000 Unlisted Options exercisable at \$0.33 expiring 26 June 2018

72,242 Listed Options exercisable at \$0.25 expiring 15 January 2016

250,000 Unlisted Options exercisable at \$1.07 expiring 16 February 2015 (lapsed on 16 February 2015)

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*

(Chairman of the Safety, Health and Environment Committee, Member of the Nomination and Remuneration Committee and Member of the Audit and Risk Committee)

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.

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

Kangaroo Resources Limited and RMA Energy Limited.

Former directorships of listed companies in last three years

Nil.

**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.

## DIRECTORS' REPORT (CONT)

### 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 2014 are:

| Director        | Directors Meetings        |                 | Audit Committee Meetings  |                 |
|-----------------|---------------------------|-----------------|---------------------------|-----------------|
|                 | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| T Borman(i)     | 2                         | 2               | -                         | -               |
| J Sanders(ii)   | 9                         | 9               | -                         | -               |
| M Golding(i)    | 2                         | 2               | -                         | -               |
| S Middlemas     | 22                        | 22              | 1                         | 1               |
| L Math(iii)     | 15                        | 15              | -                         | -               |
| I Macpherson(v) | 13                        | 13              | -                         | -               |
| I Stalker(iv)   | 7                         | 7               | 1                         | 1               |
| M Barton(vi)    | 6                         | 5               | 1                         | 1               |
| R Franklyn(vi)  | 6                         | 6               | -                         | -               |

There were 22 directors' meetings and 1 audit committee meeting held during the year.

(i)Appointed 4 November 2014

(ii)Appointed 16 July 2014

(iii)Appointed 24 April 2014

(iv)Resigned 24 April 2014

(v)Resigned 7 August 2014

(vi)Resigned 31 March 2014

### 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.

### 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 \$31,279 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.

## DIRECTORS' REPORT (CONT)

### 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 2014 were:

Mr John Sanders – Managing Director

Mr Lawrence Davidson – Chief Financial Officer & Joint Company Secretary

Mr Julien Babey – Country Manager

Mr Werner Swanepoel ceased as key management personnel in July 2014.

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 2014. 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 2014:

|                     | 12 months<br>31 Dec 2014<br>USD\$ | 12 months<br>31 Dec 2013<br>USD\$ | 12 months<br>31 Dec 2012<br>USD\$ | 6 months<br>31 Dec 2011<br>AUD\$ | 12 months<br>30 June 2011<br>AUD\$ |
|---------------------|-----------------------------------|-----------------------------------|-----------------------------------|----------------------------------|------------------------------------|
| Other income        | 123,128                           | 121,240                           | 463,278                           | 850,897                          | 321,931                            |
| Net loss before tax | 3,940,592                         | 7,680,553                         | 10,671,818                        | 6,821,698                        | 13,729,651                         |
| Net loss after tax  | 3,486,239                         | 7,680,553                         | 10,671,818                        | 6,821,698                        | 13,729,651                         |

|                                | 31 Dec 2014 | 31 Dec 2013 | 31 Dec 2012 | 31 Dec 2011 | 30 June 2011 |
|--------------------------------|-------------|-------------|-------------|-------------|--------------|
| Share price at start of period | A\$0.33     | A\$1.03     | A\$1.04     | A\$1.25     | A\$0.38      |
| Share price at end of period   | A\$0.23     | A\$0.33     | A\$1.03     | A\$1.04     | A\$1.27      |
| Basic loss per share (cents)   | USD\$1.08   | USD\$2.62   | USD\$4.34   | A\$3.25     | A\$9.48      |
| Diluted loss per share (cents) | USD\$1.08   | USD\$2.62   | USD\$4.34   | A\$3.25     | A\$9.48      |

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

### Voting and comments made at the Group's 2013 Annual General Meeting

Elemental Minerals Limited received more than 91% of "yes" votes on its remuneration report for the 2013 financial year. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.



## DIRECTORS' REPORT (CONT)

### *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.

Executive directors and senior management receive a superannuation guarantee contribution required by the government, which is currently 9.25%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

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. During the year, 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. The Elemental Performance Rights Plan was approved by shareholders on 11 March 2015.

### **Key Terms of Employment Contracts**

Effective 1 January 2015 the following base salary applies:

| <b>Name</b>                                    | <b>Base salary</b> | <b>Term of agreement</b> | <b>Notice period</b>   |
|--|--------------------|--------------------------|------------------------|
| John Sanders<br>Managing Director              | USD252,000         | No Fixed Term            | 3 months notice period |
| Lawrence Davidson<br>CFO and Company Secretary | USD180,000         | No Fixed Term            | 3 months notice period |
| Julien Babey<br>Country Manager                | EURO139,620        | No Fixed Term            | 3 months notice period |

### **Key Terms of Employment Contracts for the financial year ending 31 December 2014:**

| <b>Name</b>                                    | <b>Base salary</b> | <b>Term of agreement</b> | <b>Notice period</b>   |
|--|--------------------|--------------------------|------------------------|
| John Sanders<br>Managing Director              | USD156,000         | No Fixed Term            | 3 months notice period |
| Lawrence Davidson<br>CFO and Company Secretary | USD180,000         | No Fixed Term            | 3 months notice period |
| Julien Babey<br>Country Manager                | EURO139,620        | No Fixed Term            | 3 months notice period |

## DIRECTORS' REPORT (CONT)

### *Key Management Personnel Remuneration*

The remuneration for each director and key management personnel of the Company during the year ended 31 December 2014 was as follows:

1 January 2014 to 31 December 2014

|                   | Short term employee benefits |          |              | Post-employment benefits |                                |                  |                     |
|-------------------|------------------------------|----------|--------------|--------------------------|--------------------------------|------------------|---------------------|
|                   | Salary and Fees              | Bonus    | Non-Monetary | Superannuation           | Share based payments – options | Total            | Performance Related |
|                   | USD\$                        | USD\$    | USD\$        | USD\$                    | USD\$                          | USD\$            | %                   |
| <b>Directors</b>  |                              |          |              |                          |                                |                  |                     |
| 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           | -                   |
|                   | <b>627,559</b>               | <b>-</b> | <b>-</b>     | <b>1,148</b>             | <b>264,738</b>                 | <b>893,445</b>   | <b>-</b>            |
| <b>Executives</b> |                              |          |              |                          |                                |                  |                     |
| L. Davidson       | 188,592                      | -        | -            | -                        | 151,255                        | 339,847          | -                   |
| J. Babey          | 196,945                      | -        | -            | -                        | 129,317                        | 326,262          | -                   |
|                   | <b>1,013,096</b>             | <b>-</b> | <b>-</b>     | <b>1,148</b>             | <b>545,310</b>                 | <b>1,559,554</b> | <b>-</b>            |

(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.

## DIRECTORS' REPORT (CONT)

1 January 2013 to 31 December 2013

|                   | Short term employee benefits |       |              | Post-employment benefits |                                |                  |                     |
|-------------------|------------------------------|-------|--------------|--------------------------|--------------------------------|------------------|---------------------|
|                   | Salary and Fees              | Bonus | Non-Monetary | Superannuation           | Share based payments – options | Total            | Performance Related |
|                   | USD\$                        | USD\$ | USD\$        | USD\$                    | USD\$                          | USD\$            | %                   |
| <b>Directors</b>  |                              |       |              |                          |                                |                  |                     |
| S. Middlemas      | 95,292                       | -     | -            | -                        | 60,074                         | 155,366          | -                   |
| I. Macpherson     | 277,398                      | -     | -            | -                        | 360,446                        | 637,844          | -                   |
| J.I. Stalker      | 102,146                      | -     | -            | -                        | 300,372                        | 402,518          | -                   |
| M. Barton         | 56,861                       | -     | -            | -                        | 37,998                         | 94,859           | -                   |
| R. Franklyn       | 52,380                       | -     | -            | 4,845                    | 18,611                         | 75,836           | -                   |
|                   | <b>584,077</b>               | -     | -            | <b>4,845</b>             | <b>777,501</b>                 | <b>1,366,423</b> | -                   |
| <b>Executives</b> |                              |       |              |                          |                                |                  |                     |
| L. Davidson       | 181,605                      | -     | -            | -                        | 351,869                        | 533,474          | -                   |
| L. Math (i)       | 112,931                      | -     | -            | -                        | -                              | 112,931          | -                   |
| W. Swanepoel (ii) | 192,678                      | -     | -            | -                        | 351,869                        | 544,547          | -                   |
|                   | <b>1,071,291</b>             | -     | -            | <b>4,845</b>             | <b>1,481,239</b>               | <b>2,557,375</b> | -                   |

(i) 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.

(ii) Mr Werner Swanepoel ceased as a key management personnel in July 2014.

## DIRECTORS' REPORT (CONT)

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

#### *Employee Share Option 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 plan, as approved by shareholders at a previous general meeting, executives and senior employees may be granted 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.

The options granted expire within 4 years of their issue, or two months of 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<br>AUD\$ | Exercise price<br>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                  |

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.



## DIRECTORS' REPORT (CONT)

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

| Name          | Option Series         | During the financial year |            |                  |                     | % of compensation of the year consisting of options |
|---------------|-----------------------|---------------------------|------------|------------------|---------------------|---|
|               |                       | No. Granted               | No. Vested | % Granted Vested | % Granted Forfeited |   |
| S.Middlemas   | Granted on 30/05/2014 | 400,000                   | 133,333    | 33.33            | -                   | 35.45   |
| I.Macpherson* | Granted on 30/05/2014 | 1,100,000                 | 366,666    | 33.33            | -                   | 31.64   |
| L.Math        | Granted on 09/04/2014 | 183,600                   | 61,200     | 33.33            | -                   | 13.45   |
| L.Davidson    | Granted on 09/04/2014 | 720,000                   | 240,000    | 33.33            | -                   | 45.80   |
| J.Babey       | Granted on 09/04/2014 | 853,333                   | 284,444    | 33.33            | -                   | 43.16   |

\*Resigned on 7 August 2014

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 options granted at grant date (i) | Value of options exercised at the exercise date | Value of options lapsed at the date of lapsed (ii) |
|--------------|--|---|--|
|              | USD\$                                      | USD \$  | USD \$   |
| S.Middlemas  | 47,118                                     | -   | -  |
| I.Macpherson | 82,156                                     | -   | -  |
| L.Math       | 22,971                                     | -   | -  |
| L.Davidson   | 90,081                                     | -   | -  |
| J.Babey      | 106,763                                    | -   | -  |

- (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*

There was no shares issued on exercise of options during the year ended 31 December 2014.

