2013
Annual Report

elemental minerals limited

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CORPORATE DIRECTORY

NON-EXECUTIVE CHAIRMAN
Robert Samuel Middlemas

MANAGING DIRECTOR
John (Iain) Macpherson

NON-EXECUTIVE DIRECTORS
John Ian Stalker

JOINT COMPANY SECRETARY
Lawrence Davidson and Leonard Math

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Australian Securities Exchange (ASX)
Code: ELM, ELMO

Toronto Stock Exchange (TSX)
Code: ELM

WEBSITE: www.elementalminerals.com

REVIEW OF OPERATIONS

- Key Developments
  - Awarded a Mining Licence on 15 August 2013 for the Sintoukola Project by the Ministry of Mines and Geology
  - Received approval for Environmental and Social Impact Assessment from the Tourism and Environment on 28 August 2013
- Operational Developments
  - Completion of Phase 3A drilling programme to extend sylvinite in northwest part of Kola
  - Receipt of a large database of historic mining and exploration data for the RoC
  - Land rezoning and compensation process underway
  - Continued modularisation studies with AMEC in preparation of the start of the Bankable Feasibility Study
  - Completed brine dispersion modeling which confirmed the feasibility of the proposed solution from an environmental impact perspective
  - A 12-month metocean survey was completed
  - A geotechnical report on the process plant foundation design was completed by AMEC
- 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").
  - The Dingyi Offer opened on 2 September 2013.
  - 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.
  - On 19 March 2014, Elemental announced that the parties had agreed to the termination of the bid implementation agreement.

Mining License

On 15 August 2013, the Company announced the award of the mining license for the Sintoukola Project. The mining license includes the area containing the Mineral Reserves and Resources defined in the Company's Pre-feasibility Study, released in September 2012, and covers an area of 205 km^2, approximately 15% of the existing Exploration License of 1,408 km^2.

Environmental and Social Impact Assessment ("ESIA")

On 28 August 2013, the Company announced that it had received approval of its ESIA from the Ministry of Tourism and Environment in the RoC. The ESIA covers an area of 3,900 km^2 and grants approval for all required construction and operational activities related to the Kola deposit over the life of mine. Further information regarding the ESIA is contained in the Company's announcement on 28 August 2013.

Geology and Mineral Resources

The Phase 3A drilling was completed during the year, comprising two boreholes totalling 551.48m, to extend sylvinite mineralisation in the northwestern part of Kola (see Figures 1 and 2). Significant intersections are shown below.

Results of Phase 3A drilling:

Hole	Zone	From (m)	To (m)	True Width (m)	% K_2O	% KCl
EK_46	Upper Seam	218.95	220.03	1.08	16.89	26.75
EK_46	Lower Seam	227.00	231.92	4.92	23.59	37.36
EK_47	Upper Seam	216.83	219.88	3.05	23.91	37.87
EK_47	Lower Seam	224.33	226.26	1.93	25.49	40.36

The position of Phase 3A boreholes (using hand-held GPS):

Hole	East-WGS84	North-WGS84	RL	Azimuth	Dip	Total Depth
EK_46	792750	9544760	40	0	-90	260.3
EK_47	790590	9547860	40	0	-90	291.2

The Phase 3A intersections will likely contribute to an increase and upgrade of the Mineral Resource estimates; an update of the resource model is planned as part of the Bankable Feasibility Study. The results also further demonstrate the extent of high grade sylvinite mineralisation, which remains open in almost all directions as is shown in Figure 1.

Through a data swap agreement with a prominent oil and gas exploration group active in the area, Elemental has taken delivery of an additional 2D seismic data covering 40 km^2 of the western portion of the Kola deposit and possible extension (Figure 1). The additional seismic data will complement existing datasets and assist with resource modelling and classification.

A large database including data from the 1960's to the late 1980's has been acquired, including detailed operational reports for the historic Holle potash mine, exploration data and reports for the Congo Basin, 2D seismic data and drilling reports for boreholes across the basin. This database will greatly assist in Elemental's proposed Bankable Feasibility Study and exploration.