## 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 2014        | Balance at<br>1 Jan 2014 | Received as<br>Remuneration | Options<br>Exercised | Other<br>Movements | Balance at<br>31 Dec 2014 |
|-------------------------|--------------------------|-----------------------------|----------------------|--------------------|---------------------------|
| <b>Directors</b>        |                          |                             |                      |                    |                           |
| 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)     | -                        | -                           | -                    | -                  | -                         |
| <b>Executives</b>       |                          |                             |                      |                    |                           |
| 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.

| 31 December 2013        | Balance at<br>1 Jan 2013 | Received as<br>Remuneration | Options<br>Exercised | Other<br>Movements | Balance at<br>31 Dec 2013 |
|-------------------------|--------------------------|-----------------------------|----------------------|--------------------|---------------------------|
| <b>Directors</b>        |                          |                             |                      |                    |                           |
| Robert Samuel Middlemas | 250,000                  | -                           | -                    | -                  | 250,000                   |
| Iain Macpherson         | 4,010,000                | -                           | -                    | -                  | 4,010,000                 |
| John Ian Stalker        | 1,750,000                | -                           | -                    | -                  | 1,750,000                 |
| Michael Barton          | -                        | -                           | -                    | -                  | -                         |
| Robert Franklyn         | -                        | -                           | -                    | -                  | -                         |
| <b>Executives</b>       |                          |                             |                      |                    |                           |
| Lawrence Davidson       | 50,000                   | -                           | -                    | -                  | 50,000                    |
| Leonard Math            | -                        | -                           | -                    | -                  | -                         |
| Werner Swanepoel (i)    | 50,000                   | -                           | -                    | -                  | 50,000                    |

(i) Mr Werner Swanepoel ceased as a key management personnel in July 2014.

## DIRECTORS' REPORT (CONT)

### Options and rights over equity instruments granted as compensation

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

| 31 December 2014        | Balance at<br>1 Jan 2014 | Received as<br>Remuneration | Options<br>Exercised /<br>(Expired) | Other<br>Movements | Balance at<br>31 Dec 2014 | Vested and<br>exercisable at<br>year end |
|-------------------------|--------------------------|-----------------------------|-------------------------------------|--------------------|---------------------------|--|
| <b>Directors</b>        |                          |                             |                                     |                    |                           |  |
| 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)          | -                         | -  |
| <b>Executives</b>       |                          |                             |                                     |                    |                           |  |
| 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.

| 31 December 2013        | Balance at<br>1 Jan 2013 | Received as<br>Remuneration | Options<br>Exercised /<br>(Expired) | Other<br>Movements | Balance at<br>31 Dec 2013 | Vested and<br>exercisable at<br>year end |
|-------------------------|--------------------------|-----------------------------|-------------------------------------|--------------------|---------------------------|--|
| <b>Directors</b>        |                          |                             |                                     |                    |                           |  |
| Robert Samuel Middlemas | 250,000                  | -                           | -                                   | -                  | 250,000                   | 166,666                                  |
| Iain Macpherson         | 1,500,000                | -                           | -                                   | -                  | 1,500,000                 | 1,000,000                                |
| John Ian Stalker        | 1,250,000                | -                           | -                                   | -                  | 1,250,000                 | 833,333                                  |
| Michael Barton          | 250,000                  | -                           | -                                   | -                  | 250,000                   | 83,333                                   |
| Robert Franklyn         | -                        | 250,000                     | -                                   | -                  | 250,000                   | -  |
| <b>Executives</b>       |                          |                             |                                     |                    |                           |  |
| Lawrence Davidson       | 1,200,000                | -                           | -                                   | -                  | 1,200,000                 | 800,000                                  |
| Leonard Math            | -                        | -                           | -                                   | -                  | -                         | -  |
| Werner Swanepoel (i)    | 1,200,000                | -                           | -                                   | -                  | 1,200,000                 | 800,000                                  |

(i) Mr Werner Swanepoel ceased as a key management personnel in July 2014.

## DIRECTORS' REPORT (CONT)

### *Other transactions with Key Management Personnel during the financial year ended 31 December 2014*

The company paid USD\$85,361 (31 December 2013: USD\$95,292) 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.

The company paid USD\$13,865 (31 December 2013: USD\$102,146) to Promaco Limited for Mr Ian Stalker director's fees and consultancy fees. Mr Ian Stalker is a director of and has a beneficial interest in Promaco Limited.

GDA Corporate ("GDA") has been engaged to provide accounting, administrative and company secretarial services on commercial terms. Total amounts paid to GDA for providing accounting, administration and company secretarial services were USD\$92,291 during the reporting period (31 December 2013: USD\$112,931). Total amount paid to GDA for Director's fees received on behalf of Mr Leonard Math were USD\$35,579 (2013: Nil). Mr Leonard Math is an employee of GDA Corporate.

The Company paid USD\$260,884 (31 December 2013: USD\$1,180,279) to Corrs Chambers Westgarth, a national Australia law firm for legal services provided. Mr Robert Franklyn is a partner in Corrs Chambers Westgarth. Mr Franklyn does not provide legal services to the Company.

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 2014 has been received and can be found on Page 28.

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

A handwritten signature in black ink, appearing to read "Sam Middlemas".

---

Robert Samuel Middlemas  
Non-Executive Director  
Date: 31 March 2015



The Board of Directors  
Elemental Minerals Limited  
14 Emerald Terrace  
WEST PERTH WA 6005

31 March 2015

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 2014, 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



**Peter Rupp**  
Partner  
Chartered Accountants

## 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



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Robert Samuel Middlemas  
Non-Executive Director  
Date: 31 March 2015

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

|  | Note | Dec 2014<br>USD\$  | Dec 2013<br>USD\$  |
|--|------|--------------------|--------------------|
| <b>Continuing Operations</b>                                     |      |                    |                    |
| Other income   | 2    | 123,128            | 121,240            |
| Directors remuneration   |      | (310,563)          | (388,872)          |
| Equity compensation benefits                                     | 3(a) | (1,150,508)        | (2,915,626)        |
| Salaries, employee benefits and consultancy expense              | 3(b) | (891,131)          | (966,672)          |
| Administration expenses  |      | (1,276,957)        | (2,855,348)        |
| Net realised foreign exchange losses                             |      | (169,086)          | (675,275)          |
| Interest expense   |      | (265,475)          | -                  |
| Loss before income tax expense                                   |      | (3,940,592)        | (7,680,553)        |
| Income tax benefit   | 4    | 454,353            | -                  |
| <b>Loss for the year from continuing operations</b>              |      | <b>(3,486,239)</b> | <b>(7,680,553)</b> |
| <b>Other comprehensive income, net of income tax</b>             |      |                    |                    |
| <b>Items that may be classified subsequent to profit or loss</b> |      |                    |                    |
| Exchange differences on translating foreign operations           |      | (201,594)          | 3,049,808          |
| Other comprehensive income for the year, net of tax              |      | (201,594)          | 3,049,808          |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                   |      | <b>(3,687,833)</b> | <b>(4,630,745)</b> |
| <b>Loss attributable to:</b>                                     |      |                    |                    |
| Owners of the Company  |      | (3,486,239)        | (7,680,553)        |
| Non-Controlling interest   |      | -                  | -                  |
|  |      | <b>(3,486,239)</b> | <b>(7,680,553)</b> |
| <b>Total comprehensive income attributable to:</b>               |      |                    |                    |
| Owners of the Company  |      | (3,660,227)        | (4,669,353)        |
| Non-Controlling interest   |      | (27,606)           | 38,608             |
|  |      | <b>(3,687,833)</b> | <b>(4,630,745)</b> |
| Basic loss per share (cents per share)                           | 23   | (1.08)             | (2.62)             |
| Diluted loss per share (cents per share)                         | 23   | (1.08)             | (2.62)             |

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

|  | NOTE | Dec 2014<br>USD\$  | Dec 2013<br>USD\$  |
|--|------|--------------------|--------------------|
| <b>CURRENT ASSETS</b>                        |      |                    |                    |
| Cash and cash equivalents                    | 5    | 5,894,073          | 4,910,157          |
| Trade and other receivables                  | 6    | 386,709            | 391,034            |
| <b>TOTAL CURRENT ASSETS</b>                  |      | <u>6,280,782</u>   | <u>5,301,191</u>   |
| <b>NON CURRENT ASSETS</b>                    |      |                    |                    |
| Property, plant and equipment                | 8    | 663,768            | 1,041,115          |
| Exploration and evaluation expenditure       | 9    | 109,123,597        | 101,639,595        |
| <b>TOTAL NON CURRENT ASSETS</b>              |      | <u>109,787,365</u> | <u>102,680,710</u> |
| <b>TOTAL ASSETS</b>                          |      | <u>116,068,147</u> | <u>107,981,901</u> |
| <b>CURRENT LIABILITIES</b>                   |      |                    |                    |
| Trade and other payables                     | 10   | 438,251            | 467,641            |
| <b>TOTAL CURRENT LIABILITIES</b>             |      | <u>438,251</u>     | <u>467,641</u>     |
| <b>TOTAL LIABILITIES</b>                     |      | <u>438,251</u>     | <u>467,641</u>     |
| <b>NET ASSETS</b>                            |      | <u>115,629,896</u> | <u>107,514,260</u> |
| <b>EQUITY</b>                                |      |                    |                    |
| Contributed equity                           | 11   | 150,933,803        | 142,042,802        |
| Reserves                                     | 12   | 33,412,881         | 28,317,471         |
| Accumulated losses                           |      | (68,728,366)       | (62,886,030)       |
| Equity attributable to owners of the Company |      | <u>115,618,318</u> | <u>107,474,243</u> |
| Non-controlling interests                    |      | <u>11,578</u>      | <u>40,017</u>      |
| <b>TOTAL EQUITY</b>                          |      | <u>115,629,896</u> | <u>107,514,260</u> |

The accompanying notes form part of these financial statements.





## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

|   | Contributed<br>Equity | Accumulated<br>Losses | Option<br>Reserve | Foreign<br>Currency<br>Translation<br>Reserve | Non-<br>controlling<br>Interest | Total<br>Equity    |
|---|-----------------------|-----------------------|-------------------|---|---------------------------------|--------------------|
|   | USD\$                 | USD\$                 | USD\$             | USD\$   | USD\$                           | USD\$              |
| Balance at 31 December 2012               | 137,520,208           | (55,205,477)          | 23,001,452        | (610,807)                                     | 1,409                           | 104,706,785        |
| Loss for the period                       | -                     | (7,680,553)           | -                 | -   | -                               | (7,680,553)        |
| Other comprehensive income for the period | -                     | -                     | -                 | 3,011,200                                     | 38,608                          | 3,049,808          |
| Total comprehensive income for the period | -                     | (7,680,553)           | -                 | 3,011,200                                     | 38,608                          | (4,630,745)        |
| Share issue (net)                         | 4,522,594             | -                     | -                 | -   | -                               | 4,522,594          |
| Share based payments                      | -                     | -                     | 2,915,626         | -   | -                               | 2,915,626          |
| <b>Balance at 31 December 2013</b>        | <b>142,042,802</b>    | <b>(62,886,030)</b>   | <b>25,917,078</b> | <b>2,400,393</b>                              | <b>40,017</b>                   | <b>107,514,260</b> |
| Loss for the period                       | -                     | (3,486,239)           | -                 | -   | -                               | (3,486,239)        |
| Other comprehensive income for the period | -                     | -                     | -                 | (173,988)                                     | (27,606)                        | (201,594)          |
| Total comprehensive income for the period | -                     | (3,486,239)           | -                 | (173,988)                                     | (27,606)                        | (3,687,833)        |
| Share issue (net)                         | 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)              |
| <b>Balance at 31 December 2014</b>        | <b>150,933,803</b>    | <b>(68,728,366)</b>   | <b>31,186,476</b> | <b>2,226,405</b>                              | <b>11,578</b>                   | <b>115,629,896</b> |

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2014

|   | NOTE | 31 Dec 2014<br>USD\$ | 31 Dec 2013<br>USD\$ |
|---|------|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>               |      |                      |                      |
| Payments to suppliers                                     |      | (2,508,041)          | (4,265,271)          |
| Research & Development refund received                    |      | 454,353              | -                    |
|   |      | <hr/>                | <hr/>                |
| Net cash used in operating activities                     | 14   | (2,053,688)          | (4,265,271)          |
|   |      | <hr/>                | <hr/>                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>               |      |                      |                      |
| Payments for exploration activities                       |      | (7,102,329)          | (17,883,499)         |
| Interest received   |      | 123,128              | 121,240              |
|   |      | <hr/>                | <hr/>                |
| Net cash used in investing activities                     |      | (6,979,201)          | (17,762,259)         |
|   |      | <hr/>                | <hr/>                |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>               |      |                      |                      |
| Proceeds from issue of shares                             |      | 11,134,972           | 4,573,488            |
| Cost of capital raising                                   |      | (481,092)            | (310,807)            |
| Proceeds from issue of Convertible Notes                  |      | 8,803,980            | -                    |
| Repayment of Convertible Notes                            |      | (8,194,391)          | -                    |
| Interest payment  |      | (265,475)            | -                    |
|   |      | <hr/>                | <hr/>                |
| Net cash provided by financing activities                 |      | 10,997,994           | 4,262,681            |
|   |      | <hr/>                | <hr/>                |
| Net increase/(decrease) in cash and cash equivalents held |      | 1,965,105            | (17,764,849)         |
|   |      | <hr/>                | <hr/>                |
| Cash and cash equivalents at beginning of financial year  |      | 4,910,157            | 20,339,081           |
| Foreign currency differences                              |      | (981,189)            | 2,335,925            |
|   |      | <hr/>                | <hr/>                |
| Cash and cash equivalents at end of financial year        | 5    | 5,894,073            | 4,910,157            |
|   |      | <hr/>                | <hr/>                |

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Elemental Minerals Ltd (the company) is a public company incorporated and domiciled in Australia and listed on the Australian Securities Exchange. During the year, the Company de-listed from the Toronto Stock Exchange (TSX) as at 1 May 2014. The consolidated financial statements of the company as at and for the year ended 31 December 2014 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 2015.

##### (b) Going Concern

The consolidated financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the year ended 31 December 2014, the consolidated entity incurred losses of \$3,486,239 (2013: \$7,680,553) and experienced net cash outflows from operating and investing activities of \$9,032,889 (2013: \$22,027,530). Cash and cash equivalents totalled US\$5,894,073 as at 31 December 2014.

The directors have prepared a cash flow forecast for the period ending 31 March 2016, which indicates the consolidated entity will have sufficient funding to meet the planned working capital requirements over this period, including exploration expenditure and the Definitive Feasibility Study ("DFS") costs which is dependent upon:

- (a) Completion of capital raisings of between approximately \$8m - \$10m commencing in quarter four of the 2015 calendar year; and
- (b) Managing and deferring costs where applicable to coincide with the capital raising activity outlined above to ensure all obligations can be met.

The directors are pursuing a number of capital raising initiatives in order to have sufficient funds to allow for the commencement of the DFS for Kola, and fund additional exploration and feasibility study work on the Dougou project. The Directors are confident that one of these initiatives 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.

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 consolidated entity and company will be able to continue as going concerns and meet their debts 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 consolidated entity and company 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 consolidated entity and company not continue as going concerns.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### (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 subsidiary is CFA Franc BEAC (XAF).

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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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. Individually Group financial assets are tested for impairment on an individual basis. 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.

Exploration and evaluation assets are tested for impairment in respect of cash generating units, which are no larger than the area of interest to which the assets relate.

#### *(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 exists. 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### (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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### (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.

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.

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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### (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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### (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 Binomial 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.

The Group measures the cost of cash settled share-based payments at fair value at the grant date using the Binomial option pricing formula taking into account the terms and conditions under which the instruments were granted.

#### ***Impairment of exploration and evaluation assets and investments in and loans to subsidiaries***

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.

Impairment tests are carried out on a regular basis to identify whether the asset carrying values exceed their recoverable amounts. There is Group estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of judgement and estimation 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.

### **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).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

**(w) 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.

**(x) 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 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'
- AASB 1031 'Materiality' (2013)
  - AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
  - AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non- Financial Assets'
  - AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting '
  - AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'
  - AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'
  - AASB 2014-1 'Amendments to Australian Accounting Standards'
    - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
    - Part C: 'Materiality'

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

**(y) 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/Interpretations   | 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 <sup>1</sup>   | 1 January 2018   | 31 December 2018  |
| AASB 2014-1 'Amendments to Australian Accounting Standards'<br><ul style="list-style-type: none"> <li>- Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles'</li> <li>- Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'</li> <li>- Part C: 'Materiality'</li> </ul> | 1 July 2014  | 31 December 2015  |
| 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' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'   | 1 January 2017   | 31 December 2017  |
| 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  |

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 2014

|   | Dec 2014<br>USD\$ | Dec 2013<br>USD\$ |
|---|-------------------|-------------------|
| <b>NOTE 2: OTHER INCOME</b>   |                   |                   |
| Interest  | 123,128           | 121,240           |
| Total Income  | 123,128           | 121,240           |
| <b>NOTE 3: LOSS FOR THE YEAR</b>  |                   |                   |
| <b>Expenses</b>   |                   |                   |
| (a) Individually significant items included in loss   |                   |                   |
| - Equity based payments – directors, key management personnel and other employees   | 1,150,508         | 2,915,626         |
|   | 1,150,508         | 2,915,626         |
| <b>(b) Salaries, employee benefits and consultancy expense</b>  |                   |                   |
| Wages and salaries  | 566,470           | 448,922           |
| Employee benefits   | 150,346           | 188,347           |
| Consultants   | 174,315           | 329,403           |
|   | 891,131           | 966,672           |
| <b>NOTE 4: INCOME TAX EXPENSE/BENEFIT</b>   |                   |                   |
| 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: |                   |                   |
| Prima facie income tax expense/(benefit) at 30% (2013: 30%)   | (1,182,177)       | (2,304,166)       |
| Add:  |                   |                   |
| Tax effect of:  |                   |                   |
| Other non-allowable items   | 345,152           | 874,688           |
| Deferred tax asset not recognised   | 837,025           | 1,429,478         |
|   | -                 | -                 |
| Income tax expense/(benefit)  | -                 | -                 |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### NOTE 4: INCOME TAX EXPENSE (CONT)

|  | Dec 2014<br>USD\$ | Dec 2014<br>USD\$ |
|--|-------------------|-------------------|
| The following deferred tax balances have not been recognised:<br>Deferred Tax Assets at 30%: |                   |                   |
| Carry forward revenue losses   | 5,302,975         | 4,415,649         |
| Carry forward capital losses   | 108,319           | 108,319           |
| Capital raising costs  | 124,844           | 27,027            |
| Provision and accruals   | 13,950            | 15,860            |
|  | <u>5,550,088</u>  | <u>4,566,855</u>  |

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.

Deferred Tax Liabilities at 30%:

|                  |              |          |
|------------------|--------------|----------|
| Accrued interest | 1,454        | -        |
|                  | <u>1,454</u> | <u>-</u> |

The above Deferred Tax Liabilities have not been recognised as they have given rise to the carry forward revenue losses for which the Deferred Tax Asset has not been recognised.

### NOTE 5: CASH AND CASH EQUIVALENTS

|              | Dec 2014<br>USD\$ | Dec 2013<br>USD\$ |
|--------------|-------------------|-------------------|
| Cash at bank | 5,894,073         | 4,910,157         |
|              | <u>5,894,073</u>  | <u>4,910,157</u>  |

### NOTE 6: TRADE AND OTHER RECEIVABLES

#### Current

|                     |                |                |
|---------------------|----------------|----------------|
| Interest receivable | 4,847          | -              |
| GST recoverable     | 58,003         | 42,876         |
| Prepayments         | 323,859        | 348,158        |
|                     | <u>386,709</u> | <u>391,034</u> |

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

| NOTE 7: CONTROLLED ENTITIES             | Country of<br>Incorporation | Percentage<br>Owned<br>31 Dec 2014<br>% | Investment<br>31 Dec 2014<br>USD\$ | Percentage<br>Owned<br>31 Dec 2013<br>% | Investment<br>31 Dec 2013<br>USD\$ |
|---|-----------------------------|---|------------------------------------|---|------------------------------------|
| <b>Controlled Entities Consolidated</b> |                             |   |                                    |   |                                    |
| <b>Subsidiaries</b>                     |                             |   |                                    |   |                                    |
| Elemental Minerals Limited South Africa | South Africa                | 100                                     | 10                                 | 100                                     | 10                                 |
| Sintoukola Potash S.A.                  | Republic of<br>Congo        | 97                                      | 9,397,413                          | 93                                      | 7,734,000                          |

### Movement in ownership change *Sintoukola Potash S.A.*

|  | Percentage<br>Owned % | Investment<br>USD\$ |
|--|-----------------------|---------------------|
| At 1 January 2014                                  | 93                    | 7,734,000           |
| Issue of 13,576,920 shares to purchase 4% interest | 4                     | 2,356,930           |
| Foreign exchange difference                        | -                     | (693,517)           |
| At 31 December 2014                                | <b>97%</b>            | <b>9,397,413</b>    |

Kola Potash Mining S.A.U was incorporated in the Republic of Congo during the year as a fully owned subsidiary of Sintoukola Potash S.A.