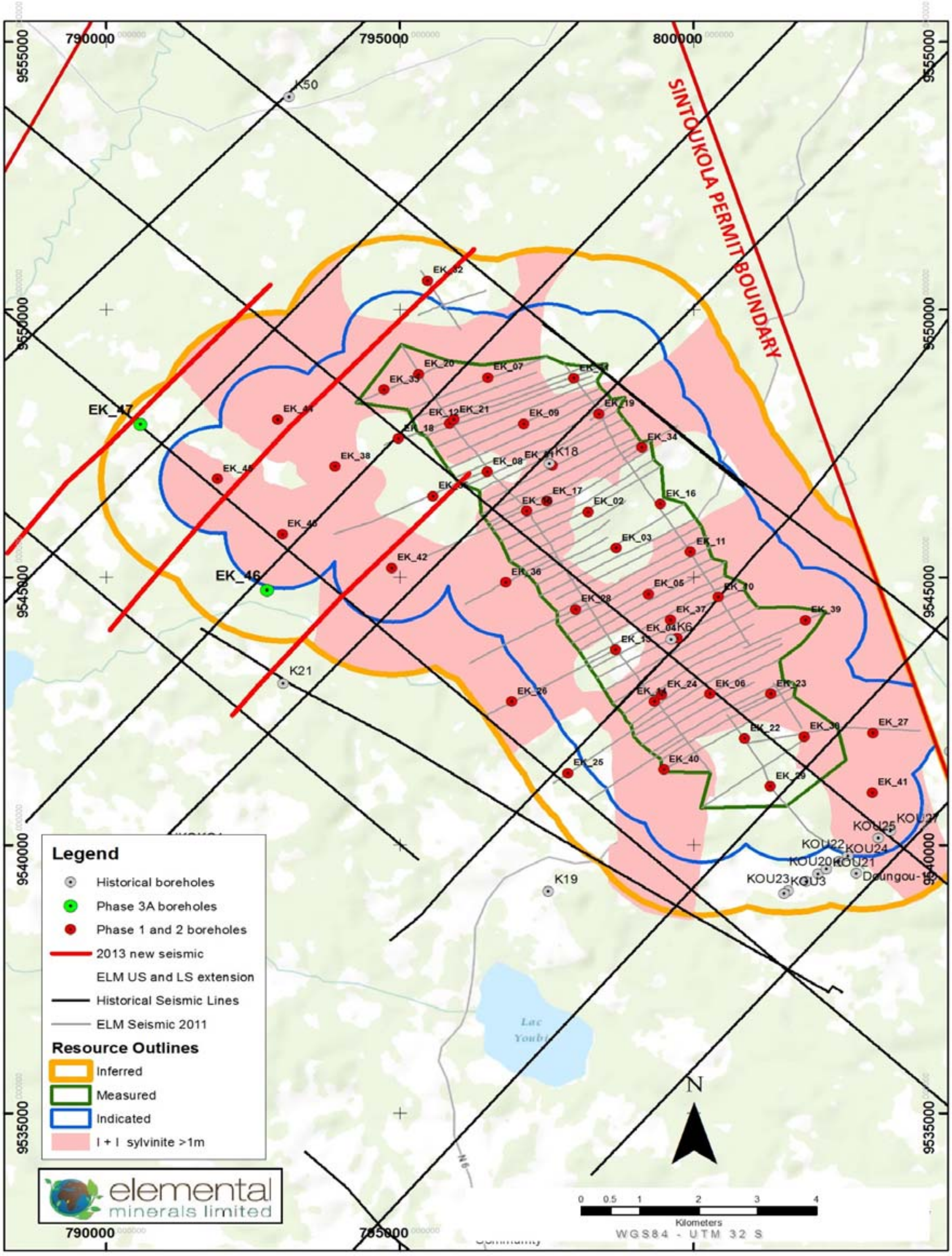

Figure 1. Map showing EK_46 and EK_47 and distribution of sylvinite mineralisation at Kola. Includes the Upper Seam, Lower Seam and Hangingwall Seam, where over 1 metre in thickness and in Measured, Indicated or Inferred Mineral Resource categories (Hangingwall seam all Inferred). The red lines show the recently acquired 2D seismic data. Line of cross section (Figure 2) is shown.

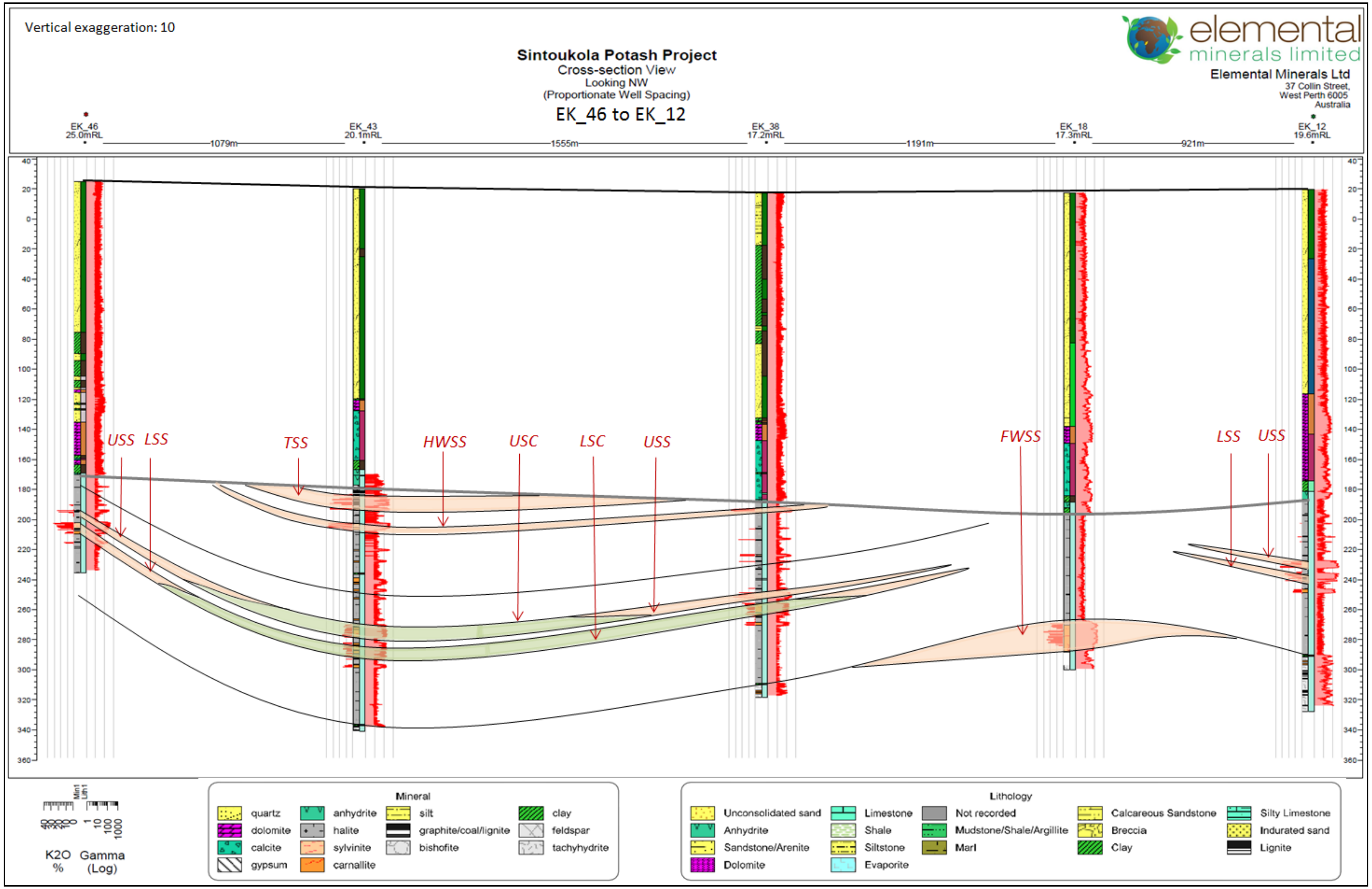

Figure 2. West to East cross section (looking northwest) through the northwest portion of Kola showing the potash seams. Line of section is shown on Figure 1. Abbreviations: USS=Upper Seam Sylvinite, LSS=Lower Seam Sylvinite, HWSS=Hangingwall Seam Sylvinite, FWSS=Footwall Seam Sylvinite, USC= Upper Seam Carnallitite, LSC=Lower Seam Carnallitite, TSS=Top Seam Sylvinite.