### NOTE 8: PROPERTY, PLANT AND EQUIPMENT

|                               | Dec 2014<br>USD\$ | Dec 2013<br>USD\$ |
|-------------------------------|-------------------|-------------------|
| Plant and equipment – at cost | 1,734,988         | 1,962,652         |
| Less accumulated depreciation | (1,071,220)       | (921,537)         |
|                               | <b>663,768</b>    | <b>1,041,115</b>  |

#### *Reconciliation:*

|   |                |                  |
|---|----------------|------------------|
| Opening balance   | 1,041,115      | 1,242,936        |
| Additions   | 1,511          | 66,972           |
| Disposal  | -              | -                |
| Depreciation capitalised under exploration and evaluation | (257,288)      | (312,283)        |
| Depreciation  | -              | -                |
| Foreign exchange differences                              | (121,570)      | 43,490           |
| Closing balance at period end                             | <b>663,768</b> | <b>1,041,115</b> |

### NOTE 9: EXPLORATION AND EVALUATION EXPENDITURE

|  |                    |                    |
|--|--------------------|--------------------|
| Opening balance  | 101,639,595        | 87,519,929         |
| Exploration and evaluation expenditure capitalised during the year | 7,737,695          | 11,187,209         |
| Foreign exchange differences                                       | (253,693)          | 2,932,457          |
| Closing balance at period end                                      | <b>109,123,597</b> | <b>101,639,595</b> |

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 | 438,251        | 467,641        |
|  | <b>438,251</b> | <b>467,641</b> |

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 2014

|   | Dec 2014<br>USD\$ | Dec 2013<br>USD\$ |
|---|-------------------|-------------------|
| <b>NOTE 11: ISSUED CAPITAL</b>  |                   |                   |
| 381,850,877 Fully Paid Ordinary Shares<br>(31 December 2013: 303,263,391) | 150,933,803       | 142,042,802       |

|                |                    |                    |
|----------------|--------------------|--------------------|
| Issued Capital | <u>150,933,803</u> | <u>142,042,802</u> |
|----------------|--------------------|--------------------|

### (a) Movements in fully paid ordinary shares

|   | Number                    | USD\$                     |
|---|---------------------------|---------------------------|
| <b>On Issue at 31 December 2012</b>                         | <b>288,587,228</b>        | <b>137,520,208</b>        |
| Share placement at A\$0.3407 each 30 August 2013            | 14,676,163                | 4,573,488                 |
| Less capital raising costs                                  | -                         | (50,894)                  |
| <b>On Issue at 31 December 2013</b>                         | <u><b>303,263,391</b></u> | <u><b>142,042,802</b></u> |
| 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)               |
| <b>On Issue at 31 December 2014</b>                         | <u><b>381,850,877</b></u> | <u><b>150,933,803</b></u> |

\*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

|                                     |                          |                 |
|-------------------------------------|--------------------------|-----------------|
| <b>On Issue at 1 January 2013</b>   | -                        | -               |
| Issue of options at A\$0.25 each    | 78,915,929               | -               |
| <b>On Issue at 31 December 2014</b> | <u><b>78,915,929</b></u> | <u><b>-</b></u> |

There is no listed options on issue during the year ended 31 December 2013.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 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 to participate in dividends unless the options were converted to fully paid ordinary shares.

#### (c) Movements in unlisted options

##### 31 December 2014

| Exercise<br>Period            | Exercise<br>Price<br>A\$ | Balance<br>1 Jan 2014<br><i>Number</i> | Options<br>Issued<br><i>Number</i> | Options<br>Exercised/<br>Lapsed<br><i>Number</i> | Balance<br>31 Dec 2014<br><i>Number</i> |
|-------------------------------|--------------------------|--|------------------------------------|--|---|
| 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                                 |
|                               |                          | <u>10,750,000</u>                      | <u>9,009,013</u>                   | <u>(984,455)</u>                                 | <u>18,774,558</u>                       |

##### 31 December 2013

| Exercise<br>Period            | Exercise<br>Price<br>A\$ | Balance<br>1 Jan 2013<br><i>Number</i> | Options<br>Issued<br><i>Number</i> | Options<br>Exercised/<br>Lapsed<br><i>Number</i> | Balance<br>31 Dec 2013<br><i>Number</i> |
|-------------------------------|--------------------------|--|------------------------------------|--|---|
| 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 16 August 2013   | CAD\$1.26                | 1,953,620                              | -                                  | (1,953,620)                                      | -                                       |
| On or before 9 January 2016   | \$1.09                   | 500,000                                | -                                  | -  | 500,000                                 |
| 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                                 |
|                               |                          | <u>12,453,620</u>                      | <u>250,000</u>                     | <u>(1,953,620)</u>                               | <u>10,750,000</u>                       |

#### (d) 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

|  | Dec 2014<br>USD\$        | Dec 2013<br>USD\$        |
|--|--------------------------|--------------------------|
| <b>NOTE 12: RESERVES</b>   |                          |                          |
| a) Option Reserve  |                          |                          |
| <i>Movements during the period</i>   |                          |                          |
| Opening balance  | 25,917,078               | 23,001,452               |
| Share based payment vesting expense (i)  | 1,150,508                | 2,915,626                |
| Free attaching options issued (ii)   | 4,118,890                | -                        |
| Closing balance  | <u>31,186,476</u>        | <u>25,917,078</u>        |
| <br>(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. |                          |                          |
| <br>b) Foreign Currency Translation Reserve  |                          |                          |
| <i>Movements during the period</i>   |                          |                          |
| Opening balance  | 2,400,393                | (610,807)                |
| Currency translation differences arising during the year                           | (173,988)                | 3,011,200                |
| Closing balance  | <u>2,226,405</u>         | <u>2,400,393</u>         |
| <br>Total reserves   | <u><u>33,412,881</u></u> | <u><u>28,317,471</u></u> |

### *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.

## **NOTE 13: DIVIDENDS**

No dividends have been proposed or paid during the year (2013: Nil).

|   | Dec 2014<br>USD\$  | Dec 2013<br>USD\$  |
|---|--------------------|--------------------|
| <b>NOTE 14: NOTES TO STATEMENT OF CASH FLOWS</b>                      |                    |                    |
| <i>Reconciliation of cash flows from operating activities:</i>        |                    |                    |
| Loss for the year   | (3,486,239)        | (7,680,553)        |
| Adjustments for:  |                    |                    |
| Equity compensation benefits  | 1,150,508          | 2,915,626          |
| Net realised foreign exchange losses                                  | 169,086            | 675,275            |
| Interest received not classified as operating activities cash inflow  | (123,128)          | 121,240            |
| Interest expensed not classified as operating activities cash outflow | 265,475            | -                  |
| <i>Operating loss before changes in working capital</i>               |                    |                    |
| Decrease/(increase) in receivables                                    | -                  | (31,390)           |
| Increase/(decrease) in payables                                       | (29,390)           | (22,989)           |
| Net cash used in operating activities                                 | <u>(2,053,688)</u> | <u>(4,265,271)</u> |

During the current year, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows. Elemental Minerals Limited purchased a further 4% interest in Sintoukola Potash SA through the issue of 13,576,920 shares at a deemed value totalling USD\$2,356,930.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 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/Canada, 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's 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 2014 %                               | Dec 2013 % | Dec 2014 USD\$         | Dec 2013 USD\$   | Dec 2014 USD\$       | Dec 2013 USD\$ |
| <b>FINANCIAL ASSETS</b>      |  |            |                        |                  |                      |                |
| Cash at bank                 | 2.5                                      | 3.5        | 5,894,073              | 4,910,157        | -                    | -              |
| Receivables                  | -  | -          | -                      | -                | 386,709              | 391,034        |
| Total financial assets       |  |            | <u>5,894,073</u>       | <u>4,910,157</u> | <u>386,709</u>       | <u>391,034</u> |
| <b>FINANCIAL LIABILITIES</b> |  |            |                        |                  |                      |                |
| <i>Non-derivative</i>        |  |            |                        |                  |                      |                |
| Payables                     |  |            | -                      | -                | 438,251              | 467,641        |
| Total financial liabilities  |  |            | <u>-</u>               | <u>-</u>         | <u>438,251</u>       | <u>467,641</u> |

#### 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 2013.

|                          | Profit or Loss       |                      |
|--------------------------|----------------------|----------------------|
|                          | 100bp Increase USD\$ | 100bp Decrease USD\$ |
| <b>31 December 2014</b>  |                      |                      |
| Variable rate instrument | 58,941               | -                    |
| <b>31 December 2013</b>  |                      |                      |
| Variable rate instrument | 49,101               | -                    |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 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 on an accruals basis.

#### **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 2014 and 31 December 2013 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 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 2014                 | Within 1<br>Year<br>USD\$ |
|-----------------------------|---------------------------|
| <b>Non-derivatives</b>      |                           |
| <i>Non-interest bearing</i> |                           |
| Trade and other payables    | 438,251                   |
| Total Financial Liabilities | <u>438,251</u>            |

| 31 Dec 2013                 | Within 1<br>Year<br>USD\$ |
|-----------------------------|---------------------------|
| <b>Non-derivatives</b>      |                           |
| <i>Non-interest bearing</i> |                           |
| Trade and other payables    | 467,641                   |
| Total Financial Liabilities | <u>467,641</u>            |

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 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 fair 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 2014   |         |                |         |                |
|---|---------|----------------|---------|----------------|
|   | Level 1 | Level 2        | Level 3 | Total          |
|   | USD\$   | USD\$          | USD\$   | USD\$          |
| <b>Financial assets</b>                       |         |                |         |                |
| Loans and receivables:                        |         |                |         |                |
| - Trade and other receivables                 | -       | 386,709        | -       | 386,709        |
| <b>Total</b>                                  | -       | <b>386,709</b> | -       | <b>386,709</b> |
| <b>Financial liabilities</b>                  |         |                |         |                |
| Financial liabilities held at amortised cost: |         |                |         |                |
| - Trade and other payables                    | -       | 438,251        | -       | 438,251        |
| <b>Total</b>                                  | -       | <b>438,251</b> | -       | <b>438,251</b> |

The fair values of the financial assets and financial liabilities included in Level 2 category are inputs that are observable for the asset or liability, either directly or indirectly.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 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

The Sintoukola exploration license was renewed on 13 January 2015 for an additional 2 year period. The Kola Mining license remains valid for a 25 year period.

4,500,000 Unlisted Options exercisable at AUD\$1.07 each expiring 16 February 2015 have lapsed.

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.

#### *Class B Performance Rights*

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

- the Company's market capitalisation averaging over a period of 30 consecutive days of trading a daily average of not less than \$100 million; and
- completing 24 months of continuous service with the Company.

#### *Class C Performance Rights*

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 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 project.

The Sintoukola permit requires that the Pre-Feasibility Study to be completed by January 2017 and the Kola Mining license requires the Definitive Feasibility Study to be completed by end of year 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 2014<br>USD\$ | Dec 2013<br>USD\$ |
|---|-------------------|-------------------|
| <b>NOTE 19: AUDITORS' REMUNERATION</b>              |                   |                   |
| Audit services:                                     |                   |                   |
| Deloitte – Audit and half year review               | 107,887           | 100,000           |
| Deloitte Congo – Audit and half year review         | 52,000            | 52,906            |
| Non-Audit Services                                  |                   |                   |
| Deloitte – Tax, Research and Development consulting | 54,835            | 29,653            |
|   | 214,722           | 182,559           |

### 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\$85,361 (31 December 2013: USD\$95,292) 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.