Elemental has secured a large historic database detailing exploration and mining activities in RoC by Potasse d'Alsace from the 1960's to the late 1980's. Elemental now has significant volume of data for historic boreholes within the Sintoukola Permit including additional data at Kola and at the Dougou Prospect. The dataset also includes a further 310 line kilometres of 2D seismic data from both oil and potash exploration in the late 1980's over Kola and Dougou (Figure 3)

This data will assist with target generation and future exploration across the Sintoukola licence including resource delineation on and around the Kola deposit.

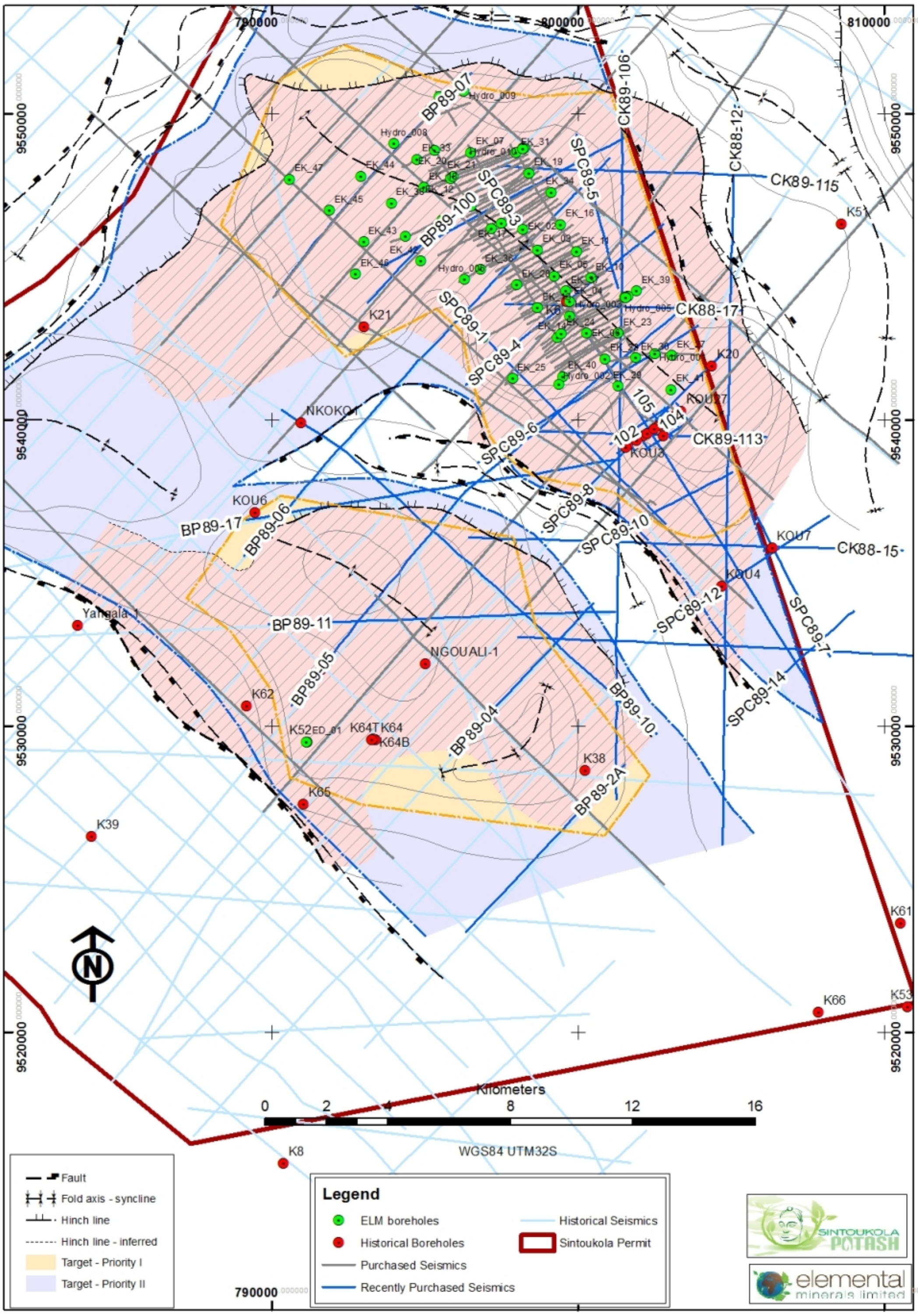

Figure 3. Map showing Kola and Dougou and all boreholes and seismic data. The lines marked in blue are part of the recently acquired historic dataset. The historic boreholes are marked in red.

Technical Studies

Field Programme:

A 12-month metocean survey was completed. The data will define meteorological and oceanographic conditions to be used in the brine discharge modeling and design of the marine facilities and will be included in the ESIA submission.

Technical Studies:

The final report for the plant modularisation study being conducted by AMEC on a modularized construction strategy for the process plant was completed and issued by AMEC. The report defines the preferred modular approach for the process plant and sets out a revised implementation schedule for construction of the plant.

The study assessed the cost implications of the strategy as well as the impact on the implementation schedule and concluded that, while the additional cost would not be a prohibiting factor, the benefits of the strategy to the implementation timeline are limited. Once the implementation strategy has been defined, a decision will be made as to what extent modularisation will be applied.

A geotechnical foundation report was finalized by AMEC for the process plant buildings. The report identified a number of foundation design options based on the results of the geotechnical campaign completed at the end of 2012. These alternatives will be economically evaluated early in the BFS to make a final recommendation for the detailed designs.

A final phase of brine dispersion modeling using a three-dimensional time-varying hydrodynamic model and realistic time-varying ambient metocean scenarios was completed. The results, which improve on the accuracy of the two-dimensional modeling conducted during the Pre-Feasibility Study, highlighted the need for additional on-shore dilution of the brine as well as an increase in the discharge pipe length. The modeling results confirmed that, given these proposed changes to the outfall design, the required volumes of brine will be discharged within the agreed design limits.

Investigations are ongoing to optimise the gas off-take location to reduce initial capital requirements associated with the gas pipeline.

Land acquisition:

A land commission was established in cooperation with the Ministry of Land Affaires. This commission facilitated the successful survey of the land corridor required by the project by the cadastral office of the Republic of Congo. A DUP (Dècret d'Utilité Publique) was gazetted on 21st February 2013 for phase 1 (process plant, employee facilities, residue storage facility, mine site, and transport corridor). This process has been completed and associated compensation that is necessary for the mine, transport corridor and plant and port sites. The expected compensation is within the amount forecast.

Dingyi Offer

On 1 July 2013, Elemental announced that it had executed a bid implementation agreement with Dingyi under which Dingyi wiould make an off-market takeover offer for 100% of the fully paid ordinary shares of Elemental ("Dingyi Offer") at an offer price of A$0.66 per Elemental share.

The proposal and subsequent offer was a result of a process initiated by the Board of Elemental in June 2012 to explore strategic alternatives for the Company.

The Dingyi Offer opened on 2 September 2013 and was subject to a number of conditions, including Dingyi shareholders approving the Dingyi Offer which required certain confirmations from the Hong Kong Stock Exchange. Disappointingly this condition was not able to be satisfied and on 18 March 2014 it was announced that the Dingyi Offer would lapse. On 19 March 2014, Elemental announced that the parties had agreed to the termination of the bid implementation agreement.

The information in this report was previously prepared and disclosed on the basis of compliance with the JORC Code – 2004 Edition. The Inferred Mineral Resources have not been subsequently updated to satisfy compliance with the JORC Code - 2012 Edition as the information has not materially changed since it was last reported.

Competent Person / Qualified Person Statement:

Information in this report that relates to Exploration Results is based on information compiled by Dr. Simon Dorling and Mr. Jeff Elliott of CSA Global Pty Ltd, the Company's geological consultants. This information 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.

Dr. Dorling and Mr. Elliott are members of the Australian Institute of Geoscientists (MAIG) and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004)'

Dr. Dorling, and Mr. Elliott are also Qualified Persons for the purposes of Canadian National Instrument 43-101 and they consent to the inclusion in this report of the information, in the form and context in which it appears. Mr. Elliott and Dr. Dorling have verified the exploration data disclosed in this report.

Further information with respect to Elemental's Sintoukola Project is contained in a technical report entitled ''NI 43-101 Technical Report, Sintoukola Potash Project, Republic of Congo'' prepared for the Company by SRK Consulting (U.S.), Inc., CSA Global Pty Ltd., EGIS International and AMEC Americas, dated September 17, 2012 with an effective date of September 17, 2012 (the "Technical Report"). The Technical Report can be accessed on the Company's profile on SEDAR.

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 news release regarding the Company's business or proposed business, which are not historical facts, are "forward looking" statements that involve risks and uncertainties, such as resource estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements.

Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date they are made.

DIRECTORS' REPORT

Your directors present their annual report on Elemental Minerals Limited (the Company) and its controlled entities (Group or Consolidated Entity) for the financial year ending 31 December 2013. 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:

Robert Samuel Middlemas	Non-Executive Chairman
John (Iain) Macpherson	Managing Director
John Ian Stalker	Non-Executive Director
Michael Barton	Non-Executive Director
Robert Geoffrey Franklyn	Non-Executive Director

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 of mineral prospects, potash.

Operating Results

The net loss of the Group for the year ended 31 December 2013 after providing for income tax amounted to $7,680,553 (31 December 2012: $10,671,818).

Dividends Paid or Recommended

In respect of the year ended 31 December 2013, 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

On 1 July 2013, Elemental announced that it had executed a bid implementation agreement with Dingyi under which Dingyi would make an off-market takeover offer for 100% of the fully paid ordinary shares of Elemental ("Dingyi Offer") at an offer price of A$0.66 per Elemental share.

The Dingyi Offer opened on 2 September 2013 and was subject to a number of conditions, including Dingyi shareholders approving the Dingyi Offer which required certain confirmations from the Hong Kong Stock Exchange. Disappointingly this condition was not able to be satisfied and on 18 March 2014 it was announced that the Dingyi Offer would lapse. On 19 March 2014, Elemental announced that the parties had agreed to the termination of the bid implementation agreement.

On 1 July 2013, Dingyi also agreed to subscribe for A$5 million of Elemental shares at an issue price of A$0.3407 per share ("Placement") and also provide Elemental with additional financing of up to A$15 million through a secured convertible loan facility to provide working capital subject to satisfaction of all necessary shareholder approvals and other conditions ("Convertible Note Facility"). Convertible notes issued on drawdown under the Convertible Note Facility may be converted at Dingyi's election into Elemental shares at a conversion price of A$0.3407.

On 30 August 2013, the Company completed the Placement with Dingyi through the issue of 14,676,163 shares at A$0.3407, raising a total of A$5 million.

DIRECTORS' REPORT (CONT)

Dingyi Shareholder Approval Condition and SEHK decision

The Dingyi Offer was subject to a range of conditions including Dingyi shareholders approving the Dingyi Offer ("Dingyi Shareholder Approval Condition"). This condition was required because under the rules of the Hong Kong Stock Exchange ("SEHK"), transactions of listed issuers such as Dingyi are subject to various disclosure and/or shareholder approval requirements depending on the classification of the transaction (a classification of which must be confirmed by the SEHK).

On 16 December 2013, Dingyi received a written decision from the SEHK advising it that the SEHK had classified the Dingyi Offer as a reverse takeover under Rule 14.06(6) of the SEHK Listing Rules ("SEHK Decision").

Dingyi outlined in its First Supplementary Bidder's Statement released on 19 December 2013 that the consequence of the SEHK Decision on the Dingyi Offer was that unless the SEHK changed its decision:

- Dingyi would not be able to satisfy the Dingyi Shareholder Approval Condition because it would not be able to obtain the clearance required from the SEHK for Dingyi to issue the documentation required to obtain the Dingyi Shareholder Approval Condition;
- the Dingyi Offer would therefore lapse at the end of the offer period for the Dingyi Offer because the Dingyi Shareholder Approval Condition would not have been satisfied; and
- all acceptances under the Dingyi Offer which have been received by Dingyi and which are not validly withdrawn would become void at the end of the offer period and those accepting Elemental Shareholders would retain their Elemental Shares.

Dingyi subsequently requested that the SEHK Decision be referred to the SEHK Listing Committee for review.

Subsequent Events

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 both a significant shareholder and holder of convertible notes 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.

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

The convertible notes issued pursuant to the Convertible Note Facility may be converted at Dingyi's election into Elemental shares at a conversion price of A$0.3407.Interest is payable on the funds drawn down under the Convertible Note Facility quarterly at 7% per annum.