The company paid USD\$13,865 (31 December 2013: USD\$102,146) to Promaco Limited for Mr Ian Stalker director's fees and consultancy fees. Mr Ian Stalker is a director of and has a beneficial interest in Promaco Limited.

GDA Corporate ("GDA") has been engaged to provide accounting, administrative and company secretarial services on commercial terms. Total amounts paid to GDA for providing accounting, administration and company secretarial services were USD\$92,291 during the reporting period (31 December 2013: USD\$112,931). Total amount paid to GDA for Director's fees received on behalf of Mr Leonard Math were USD\$35,579 (2013: Nil). Mr Leonard Math is an employee of GDA Corporate.

The Company paid USD\$260,884 (31 December 2013: USD\$1,180,279) to Corrs Chambers Westgarth, a national Australia law firm for legal services provided. Mr Robert Franklyn is a partner in Corrs Chambers Westgarth. Mr Franklyn does not provide legal services to the Company.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 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.

|                               |   |
|-------------------------------|---|
| Thomas Borman(i)              | Non-Executive Chairman                            |
| John Sanders (ii)             | Managing Director                                 |
| Michael Golding (i)           | Non-Executive Director                            |
| Robert Samuel Middlemas       | Non-Executive Director                            |
| Leonard Math (iii)            | Non- Executive Director & Joint Company Secretary |
| John (Iain) Macpherson (v)    | Managing Director                                 |
| John Ian Stalker (iv)         | Non-Executive Director                            |
| Michael Barton (vi)           | Non-Executive Director                            |
| Robert Geoffrey Franklyn (vi) | Non-Executive Director                            |
| Lawrence Davidson             | CFO & Joint Company Secretary                     |
| Julien Babey                  | Country Manager                                   |

*(i)Appointed 4 November 2014*

*(ii)Appointed 16 July 2014*

*(iii)Appointed 24 April 2014*

*(iv)Resigned 24 April 2014*

*(v)Resigned 7 August 2014*

*(vi)Resigned 31 March 2014*

### Key management personnel compensation

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

|                              | Dec 2014<br>USD\$ | Dec 2013<br>USD\$ |
|------------------------------|-------------------|-------------------|
| Short-term employee benefits | 1,013,096         | 1,071,291         |
| Post-employment benefits     | 1,148             | 4,845             |
| Equity compensation benefits | 545,310           | 1,481,239         |
|                              | 1,559,554         | 2,557,375         |

### 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 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 2014<br>USD\$ | Dec 2013<br>USD\$ |
|--|-------------------|-------------------|
| Expense arising from equity-settled share-based payment transactions | 1,150,508         | 2,915,626         |

The Group granted shares 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<br>payments – options<br>USD\$ | Share based<br>payments –<br>shares<br>USD\$ | TOTAL<br>USD\$   |
|--|--|--|------------------|
| <b>31 December 2014</b>                |  |  |                  |
| <i><b>Key management personnel</b></i> |  |  |                  |
| 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          |
|  | <b>545,310</b>                             | <b>-</b>                                     | <b>545,310</b>   |
| <i><b>Other Employees</b></i>          | <b>605,198</b>                             | <b>-</b>                                     | <b>605,198</b>   |
| <b>Total</b>                           | <b>1,150,508</b>                           | <b>-</b>                                     | <b>1,150,508</b> |

|  | Share based<br>payments – options<br>USD\$ | Share based<br>payments –<br>shares<br>USD\$ | TOTAL<br>USD\$   |
|--|--|--|------------------|
| <b>31 December 2013</b>                |  |  |                  |
| <i><b>Key management personnel</b></i> |  |  |                  |
| Iain Macpherson                        | 360,446                                    | -  | 360,446          |
| John Ian Stalker                       | 300,372                                    | -  | 300,372          |
| Robert Samuel Middlemas                | 60,074                                     | -  | 60,074           |
| Michael Barton                         | 37,998                                     | -  | 37,998           |
| Robert Franklyn                        | 18,611                                     | -  | 18,611           |
| Lawrence Davidson                      | 351,869                                    | -  | 351,869          |
| Werner Swanepoel                       | 351,869                                    | -  | 351,869          |
|  | <b>1,481,239</b>                           | <b>-</b>                                     | <b>1,481,239</b> |
| <i><b>Other Employees</b></i>          | <b>1,434,387</b>                           | <b>-</b>                                     | <b>1,434,387</b> |
| <b>Total</b>                           | <b>2,915,626</b>                           | <b>-</b>                                     | <b>2,915,626</b> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### NOTE 22: SHARE BASED PAYMENTS (CONT)

#### *Details of options and shares issued to the key management personnel*

During the period, the following options were issued under employment share option plan.

#### **Series A**

On 9 April 2014, the Company granted 6,509,013 Options exercisable at A\$0.33 expiring 15 April 2018 to employees under the Company's Employee Share Option Plan. The options are subject to the following vesting conditions:

- i) 1/3 Vest on 15 April 2014
- ii) 1/3 Vest on 15 April 2015
- iii) 1/3 Vest on 15 April 2016

During the year, 817,787 of these options have lapsed.

None of the options have any voting rights, any entitlement to dividends or any entitlement to the proceeds of liquidation in the event of a winding up.

The fair value of the equity-settled share options granted is estimated as at the grant date using the binomial option pricing model taking into account the terms and conditions upon which the instruments were granted. Expected volatility is based on the historical share price volatility over the past 2 years.

#### *Fair value of share options granted during the period:*

The input used in the measurement of the fair value at grant date of equity settled share based payments plan were as follows:

| Input into the model                   | Tranche 1 | Tranche 2 | Tranche 3 |
|--|-----------|-----------|-----------|
| Grant Date Share Price                 | A\$0.26   | A\$0.26   | A\$0.26   |
| Exercise Price                         | A\$0.33   | A\$0.33   | A\$0.33   |
| Expected Volatility                    | 100%      | 100%      | 100%      |
| Option Life                            | 4 years   | 4 years   | 4 years   |
| Dividend Yield                         | 0%        | 0%        | 0%        |
| Risk Free interest rate                | 2.5%      | 2.5%      | 2.5%      |
| Weighted average grant date fair value | A\$0.1242 | A\$0.1391 | A\$0.1522 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### NOTE 22: SHARE BASED PAYMENTS (CONT)

#### *Details of options and shares issued to the key management personnel*

##### Series B

On 12 May 2014, the Company granted 1,000,000 Options exercisable at A\$0.33 expiring 15 April 2018 to an employee under the Company's Employee Share Option Plan. The options are subject to the following vesting conditions:

- i) 1/3 Vest on 15 April 2014
- ii) 1/3 Vest on 15 April 2015
- iii) 1/3 Vest on 15 April 2016

None of the options have any voting rights, any entitlement to dividends or any entitlement to the proceeds of liquidation in the event of a winding up.

The fair value of the equity-settled share options granted is estimated as at the grant date using the binomial option pricing model taking into account the terms and conditions upon which the instruments were granted. Expected volatility is based on the historical share price volatility over the past 2 years.

#### *Fair value of share options granted during the period:*

The input used in the measurement of the fair value at grant date of equity settled share based payments plan were as follows:

| Input into the model                   | Tranche 1 | Tranche 2 | Tranche 3 |
|--|-----------|-----------|-----------|
| Grant Date Share Price                 | A\$0.22   | A\$0.22   | A\$0.22   |
| Exercise Price                         | A\$0.33   | A\$0.33   | A\$0.33   |
| Expected Volatility                    | 100%      | 100%      | 100%      |
| Option Life                            | 4 years   | 4 years   | 4 years   |
| Dividend Yield                         | 0%        | 0%        | 0%        |
| Risk Free interest rate                | 2.5%      | 2.5%      | 2.5%      |
| Weighted average grant date fair value | A\$0.0948 | A\$0.1073 | A\$0.1194 |

##### Series C

On 30 May 2014, the Company issued 1,500,000 Options exercisable at A\$0.33 expiring 26 June 2018 to Directors under the Company's Employee Share Option Plan. The options are subject to the following vesting conditions:

Mr John Iain Macpherson 1,100,000 Options  
 Mr Robert Samuel Middlemas 400,000 Options

- i) 1/3 Vest on 15 April 2014
- ii) 1/3 Vest on 15 April 2015
- iii) 1/3 Vest on 15 April 2016

None of the options have any voting rights, any entitlement to dividends or any entitlement to the proceeds of liquidation in the event of a winding up.

The fair value of the equity-settled share options granted is estimated as at the grant date using the binomial option pricing model taking into account the terms and conditions upon which the instruments were granted. Expected volatility is based on the historical share price volatility over the past 2 years.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### NOTE 22: SHARE BASED PAYMENTS (CONT)

#### *Details of options and shares issued to the key management personnel*

#### *Fair value of share options granted during the period:*

The input used in the measurement of the fair value at grant date of equity settled share based payments plan were as follows:

| Input into the model                   | Tranche 1 | Tranche 2 | Tranche 3 |
|--|-----------|-----------|-----------|
| Grant Date Share Price                 | A\$0.25   | A\$0.25   | A\$0.25   |
| Exercise Price                         | A\$0.33   | A\$0.33   | A\$0.33   |
| Expected Volatility                    | 100%      | 100%      | 100%      |
| Option Life                            | 4 years   | 4 years   | 4 years   |
| Dividend Yield                         | 0%        | 0%        | 0%        |
| Risk Free interest rate                | 2.5%      | 2.5%      | 2.5%      |
| Weighted average grant date fair value | A\$0.1177 | A\$0.1303 | A\$0.1432 |

#### **Series D**

On 15 October 2014, the Company issued 78,915,929 free attaching listed Options exercisable at A\$0.25 expiring 15 January 2016 participants under the entitlement Rights Issue. The options are listed on the ASX as ELMO.

None of the options have any voting rights, any entitlement to dividends or any entitlement to the proceeds of liquidation in the event of a winding up.

The fair value of the equity-settled share options granted is estimated as at the grant date using the black-scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. Expected volatility is based on the historical share price volatility over the past 2 years.