The Company may elect to redeem the convertible notes before their maturity date at any time after 90 days following convertible notes first being issued. Otherwise, convertible notes are redeemable on their maturity date or at the election of the holder if certain default events or repayment events occur. The maturity date for the convertible notes is 6 months after the close of the Dingyi Offer. Dingyi has announced that the Dingyi Offer will close on 31 March 2014, meaning the maturity date for the convertible notes would be 30 September 2014. The noteholder may extend the maturity date for additional periods of not more than 6 months in certain circumstances. Further details of the terms of the Convertible Note Facility and the convertible notes issued to Dingyi are set out in Note 27 of the financial statements.

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

DIRECTORS' REPORT (CONT)

Future Developments

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

Environmental Issues

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

Shares under Options

Share options outstanding at the date of this report:

Exercise Period	Exercise Price AUD$	Number of options
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	500,000
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
		10,750,000

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.

DIRECTORS' REPORT (CONT)

Information on Directors

Robert Samuel Middlemas Non-Executive Chairman *B.Com., PGrad Dip Bus., CA, MAICD* (Chairman of the Audit Committee and Member of the Remuneration 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. Mr Middlemas 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. Mr Middlemas 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	288,961 Shares 250,000 Options exercisable at $1.07 each expiring 16 February 2015
Directorships held in other entities	Nil
Former directorships of listed companies in last three years	Rubicon Resources Limited
John (Iain) Macpherson Managing Director *B.Sc., Mining Engineering*	John Macpherson is a seasoned mining executive with over 25 years' experience in senior management and executive roles in both the junior and major mining sectors. Mr Macpherson trained as a mining engineer at the Royal School of Mines and has extensive operational experience throughout southern, western and central Africa, western and eastern Europe and Russia. His early career was with Gold Fields Limited in southern and western Africa, where he rose to senior operational roles before moving onto the junior mining sector. In the junior sector he operated in senior operational and executive roles in western and eastern Europe and Russia before moving to South Africa as UraMin's chief operating officer. Mr Macpherson established and led the highly effective team that was instrumental in raising in excess of US$450 million to develop UraMin's uranium projects. In mid-2007, when Areva acquired UraMin for US$2.5 billion, Mr Macpherson was retained by Areva as managing director to ensure that UraMin's proven entrepreneurial approach be carried through to the new entity. In early 2008, Mr Macpherson returned to the junior sector and has been actively involved in running Elemental since late 2009. In his career he has been instrumental in developing a number of mining projects including several IPOs and associated financing, specifically on the London, UK and North American markets and has developed a network of private and institutional investors including a number of major banks.
Interest in Shares & Options	4,010,000 Shares 1,500,000 options exercisable at $1.07 each expiring 16 February 2015
Directorships held in other entities	Nil.
Former directorships of listed companies in last three years	Nil.

DIRECTORS' REPORT (CONT)

John Ian Stalker Non-Executive Director (Member of the Remuneration Committee)	John Stalker is an engineer, with an outstanding 40-year history in developing and managing numerous mining projects around the world. He has considerable experience within the mining sector in general and in mining operations in particular, having successfully managed eight mining projects throughout the world – from feasibility study to development, construction phases onto production. Mr Stalker was the chief executive officer of UraMin, until its acquisition by Areva in mid-2007, and was subsequently CEO of Niger Uranium Ltd. from 2008-2010. Prior to joining UraMin, Mr Stalker was at Gold Fields Limited, the world's fourth largest gold producer. At Gold Fields, he managed the company's PGE project in Finland starting in 2001, eventually becoming vice president responsible for all of the company's projects in Australia and Europe in 2004. Mr Stalker is a non-executive director of Forum Uranium Corporation, a TSX Venture Exchange-listed company and Premier American Minerals Limited, listed on AIM. He is also chairman of Azincourt Uranium Limited, a TSX listed uranium explorer.
Interest in Shares & Options	1,750,000 Shares 1,250,000 Options exercisable at $1.07 each expiring 16 February 2015
Directorships held in other entities	Forum Uranium Corp., Premier African Metals. Azincourt Uranium.
Former directorships of listed companies in last three years	Niger Uranium Ltd and Regent Pacific Ltd, Berkeley Resources Limited, Vatukoula Gold Mines Plc., Brazilian Gold Corp., and Aura Minerals Ltd.

DIRECTORS' REPORT (CONT)

Michael Barton Non-Executive Director (Member of the Audit Committee)	Michael Barton is a managing director of Pala Investments, an investment company focused exclusively on the mining sector. Whilst at Pala he has been involved in many of Pala's largest transactions, including Sierra Rutile Limited, Avoca Resources Limited and Norcast Wear Solutions. Mr Barton is a qualified chartered accountant (ACA) and a fellow of the Securities and Investment Institute. Prior to joining Pala, Mr. Barton was a vice president at Hatch Corporate Finance, a company specialising in providing corporate finance advisory services to the metals and mining industry. Michael began his career with Deloitte & Touche where he was involved with numerous clients, transactions and projects in the mining sector. Mr. Barton is currently a Director of WDS Limited (ASX:WDS).
Interest in Shares & Options	250,000 Unlisted Options exercisable at $1.12 expiring 23 April 2016
Directorships held in other entities	WDS Limited.
Former directorships of listed companies in last three years	Peninsula Energy Ltd, Sierra Rutile Ltd and Hana Mining.
Robert Geoffrey Franklyn Non-Executive Director (Chairman of the Nomination and Remuneration Committee)	Mr. Franklyn has a broad range of experience in the legal sector, specialising in corporate governance and mergers and acquisitions. He has provided advisory services in Australia and cross-border, advising companies listed on a range of international exchanges including ASX, TSX, JSE, NASDAQ, NYSE, AIM and LSE. Mr. Franklyn has also advised on a number of African and Chinese transactions. Mr. Franklyn has been Partner at Corrs Chambers Westgarth since 2010 and has over 22 years' experience as a corporate lawyer. He began his career at Freehills and was as a partner at that firm from 1996 to 2005 before forming Franklyn Legal, a boutique M&A corporate law firm. Mr. Franklyn holds a B Juris, LLB from the University of Western Australia and is a Member of the Australian Institute of Company Directors, the Law Council of Australia Business Law Committee as well as an ASIC and ASX Liaison committee member.
Interest in Shares & Options	250,000 Unlisted Options exercisable at $0.90 expiring 22 May 2017
Directorships held in other entities	Nil.
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. Mr. Davidson 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.
Leonard Math BBus, CA	Mr. Math graduated from Edith Cowan University, majoring in Accounting and Information Systems, in 2003 and is a member of the Institute of Chartered Accountants. In 2005 Mr Leonard Math worked in the audit division at Deloitte before joining GDA Corporate. He is currently the Manager for Corporate Services at GDA Corporate. His public company responsibilities include corporate compliance roles, including extensive liaison with ASX and ASIC, control and implementation of corporate governance, completion of annual financial reports and auditor liaison, and shareholder relations with registry and shareholders both retail and institutional. Mr. Math is currently a Non-Executive Director of ASX Listed Kangaroo Resources Limited and RMA Energy Limited. He is the Company Secretary of Mako Hydrocarbons Ltd, Ishine International Resources Limited, Padbury Mining Limited, Dragon Energy Limited and RMA Energy Limited.