#### *Fair value of share options granted during the period:*

The input used in the measurement of the fair value at grant date of equity settled share based payments plan were as follows:

| Input into the model                   | Series 1  |
|--|-----------|
| Grant Date Share Price                 | A\$0.1743 |
| Exercise Price                         | A\$0.25   |
| Expected Volatility                    | 100%      |
| Option Life                            | 450 days  |
| Dividend Yield                         | 0%        |
| Risk Free interest rate                | 2.5%      |
| Weighted average grant date fair value | A\$0.0571 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 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<br>A\$ | Exercise price<br>A\$ |
|------------------|------------|--------------|-------------------|-------------|---------------------------------|-----------------------|
| 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                |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### NOTE 22: SHARE BASED PAYMENTS (CONT)

#### Movement in share options during the year

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

31 December 2014

| Exercise Period               | Exercise Price<br>AUD\$ | Balance<br>1 Jan 2014<br>Number | Options<br>Issued<br>Number | Options<br>Exercised/<br>Lapsed<br>Number | Balance<br>31 Dec 2014<br>Number |
|-------------------------------|-------------------------|---------------------------------|-----------------------------|---|----------------------------------|
| On or before 15 January 2016  | \$0.25                  | -                               | 78,915,929                  | -   | 78,915,929                       |
| On or before 15 April 2018    | \$0.33                  | -                               | 7,509,013                   | (817,787)                                 | 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                  | 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                          |
|                               |                         | <b>10,750,000</b>               | <b>87,924,942</b>           | <b>(984,455)</b>                          | <b>97,690,487</b>                |

#### 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<br>AUD\$ | Number of<br>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 19 February 2015 | \$1.07                  | 4,500,000            |
| On or before 19 May 2015      | \$1.07                  | 4,450,000            |
| 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              |
|                               |                         | <b>97,690,487</b>    |

#### Shares

There were no shares issued to directors and employees during the year ended 31 December 2014.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 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 outstanding*

The company has granted share options in respect of a total of 97,690,487 ordinary shares at 31 December 2014 (31 December 2013: 10,750,000). Options 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 options have not been included in the determination of basic earnings per share.

|   | 31 Dec 2014<br>USD\$ | 31 Dec 2013<br>USD\$ |
|---|----------------------|----------------------|
| Earnings reconciliation                                   |                      |                      |
| Profit/(Loss) attributable to ordinary shareholders       | (3,486,239)          | (7,680,553)          |
|   | Number               | Number               |
| Weighted average number of shares used as the denominator |                      |                      |
| Weighted average number of ordinary shares at period end  | 322,467,727          | 293,559,480          |

### NOTE 24: CONTINGENT LIABILITIES AND ASSETS

The Company and its subsidiaries are engaged in on-going discussions with the Ministry of Mines and Geology and the Ministry of Economy, Finance, Budget, Planning, Public Portfolio and Integration in connection with Sintoukola Potash's exemption from withholding tax pursuant to Section 185 TER of the General Tax Code. An amendment of the Mining Research Convention, confirming said exemption, has been submitted to the Ministry of Mines and Geology and should be signed off by the relevant authorities during the course of 2015. Should this exemption not be confirmed, additional, yet to be determined, costs may be incurred by the Company and its subsidiaries.

### NOTE 25: COMPANY DETAILS

The registered office and principal place of business of the company is 14 Emerald Terrace, West Perth WA 6005.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### NOTE 26: PARENT INFORMATION

|                                   | Dec 2014<br>USD\$  | Dec 2013<br>USD\$  |
|-----------------------------------|--------------------|--------------------|
| <b>ASSETS</b>                     |                    |                    |
| Current Assets                    | 5,894,611          | 3,546,680          |
| Non-current Assets                | 112,877,653        | 104,186,183        |
| <b>TOTAL ASSETS</b>               | <u>118,772,264</u> | <u>107,732,863</u> |
| <b>LIABILITIES</b>                |                    |                    |
| Current Liabilities               | 121,754            | 210,225            |
| <b>TOTAL LIABILITIES</b>          | <u>121,754</u>     | <u>210,225</u>     |
| <b>NET ASSETS</b>                 | <u>118,650,510</u> | <u>107,522,638</u> |
| <b>EQUITY</b>                     |                    |                    |
| Contributed equity                | 150,933,803        | 142,042,802        |
| Reserves                          | 32,535,608         | 27,266,210         |
| Retained earnings                 | (64,818,901)       | (61,786,374)       |
|                                   | <u>118,650,510</u> | <u>107,522,638</u> |
| <b>FINANCIAL PERFORMANCE</b>      |                    |                    |
| Loss for the year                 | 3,032,527          | 7,218,951          |
| Other comprehensive income        | -                  | -                  |
| <b>Total comprehensive income</b> | <u>3,032,527</u>   | <u>7,218,951</u>   |

#### Contractual Commitments

There are no significant contractual commitments.

#### Guarantees and Contingent Liabilities

There are no guarantees or contingent liabilities.

### NOTE 27: DINGYI CONVERTIBLE NOTE FACILITY AND DRAWDOWN OF A\$10 MILLION

On 1 July 2013, Elemental entered into a conditional secured convertible note facility under which Dingyi Group Investment Limited ("Dingyi") agreed to provide Elemental with up to A\$15 million (the "Convertible Note Facility").

On 22 January 2014, following the satisfaction of the conditions precedent to drawdown including the establishment of the Securities, Dingyi advanced to Elemental A\$10 million, being the first two tranches under the Convertible Note Facility, and Elemental issued to Dingyi 10 million convertible notes.

In June 2014, the convertible notes of A\$10 million were subsequently repaid.

# **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 2014, 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 29 to 66.

### *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.

### *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 2014 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.

*Material Uncertainty Regarding Continuation as a Going Concern*

Without modifying our opinion, we draw attention to Note 1(b) in the financial statements, which indicates that the consolidated entity incurred losses of \$3,486,239 (2013: \$7,680,553) and experienced net cash outflows from operating and investing activities of \$9,032,889 (2013: \$22,027,530) for the year ended 31 December 2014. 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 consolidated entity and the company to continue as going concerns and therefore, whether they will 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 19 to 27 of the directors' report for the year ended 31 December 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

**Peter Rupp**

Partner

Chartered Accountants

Perth, 31 March 2015

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Elemental Minerals Limited ("the Company") and its controlled entities ("the Group") is responsible for its corporate governance, that is, the system by which the Group is managed. This statement outlines the main corporate governance practices in place during the financial year, which comply with the ASX Corporate Governance recommendations unless otherwise stated.

### 1. BOARD OF DIRECTORS

#### 1.1 Role of the Board and Management - ASX Principle 1

The Board of Directors ("Board") represents shareholders' interests in continuing a successful business, which seeks to optimise medium to long term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Group is managed in such a way to best achieve this desired result.

The Board is responsible for evaluating and setting the strategic directions for the Group, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Group.

Responsibilities of the Board include:

- Adopting a Strategic Plan for The Group, including general and specific goals and comparing actual results with the Plan and ensuring that the strategic planning process is conducted on a regular basis;
- Identifying risks and ensuring that procedures are in place for the management of those risks;
- Selecting the Chief Executive Officer ("CEO"), and if necessary replacing him/her, setting an appropriate remuneration package and ensuring adequate succession;
- Adopting clearly defined delegations of authority from the Board to the CEO;
- Agreeing performance indicators with the assistance of the Nomination & Remuneration Committee for the CEO and CFO and providing guidance to CEO on performance indicators for other senior managers;
- Taking all reasonable steps to satisfy itself of the integrity of the CEO and management and satisfy itself that the CEO and management create a culture of integrity throughout the organisation;
- Taking steps designed to protect the Group's financial position and its ability to meet its debts and other obligations as they fall due;
- Establishing and monitoring policies directed to ensuring that the Group complies with the law and conforms to the highest standards of financial and ethical behaviour;
- Adopting an annual budget for the financial performance of the Group and monitoring results on a regular basis;
- Determining that the Group has instituted adequate reporting systems and internal controls (both operational and financial) together with appropriate monitoring of compliance activities;
- Determining that the Group's financial statements are true and fair;
- Determining that satisfactory arrangements are in place for auditing the Group's financial affairs and that the scope of the external audit is adequate;
- Approved the recommended external auditors by the Audit & Risk Committee for shareholders' approval at annual general meetings;
- Adopting formal processes for the selection of new directors and recommending them for the consideration of shareholders at the general meetings with adequate information to allow shareholders to make informed decisions;
- Succession planning, including appointing, training and supervising management;
- Adopting measures for receiving feedback from shareholders;
- Ensure that all corporate disclosure and communications comply with all applicable laws, rules and regulations and the rules and regulations of the stock exchanges upon which the Group's securities are listed; and
- Reviewing yearly its own processes and effectiveness, including assessing the adequacy of this Charter and the competencies and skills each Director is expected to bring to the Board.

The Board's role and the Group's corporate governance practices are being continually reviewed and improved as required.

## 1.2 Composition of the Board – ASX Principle 2

The board has an extensive range of relevant industry experience, financial and other skills and expertise to meet its objectives. The board composition during the financial year comprises four non-executive directors (including the Chairman) and one executive director.

The Company has the following Board members during the financial year:

| Name         | Position   |
|--------------|--|
| T Borman     | Non-Executive Chairman – Appointed 4 November 2014 |
| J Sanders    | Managing Director – Appointed 16 July 2014         |
| M Golding    | Non-Executive Director – Appointed 4 November 2014 |
| S Middlemas  | Non-Executive Director                             |
| L Math       | Non-Executive Director – Appointed 24 April 2014   |
| I Macpherson | Managing Director – Resigned 7 August 2014         |
| I Stalker    | Non-Executive Director – Resigned 24 April 2014    |
| M Barton     | Non-Executive Director – Resigned 31 March 2014    |
| R Franklyn   | Non-Executive Director – Resigned 31 March 2014    |

Details on each director's background including experience, knowledge and skills and their status as an independent director are set out in the directors' Report. The Board considers that the non-executive directors collectively bring the range of skills, knowledge and experience necessary to direct the Group.

The Board has assessed the independence status of the Directors and has determined that there are four independent Directors during the financial year, being Mr Borman, Mr Golding, Mr Middlemas and Mr Math.

The Board has followed the ASX Corporate Governance Principles and Recommendations when assessing the independence of the Directors which define an independent Director to be a Director who:

- is non-executive;
- is not a substantial holder (i.e. 5% of the voting stock) of the Company or any subsidiary or an officer of, otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Group, or an employee materially associated with the service provided;
- is not a material supplier customer of the Group who accounts for more than 5% of the Group's consolidated gross revenue;
- is not a supplier to the Group's accounts for more than 5% of the supplier's gross revenue;
- has no material contractual relationship with the Group other than as a director of the Group;
- has not served on the Board for a period greater than 10 years, or any other period which could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Group; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of the Group.

Materiality thresholds are considered by the Board from time to time.

Based on the current board members, the Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Group on all relevant issues.

As the Group's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of Directors required for the Board to properly perform its responsibilities and functions will be appointed.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Group's scope of activities, intellectual ability to contribute to the Board's duties and physical ability to undertake the Board's duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting.

Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. A Managing Director may be appointed for any period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

### 1.3 Committees of the Board

The board has established three committees to assist in the discharge of its responsibilities. These are:

- Audit & Risk Committee
- Nomination and Remuneration Committee
- Health, Safety and Environmental Committee

The charters of all board committees detailing the roles and duties of each are available in the corporate governance section of Elemental's website. All board committee charters are reviewed at least annually.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

As the Group's activities increase in size, scope and nature, the formation of additional separate or special committees will be reviewed by the Board and implemented if appropriate. It is expected that additional committees will be required as the Group makes the transition from explorer to producer.