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 2013 are:

Director	Directors Meetings		Audit Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
S Middlemas	13	13	2	2
I Macpherson	13	13	n/a	n/a
I Stalker	13	13	2	2
M Barton	13	13	2	2
R Franklyn	13	13	n/a	n/a

There were 13 directors' meetings and 2 audit committee meetings held during the year.

Non-audit Services

The board of directors is satisfied that the provision of non-audit services during the year 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 $35,142 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.
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty.

Remuneration Report – Audited

Key Management Personnel of the Company

This report details the nature and amount of remuneration for each key management personnel of Elemental Minerals Limited.

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 2013. 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 years to 31 December 2013:

	12 months 31 Dec 2013 USD$	12 months 31 Dec 2012 USD$	6 months 31 Dec 2011 AUD$	12 months 30 June 2011 AUD$	12 months 30 June 2010 AUD$
Other income	121,240	463,278	850,897	321,931	150,051
Net loss before tax	7,680,553	10,671,818	6,821,698	13,729,651	9,133,387
Net loss after tax	7,680,553	10,671,818	6,821,698	13,729,651	9,133,387

	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009
Share price at start of year	A$1.03	A$1.04	A$1.25	A$0.38	A$0.06
Share price at end of year	A$0.33	A$1.03	A$1.04	A$1.27	A$0.38
Basic loss per share (cents)	USD$2.62	USD$4.34	A$3.25	A$9.48	A$9.45
Diluted loss per share (cents)	USD$2.62	USD$4.34	A$3.25	A$9.48	A$9.45

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

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.

Key Terms of Employment Contracts

Effective 1 January 2014 the following base salary applies:

Name	Base salary	Term of agreement	Notice period
John (Iain) Macpherson Managing Director	USD275,000	No Fixed Term	3 months notice period
Lawrence Davidson CFO and Company Secretary	USD180,000	No Fixed Term	3 months notice period
Werner Swanepoel Project Manager	USD180,000	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 receiving the highest remuneration during the year ended 31 December 2013 was as follows:

1 January 2013 to 31 December 2013

	Short term employee benefits			Post-employment benefits			
	Salary and Fees USD$	Bonus USD$	Non-Monetary USD$	Superannuation USD$	Share based payments – options USD$	Total USD$	Performance Related %
Directors							
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	-
	584,077	-	-	4,845	777,501	1,366,423	-
Executives							
L. Davidson	181,605	-	-	-	351,869	533,474	-
L. Math (i)	112,931	-	-	-	-	112,931	-
W. Swanepoel	192,678	-	-	-	351,869	544,547	-
	1,071,291	-	-	4,845	1,481,239	2,557,375	-

(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.

DIRECTORS' REPORT (CONT)

1 January 2012 to 31 December 2012

	Short term employee benefits			Post-employment benefits			
	Salary and Fees USD$	Bonus USD$	Non-Monetary USD$	Superannuation USD$	Share based payments – options USD$	Total USD$	Performance Related %
Directors							
S. Middlemas	103,060	-	-	-	157,603	260,663	-
I. Macpherson	277,671	-	-	-	945,608	1,223,279	-
J. Sanders (i)	273,909	-	-	-	945,608	1,219,517	-
J.I. Stalker	108,882	-	-	-	788,010	896,892	-
M. Barton (ii)	41,203	-	-	-	37,881	79,084	-
R. Franklyn (iii)	27,620	-	-	2,364	-	29,984	-
J. Castro (iv)	20,936	-	-	-	-	20,936	-
	853,281	-	-	2,364	2,874,710	3,730,355	-
Executives							
L. Davidson (v)	181,791	-	-	-	833,840*	1,015,631	
G. Anderson (vi)	107,390	-	-	-	-	107,390	-
L. Math (vi)	-	-	-	-	-	-	-
W. Swanepoel (vii)	225,311	-	-	-	833,840*	1,059,151	-
	1,367,773	-	-	2,364	4,542,390	5,912,527	-

(i) Resigned on 17 December 2012.
(ii) Appointed 25 April 2012.
(iii) Appointed 17 July 2012.
(iv) Resigned 25 April 2012.
(v) Chief Financial Officer. Appointed as Joint Company Secretary on 7 August 2012.
(vi) Mr Leonard Math, Joint Company Secretary with Mr Graham Anderson is an employee of GDA Corporate. GDA Corporate ("GDA") has been engaged to provide accounting, administrative and company secretarial services on commercial terms. Mr Graham Anderson is a director of and has a beneficial interest in GDA. Mr Graham Anderson resigned as Company Secretary on 7 August 2012.
(vii) Mr Werner Swanepoel was not a Key Management Personnel Remuneration as at 31 December 2011.

*The Company has restated the remuneration table for the year ended 31 December 2012. The remuneration table that was included in the 31 December 2012 financial statements contained an error relating to the disclosure of employee benefit expense for share-based payments issued to Mr. Lawrence Davidson, the CFO and Joint Company Secretary of the Company and to Mr. Werner Swanepoel, the Project Manager of the Company. The share-based payments amounts have been expensed and included in the Statement of Income and Other Comprehensive Income but were omitted being disclosed in the remuneration table due to an oversight. Hence, this this error has been retrospectively adjusted to the remuneration table for year ended 31 December 2012.

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:

Option Series	Grant Date	Exercise Price	Expiry Date	Vesting Date	Fair Value at Grant Date AUD$
Issued on 18/05/2011	18/05/2011	A$1.07	16/02/2015	16/02/2012	$1.4925
Issued on 18/05/2011	18/05/2011	A$1.07	16/02/2015	16/02/2013	$1.6481
Issued on 18/05/2011	18/05/2011	A$1.07	16/02/2015	16/02/2014	$1.7321
Issued on 20/05/2011	18/05/2011	A$1.07	19/05/2015	19/05/2012	$1.5472
Issued on 20/05/2011	18/05/2011	A$1.07	19/05/2015	19/05/2013	$1.6811
Issued on 20/05/2011	18/05/2011	A$1.07	19/05/2015	19/05/2014	$1.7566
Issued on 20/05/2011	18/05/2011	A$1.07	19/05/2015	19/05/2011	$1.2246
Issued on 12/03/2012	12/03/2012	A$1.09	09/01/ 2016	09/01/2013	$0.6948
Issued on 12/03/2012	12/03/2012	A$1.09	09/01/ 2016	09/01/2014	$0.7647
Issued on 12/03/2012	12/03/2012	A$1.09	09/01/ 2016	09/01/2015	$0.8086
Issued on 12/03/2012	12/03/2012	A$1.29	13/02 2016	09/01/2013	$0.6748
Issued on 12/03/2012	12/03/2012	A$1.29	13/02 2016	09/01/2014	$0.7406
Issued on 12/03/2012	12/03/2012	A$1.29	13/02 2016	09/01/2015	$0.7847
Issued on 31/05/2012	31/03/2012	A$1.12	23/04/2016	23/4/2014	$0.3569
Issued on 31/05/2012	31/03/2012	A$1.12	23/04/2016	23/4/2015	$0.3897
Issued on 31/05/2012	31/03/2012	A$1.12	23/04/2016	23/4/2016	$0.4149
Issued on 11/10/2012	30/03/2012	A$1.18	01/04/2016	01/04/2013	$0.8324
Issued on 11/10/2012	30/03/2012	A$1.18	01/04/2016	01/04/2014	$0.8324
Issued on 11/10/2012	30/03/2012	A$1.18	01/04/2016	01/04/2015	$0.8324
Issued on 10/06/2013	22/05/2013	A$0.90	22/05/2017	22/05/2014	$0.2181
Issued on 10/06/2013	22/05/2013	A$0.90	22/05/2017	22/05/2015	$0.2181
Issued on 10/06/2013	22/05/2013	A$0.90	22/05/2017	22/05/2016	$0.2181

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 that time of 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	
R. Franklyn	Issued on 10/06/2013	250,000	-	-	-	24.54

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 $
R. Franklyn	53,425	-	-

(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 share issued on exercise of options during the year ended 31 December 2013.

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 2013 has been received and can be found on Page 25 of the Directors report.

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

Robert Samuel Middlemas
Non-Executive Chairman
Date: 31 March 2014

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

31 March 2014

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 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
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

Robert Samuel Middlemas
Non-Executive Chairman
Date: 31 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Dec 2013 USD$	Dec 2012 USD$
Continuing Operations			
Other income	2	121,240	463,278
Directors remuneration		(388,872)	(397,695)
Equity compensation benefits	3	(2,915,626)	(6,851,579)
Depreciation and amortisation expense		-	(2,374)
Salaries, employee benefits and consultancy expense		(966,672)	(838,531)
Administration expenses		(2,855,348)	(2,930,723)
Net realised foreign exchange losses		(675,275)	(114,194)
Forward contract losses on foreign exchange		-	-
Loss before income tax expense		(7,680,553)	(10,671,818)
Income tax expense	4	-	-
Loss for the year from continuing operations		(7,680,553)	(10,671,818)
Other comprehensive income, net of income tax			
Items that may be classified subsequent to profit or loss			
Exchange differences on translating foreign operations		3,049,808	(3,250,004)
Other comprehensive income for the year, net of tax		3,049,808	(3,250,004)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(4,630,745)	(13,921,822)
Loss attributable to:			
Owners of the Company		(7,680,553)	(10,671,818)
Non-Controlling interest		-	-
		(7,680,553)	(10,671,818)
Total comprehensive income attributable to:			
Owners of the Company		(4,669,353)	(13,918,086)
Non-Controlling interest		38,608	(3,736)
		(4,630,745)	(13,921,822)
Basic loss per share (cents per share)	23	(2.62)	(4.34)
Diluted loss per share (cents per share)	23	(2.62)	(4.34)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	NOTE	Dec 2013 USD$	Dec 2012 USD$
CURRENT ASSETS			
Cash and cash equivalents	5	4,910,157	20,339,081
Trade and other receivables	6	391,034	129,213
TOTAL CURRENT ASSETS		5,301,191	20,468,294
NON CURRENT ASSETS			
Property, plant and equipment	8	1,041,115	1,242,936
Exploration and evaluation expenditure	9	101,639,595	87,519,929
TOTAL NON CURRENT ASSETS		102,680,710	88,762,865
TOTAL ASSETS		107,981,901	109,231,159
CURRENT LIABILITIES			
Trade and other payables	10	467,641	4,524,374
TOTAL CURRENT LIABILITIES		467,641	4,524,374
TOTAL LIABILITIES		467,641	4,524,374
NET ASSETS		107,514,260	104,706,785
EQUITY			
Contributed equity	11	142,042,802	137,520,208
Reserves	12	28,317,471	22,390,645
Accumulated losses		(62,886,030)	(55,205,477)
Equity attributable to owners of the Company		107,474,243	104,705,376
Non-controlling interests		40,017	1,409
TOTAL EQUITY		107,514,260	104,706,785

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Contributed Equity	Accumulated Losses	Option Reserve	Foreign Currency Translation Reserve	Non-controlling Interest	Total Equity
	USD$	USD$	USD$	USD$	USD$	USD$
Balance at 31 December 2011	117,456,024	(44,533,659)	16,149,873	2,635,461	5,145	91,712,844
Loss for the period	-	(10,671,818)	-	-	-	(10,671,818)
Other comprehensive income for the period	-	-	-	(3,246,268)	(3,736)	(3,250,004)
Total comprehensive income for the period	-	(10,671,818)	-	(3,246,268)	(3,736)	(13,921,822)
Share issue (net)	20,064,184	-	-	-	-	20,064,184
Share based payments	-	-	6,851,579	-	-	6,851,579
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
Balance at 31 December 2013	142,042,802	(62,886,030)	25,917,078	2,400,393	40,017	107,514,260