#### (a) Audit & Risk Committee – Principle 4 and Principle 7

The Audit & Risk Committee consists of the following non-executive directors during the financial year:

- Robert Samuel Middlemas (Chair)
- Michael Golding – Appointed 4 November 2014
- Leonard Math – Appointed 24 April 2014
- John Ian Stalker – Resigned 24 April 2014
- Michael Barton – Resigned 31 March 2014

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to:

- financial reporting and disclosure requirements;
- ensuring that an effective risk management and financial control framework has been implemented and tested by management of Elemental;
- assist the board in reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations
  - reliability of financial reporting
  - compliance with applicable laws and regulations; and
- recommend to the board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance;
- consider the independence and competence of the external auditor on an ongoing basis;
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;

The Group is committed to maintain a risk management framework that will comply with applicable laws and regulations, including the Standards Australia Risk Management Standard and that seeks to:

- avoid the likelihood of unacceptable outcomes and costly surprises;
- provide greater openness and transparency in decision making and ongoing management processes;
- provide for a better understanding of issues associated with the Group's activities;
- comprise an effective reporting framework for meeting corporate governance requirements; and
- allow an appropriate assessment of innovative processes to identify risks before they occur and allow informed

judgement.

The Company's Board encourages management to foster an open culture of risk awareness and development and monitoring of processes that enhance the management of risk.

**(b) Nomination and Remuneration Committee – Principle 8**

The Nomination and Remuneration Committee consists of the following directors during the financial year:

- Michael Golding (Chair) – Appointed 4 November 2014
- Tom Borman – Appointed 4 November 2014
- Leonard Math – Appointed 24 April 2014
- Robert Samuel Middlemas – Member from 1 January 2014 – 16 November 2014
- Robert Franklyn – Resigned 31 March 2014
- John (Ian) Stalker – Resigned 24 April 2014

The objective of the Nomination and Remuneration Committee (the "Committee") is to:

- Review and recommend appropriate remuneration policies which are designed to enhance the Group's Board and executive officers' ("Executives") performance.
- Maintain a Board that has an appropriate mix of skills and experience to be an effective decision-making body.
- Ensure that the Board is comprised of Directors who contribute to the successful management of the Group and discharge their duties having regard to the law and the highest standards of corporate governance.

The role of the Committee is to:

- identify and recommend to the Board, candidates to become new Board members after considering the necessary and desirable competencies of new Board members to ensure the appropriate mix of skills and experience and after assessing how the candidates can contribute to the strategic direction of The Company;
- approve and review induction procedures for new appointees of the Board to ensure that they can effectively discharge their responsibilities;
- consider and recommend to the Board candidates for election or re-election to the Board at each annual shareholders' meeting;
- review directorships in other public companies held by or offered to Directors and senior Executives of the Company;
- review succession plans for the Board with a view to maintaining an appropriate balance of skills and experience on the Board.
- review and recommend to the Board remuneration policies and packages and terms of employment contracts for key Executives and Directors;
- review and recommend proposals for share plans and incentive programs;
- review and recommend policy on retirement and termination payments for Directors;
- review any executive compensation disclosure before it is publicly disseminated.
- ensure that remuneration policies and systems that support the Group's wider objectives and strategies are in place and are being adhered to;
- co-ordinate annual reviews of the Group's remuneration policies and practices to ensure they are:
  - relevant to the Group's wider objectives and strategies;
  - legal and defensible; and
  - in accordance with the human resource objectives of the Group.
- review the performance of the Chief Executive Officer on an annual basis and ensure there is a process for determining key performance indicators for the ensuing period; and
- review executive and non-executive Directors' and senior Executives' remuneration in accordance with approved Board policies and processes.

In carrying out its role, the Committee is to take cognisance of regulations regarding Directors and Executives appointments, particularly the relevant provisions of Australian and African employment law and the Corporations Act (Australia).

The specific functions of the Committee are to:

- ensure that remuneration policies and systems that support the Board's wider objectives and strategies are in place and are being adhered to;
- co-ordinate annual reviews of the Board's remuneration policies and practices to ensure they are:
  - relevant to the Board's wider objectives and strategies;
  - legal and defensible; and
  - in accordance with the human resource objectives of the Board; and
- review the performance of the Chief Executive Officer on an annual basis and ensure there is a process for determining key performance indicators for the ensuing period.

#### 1.4 Conflicts of Interest

In accordance with the Corporations Act and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the Board believes that a significant conflict exists the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

#### 1.5 Independent Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Group's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

### 2. ETHICAL STANDARDS

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Group.

#### 2.1 Code of Conduct for Directors - ASX Principle 3

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision-making by the Directors.

The principles of the code are:

- Directors will act honestly, and exercise reasonable care and diligence at all times in the performance of their functions;
- A Director or former Director will not make improper use of information acquired by virtue of position;
- A Director will not make improper use of position to gain a direct or indirect advantage for self or any other person;
- Directors have a fiduciary duty to the Group and a duty to act with loyalty and in good faith;
- Directors will acquire a clear understanding of the role and purpose of the Board and the Group, including the statutory and regulatory requirements. They will develop an understanding of the Group's business and the environment in which it operates, and stay informed of all relevant activities affecting the Board. Directors will strive to attend all Board and relevant committee meetings and other scheduled activities. Where attendance is not possible, directors will as appropriate seek leave of absence or tender an apology;
- Directors will treat each other with professionalism, courtesy and respect. They will work cooperatively with fellow members towards agreed goals, whilst accepting the obligation to be independent in judgement and actions. Directors will not attempt to improperly influence other Board members;
- All Directors will strive to achieve consensus within the Board, but if the final position reached is a majority decision, that will be the decision of the Board. A dissenting Director may have his/her vote and/or a minority view recorded in the minutes;
- Directors who may communicate publicly (through lectures or papers) material related to the Group's affairs will in general convey views agreed by the Board. If material beyond this is made public, it should be clearly identified as the view of the individual. Any views attributed publicly to the Board or the Group should be cleared in advance – preferably with the full Board, but at least with the chairman of the Board;
- Directors will comply with all laws and regulations and will actively promote compliance within the Group; and
- Directors will encourage the reporting of unlawful/unethical behaviour and will actively promote such ethical behaviour and protection for those who report violations in good faith.



## **2.2 Code of Ethics and Conduct**

The Board has approved a Code of Conduct for directors and for employees, which describes the standards of ethical behaviour that directors and employees are required to maintain. The Group promotes the open communication of unethical behaviour within the organisation.

Compliance with the Code of Conduct assists Elemental in effectively managing its operating risks and meeting its legal and compliance obligations. As well as enhancing the Group's corporate reputation.

The Code of Conduct describes the Group's requirements on matters such as confidentiality, conflicts of interest, use of Group's information, sound employment practices, compliance with laws and regulations and the protection and safeguarding of Group's assets.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must report that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

## **2.3 Dealings with Company Securities**

The Group's Share Trading Policy is binding on all directors and employees. The policy provides a brief summary of the law on insider trading and other relevant laws, sets out the restrictions on dealing in securities by people who work for, or are associated with, Elemental and is intended to assist in maintaining market confidence in the integrity of dealings in the company's securities.

The policy stipulates that the only appropriate time for a director or employee to deal in the Group's securities is when he or she is not in possession of 'price sensitive information' that is not generally available to the share market. A director wishing to deal in the Group's securities may only do so after first having advised the Chair of his or her intention. A senior executive wishing to deal must first notify the company secretary. Confirmation of any dealing must also be given by the director or senior executive within two business days after the dealing.

Directors and senior executives' dealings in the Group's securities are also subject to specified Closed Periods which are set out in the Group's Share Trading Policy available on the Company's website or as otherwise determined by the board from time to time.

## **2.4 Interests of other stakeholders – ASX Principle 6**

The Group's objective is to leverage into resource projects to provide a solid base in the future from which the Group can build its resource business and create wealth for shareholders. The Group's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Group to achieve.

To assist in meeting its objective, the Group conducts its business within the Code of Ethics and Conduct, as outlined in 2.2 above.

# **3. DISCLOSURE INFORMATION**

## **3.1 Continuous Disclosure to ASX – Principle 5**

The objectives of the continuous Disclosure Policy (the "Disclosure Policy") are to ensure that:

- the communications of the Group with the public are timely, factual and accurate and broadly disseminated in accordance with all applicable legal and regulatory requirements;
- non-publicly disclosed information remains confidential; and
- trading of the Group's securities by directors, officers and employees of the Company and its subsidiaries remains in compliance with applicable securities laws.

This Policy provides advice to all Directors, Officers, Employees and Contractors of the Group of their responsibilities regarding their obligation to preserve the confidentiality of undisclosed material information while ensuring compliance with laws respecting timely, factual, complete and accurate continuous disclosure, price sensitive or material information, tipping and insider trading.

The Group has obligations under corporate and securities laws and stock exchange rules to keep the market fully informed of information which may have a material effect on the price or value of Group's securities and to correct any material misrepresentation, mistake or misinformation in the market.

This Policy covers disclosures in documents filed with the securities regulators and stock exchanges and written statements made in the Group's annual and quarterly reports, news releases, letters to shareholders, presentations by senior management and information contained on Elemental's website and other electronic communications. It extends to oral statements made in meetings and telephone conversations with analysts and investors, interviews with the media as well as speeches, press conferences and conference calls.

The Group takes continuous disclosure seriously and requires that all of its Directors, Officers, Employees and Contractors observe and adhere to the Group's procedures and policies governing compliance with all laws pertaining to continuous disclosure, tipping and insider trading.

If there is misuse of price sensitive or material information not yet disclosed to the market by trading or breach in confidentiality, extremely serious penalties may apply to the individual or individuals involved.

### **3.2 Communication with Shareholders – ASX Principle 6**

The Group places considerable importance on effective communications with shareholders.

The Group's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The strategy provides for the use of systems that ensure a regular and timely release of information about the Group is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX;
- ASX Quarterly Cash Flow Reports;
- Half Yearly Report;
- Presentations at the Annual General Meeting/General Meeting's; and
- Annual Report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Group's strategy and goals.

The Group also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

## **4. RISK MANAGEMENT AND INTERNAL CONTROL**

### **4.1 Approach to Risk Management and Internal Control – ASX Principle 7**

The Group will maintain a risk management framework that will comply with applicable laws and regulations, including the Standards Australia Risk Management Standard and that seeks to:

- avoid the likelihood of unacceptable outcomes and costly surprises;
- provide greater openness and transparency in decision making and ongoing management processes;
- provide for a better understanding of issues associated with the Group's activities;
- comprise an effective reporting framework for meeting corporate governance requirements; and
- allow an appropriate assessment of innovative processes to identify risks before they occur and allow informed judgement.

The Group's board of directors encourages management to foster an open culture of risk awareness and development and monitoring of processes that enhance the management of risk.

The Board has established the Audit & Risk Committee to address the risk management. (Refer 1.3 (a)).

#### **4.2 Risk Management Roles and Responsibilities**

The objectives of this risk management policy are to ensure a committee is formed to:

- provide a structured risk management framework that will provide senior management and the Board with comfort that the risks confronting the organization are identified and managed effectively;
- create an integrated risk management process owned and managed by the Group's personnel that is both continuous and effective;
- ensure that the management of risk is integrated into the development of strategic and business plans, and the achievement of the Group's vision and values; and
- ensure the Board is regularly updated with reports by the committee.

Management is responsible for efficient and effective risk management across the activities of the Company and its subsidiaries and affiliates. This will include ensuring the implementation of policies and procedures that address risk identification and control, training and reporting.

The Managing Director will be responsible for ensuring the process for managing risks is integrated within business planning and management activities.

#### **4.3 Integrity of Financial Reporting – ASX Principle 4**

The CEO and CFO provide, at the end of each six monthly period, a formal statement (in accordance with section 295A of the Corporations Act) to the board confirming that the Group's financial reports present a true and fair view, in all material respects, and that the Group's financial condition and operational results have been prepared in accordance with the relevant accounting standards. The statement also confirms the integrity of the Group's financial statements and notes to the financial statements, is founded on a sound system of risk management and internal compliance and control which implements the policies approved by the board, and that the Group's risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.

#### **4.4 Role of External Auditor – ASX Principle 6**

The Group and Audit & Risk Committee policy is to appoint external auditors who demonstrate experience and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

An analysis of fees paid to the external auditor, including a breakdown of fees for non-audit services, is provided in the Group's continuous disclosure documents. It is the policy of the external auditor to provide an annual declaration of their independence to the Audit Committee.

The external auditor will attend the Annual General Meeting of the shareholders of the Group and be available to answer shareholders' questions about the conduct of the audit and the preparation and content of the audit report.

### **5. PERFORMANCE REVIEW – ASX PRINCIPLE 8**

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees (if any) during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the Directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- a review by the Board of the Group's financial performance;
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Group;
- an analysis of the Group's prospects and projects; and
- a review of feedback obtained from third parties, including advisors.

The Remuneration Report discloses the process for evaluating the performance of senior executives, including the Managing Director.

The broad remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide Executive Directors and executives with a remuneration package that reflect the person's responsibilities, duties and personal performance.

In addition to the above, the Group has developed a limited equity-based remuneration arrangement for key executives.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the industry.

The aggregate amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount approved by the Company's shareholders.

The Group is committed to an inclusive workplace that embraces and promotes diversity, while respecting International, Sovereign and Australian laws.

## 6. DIVERSITY POLICY – ASX PRINCIPLE 3

The Group recognises the value of a diverse work force and believes that diversity supports all employees reaching their full potential, improves business decisions, business results, increases stakeholder satisfaction and promotes realisation of the Group's vision.

Diversity may result from a range of factors including but not limited to gender, age, ethnicity and cultural backgrounds. We believe these differences between people add to the collective skills and experience of the Organisation and ensures we benefit by selecting from all available talent.

### Group and Individual Expectations

- Ensure diversity is incorporated into the behaviours and practises of the Group;
- Facilitate equal employment opportunities based on job requirements only using recruitment and selection processes which ensures we select from a diverse pool;
- Engage professional search and recruitment firms when needed to enhance our selection pool;
- Help to build a safe work environment by acting with care and respect at all times, ensuring there is no discrimination, harassment, bullying, victimisation, vilification or exploitation of individuals or groups;
- Develop flexible work practices to meet the differing needs of our employees and potential employees;
- Attract and retain a skilled and diverse workforce as an employer of choice;
- Enhance customer service and market reputation through a workforce that respects and reflects the diversity of our stakeholders and communities that we operate in;
- Make a contribution to the economic, social and educational well-being of all of the communities it serves;
- Meet the relevant requirements of domestic and international legislation appropriate to the Group's operations;
- Create an inclusive workplace culture; and
- Establish measurable diversity objectives and monitor and report on the achievement of those objectives annually.

It is the responsibility of all directors, officers, employees and contractors to comply with the Group's Diversity Policy and report violations or suspected violations in accordance with this Diversity Policy.

### Gender diversity

The Board is responsible for establishing and monitoring, on an annual basis, the achievement against gender diversity objectives and strategies, including the representation of women at all levels of the organisation.

The proportion of women within the whole organisation as at the date of this report are as follows:

|   |        |
|---|--------|
| Women employees in the whole organisation | 19.23% |
| Women in senior executive positions       | 0.4%   |
| Women on the board of directors           | 0%     |

The Board acknowledges the absence of female participation on the Board of directors. However, as noted above, the Board has determined that the composition of the current Board represents the best mix of directors that have an appropriate range of qualification and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management.

## SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 15 April 2015.

### Distribution of equity security holders – Ordinary Shares (ASX: ELM)

| Size of Holding   | Holders | Units       | Percentage % |
|-------------------|---------|-------------|--------------|
| 1 to 1,000        | 446     | 244,292     | 0.065        |
| 1,001 to 5,000    | 753     | 2,195,855   | 0.575        |
| 5,001 to 10,000   | 336     | 2,720,344   | 0.712        |
| 10,001 to 100,000 | 621     | 20,933,768  | 5.482        |
| 100,001 and over  | 145     | 355,756,618 | 93.166       |
|                   | 2,301   | 381,850,877 | 100.000      |

The number of holdings comprising less than a marketable parcel was 753.

### Voting Rights

The voting rights attaching to ordinary shares are:

On a show of hands, every member present in person or by proxy shall have one vote, and upon a poll, each share shall have one vote. Options do not carry any voting rights.

### On-market buy-back

There is no current on-market buy-back.

| Top 20 Shareholders as at 15 April 2015 – Ordinary Shares (ASX: ELM) | Number of Shares   | % Held        |
|--|--------------------|---------------|
| BNP Paribas Noms Pty Ltd   | 113,080,216        | 29.615        |
| JP Morgan Nominees Australia Limited                                 | 56,182,678         | 14.713        |
| Citicorp Nominees Pty Ltd  | 33,194,136         | 8.693         |
| HSBC Custody Nominees (Australia) Limited                            | 33,151,135         | 8.682         |
| Dingyi Group Investment Limited                                      | 20,855,524         | 5.462         |
| National Nominees Limited  | 13,996,779         | 3.666         |
| Mr Garry Thomas  | 5,000,000          | 1.309         |
| Tanaka Resources Pty Ltd   | 4,375,000          | 1.146         |
| Mrs Nancy-Lee Thomas <Thomas Family A/c>                             | 3,500,000          | 0.917         |
| National Australia Trustees Limited                                  | 3,023,751          | 0.792         |
| Mr Jeffrey Maxwell Jones <TJM A/c>                                   | 3,000,000          | 0.786         |
| Dog Meat Pty Ltd <DM A/c>  | 2,750,000          | 0.720         |
| Oakajee Corporation Limited  | 2,160,000          | 0.566         |
| Nefco Nominees Pty Ltd   | 2,120,000          | 0.550         |
| Mrs Nancy Lee Thomas   | 2,100,000          | 0.550         |
| Mr Richard John Watson   | 2,017,280          | 0.528         |
| Mr Thomas Ignatius Borman  | 2,000,000          | 0.524         |
| Mr Garry William Thomas & Mrs Nancy-Lee Thomas                       | 1,695,000          | 0.444         |
| Les Etablissements Cogolais MGM                                      | 1,625,000          | 0.426         |
| John MacPherson  | 1,500,000          | 0.394         |
| <b>Total</b>   | <b>307,326,499</b> | <b>80.483</b> |



## Distribution of equity security holders – Listed Options (ASX: ELMO)

| Size of Holding   | Holders | Units      | Percentage % |
|-------------------|---------|------------|--------------|
| 1 to 1,000        | 105     | 39,599     | 0.051        |
| 1,001 to 5,000    | 108     | 243,312    | 0.308        |
| 5,001 to 10,000   | 56      | 386,103    | 0.489        |
| 10,001 to 100,000 | 94      | 2,895,273  | 3.669        |
| 100,001 and over  | 34      | 75,351,642 | 95.483       |
|                   | 397     | 78,915,929 | 100.000      |

## Voting Rights

There are no voting rights attached to the listed options.

## Top 20 Optionholders as at 15 April 2015 (ASX: ELMO)


|  | Number of Options | % Held        |
|--|-------------------|---------------|
| BNP Paribas Noms Pty Ltd   | 22,649,684        | 28.701        |
| JP Morgan Nominees Australia Limited   | 17,895,635        | 22.677        |
| National Nominees Limited  | 14,828,095        | 18.790        |
| HSBC Custody Nominees (Australia) Limited                                    | 5,719,651         | 7.248         |
| Dingyi Group Investment Limited  | 4,469,042         | 5.663         |
| Citicorp Nominees Pty Ltd  | 2,255,726         | 2.858         |
| Dog Meat Pty Ltd   | 1,125,000         | 1.426         |
| Exitosa Pty Ltd  | 856,513           | 1.085         |
| National Australia Trustees Limited  | 647,946           | 0.821         |
| Mr Gerald Trigwell & Mrs Rosalie Trigwell <Trigwell Super Fund A/c>          | 337,500           | 0.428         |
| Patocoa Nominees Pty Ltd   | 319,280           | 0.405         |
| Mr Richard John Watson   | 300,000           | 0.380         |
| Mr Mario Claude Frichot <Claude Frichot S/Fund A/c>                          | 300,000           | 0.380         |
| Winthrop Nominees Pty Ltd  | 283,596           | 0.359         |
| Glenn Hedley Davies <Glenn Davies Family A/c>                                | 272,256           | 0.345         |
| Mrs Julie Anne Beynon  | 258,098           | 0.327         |
| Mr Stephen Frederick Schmedje & Mrs Conelia Petra Schmedje                   | 250,001           | 0.317         |
| Mrs Amy Terasa Detata  | 250,000           | 0.317         |
| Mr Robert Beynon & Mrs Julie Beynon <Beynon Super Fund A/c>                  | 238,011           | 0.302         |
| Mr Stephen Frederick Schmedje & Mrs Cornelia Petra Schmedje <Super Fund A/c> | 231,909           | 0.294         |
| <b>Total</b>   | <b>73,487,943</b> | <b>93.123</b> |

## Tenement Details

Elemental Minerals Limited holds 97% of Sintoukola Potash S.A. who has the rights over the Sintoukola Project situated in the Kouilou Province in the south west corner of the Republic of Congo. The Sintoukola Project comprises an exclusive exploration permit, for potash and associated salts, which covers an area of 1,408 km<sup>2</sup> along the northern part of the coastline in the west of the country.

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