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTE	31 Dec 2013 USD$	31 Dec 2012 USD$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers		(4,265,271)	(4,048,235)
Interest received		121,240	501,836
Net cash used in operating activities	14	(4,144,031)	(3,546,399)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration activities		(17,883,499)	(36,394,731)
Proceeds from sale of property, plant and equipment		-	4,880
Net cash used in investing activities		(17,883,499)	(36,389,851)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		4,573,488	21,214,795
Cost of capital raising		(310,807)	(890,698)
Net cash provided by financing activities		4,262,681	20,324,097
Net (decrease) in cash and cash equivalents held		**(17,764,849)**	**(19,612,153)**
Cash and cash equivalents at beginning of financial year		20,339,081	42,682,537
Foreign currency differences		2,335,925	(2,731,303)
Cash and cash equivalents at end of financial year	5	**4,910,157**	**20,339,081**

The accompanying notes form part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Elemental Minerals Ltd (the company) is a public company incorporated and domiciled in Australia and dual listed on the Australian Securities Exchange and the Toronto Stock Exchange. The consolidated financial statements of the company as at and for the year ended 31 December 2013 comprise the company and its subsidiaries (together referred to as the "Group"). The Group is involved in mining and exploration activity in Central Africa.

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 28 March 2014.

(b) Going Concern

The consolidated entity incurred losses of $7,680,553 (2012: $10,671,818) and experienced net cash outflows from operating and investing activities of $22,027,530 (2012: $39,362,250) for the year ended 31 December 2013.

Subsequent to year end in January 2014, the company completed the drawdown of A$10 million (10 million convertible notes) of the A$15 million available under the Convertible Note Facility with Dingyi Group Investment Limited ("Dingyi"), which matures in July 2014 or may be mutually extended by the parties, as described in Note 17.

On 18 March 2014, the Company was informed that Dingyi's review of the Hong Kong Stock Exchange ("SEHK") Decision has been unsuccessful with the SEHK Listing Committee deciding to uphold the SEHK Decision. Both parties, Elemental and Dingyi, have agreed to the termination of the Bid Implementation Agreement meaning the previously announced provisions of that agreement are no longer of any force or effect.

These conditions indicate a material uncertainty that may cast significant doubt about the company's and the consolidated entity's ability to continue as going concerns.

The directors have prepared a cash flow forecast for the period ending 31 March 2015, which indicates the consolidated entity will have sufficient cash flow to meet the minimum working capital requirements through to 31 March 2015, excluding any exploration expenditure and the repayment of the convertible note drawn in January 2014.

The directors anticipate that the repayment of the convertible note will be achieved through:

- Dingyi converting the notes to ordinary shares of the company on maturity date;
- Both parties agreeing to extend the maturity date of the convertible note post 31 March 2015; or
- Raising additional capital funding.

The directors are confident that they will achieve at least one of the above and that the financial report has therefore been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the company and the consolidated entity be unable to achieve either the conversion or deferral of the convertible note or the raising of the additional capital funding to repay the convertible note debt, there is a material uncertainty whether the company and the consolidated entity will be able to continue as going concerns and, therefore, whether they will realise its assets and discharge its liabilities in the normal course of business. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

(c) Basis of measurement

The financial report has also been prepared on a historical cost basis, which have been measured at fair value. Cost is based on the fair value of the considerations given in exchange for assets.

(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.

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.

(e) Basis of Consolidation (cont)

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 credited in the profit or loss in the Statement of Profit or Loss and Other Comprehensive Income except where it relates to items that may be credited directly to 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 or fair value 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. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

Depreciation

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

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

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

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

(h) Impairment of Assets

(i) Financial Assets

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. 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 exits. 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 as it accrues.

(j) Trade and other Receivables

All trade receivables are recognised when invoiced as they are due for settlement in the short term.

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

(k) Trade and other payables

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

(l) Cash and Cash Equivalents

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

(m) Financial Instruments

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

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

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

(ii) *Loans and receivables*

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

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

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

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

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

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

(m) Financial Instruments (cont)

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

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

(iv) Derivative financial instruments

Initial recognition and subsequent measurement

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

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

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

(n) Fair Value Estimation

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

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

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

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

(o) Goods and Services Tax (GST)

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

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

(p) Capitalisation of exploration and evaluation expenditure

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

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

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

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

(p) Capitalisation of exploration and evaluation expenditure (cont)

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.

(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.

(s) Employee Benefits (cont)

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

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

(t) Earnings Per Share

(i) *Basic earnings per share*

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

(ii) *Diluted earnings per share*

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

(u) Issued Capital

Ordinary shares are classified as equity.

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

(v) Critical Accounting Estimates and Judgements

(i) Significant accounting judgements include:

Exploration and evaluation costs

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

(ii) Significant accounting estimates and assumptions include:

Share based payment transactions

The Group measures the cost of equity-settled transactions with management personnel and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the 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.

(v) Critical Accounting Estimates and Judgements (cont)

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).

(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 standards and interpretations

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period.

Significant new and revised standards and interpretations effective for the current financial reporting period that are relevant to the consolidated entity are:

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
- AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income' [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'

Impact of the application of AASB 10

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee. Some guidance included in AASB 10 that deals with whether or not an investor that owns less than 50 per cent of the voting rights in an investee has control over the investee is relevant to the Group.

Although the first-time application of AASB 10 (together with the associated Standards) caused certain changes to the Group's accounting policy for consolidation and determining control, it did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group as a consequence of the revised definition.

Impact of the application of AASB 12

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements. However this did not result in any material changes to the financial statements.

Impact of the application of AASB 13

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

(x) New standards and interpretations (cont)

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2012 comparative period, the application of AASB 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income' [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]

The Group has applied 'AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income' for the first time in the current year. This amendment requires the Group to split other comprehensive income between items that will be reclassified subsequently to profit or loss and those that will not be reclassified.

Impact of the application of AASB 2012-2 'Amendments to Australian Accounting Standards - Disclosures – Offsetting Financial Assets and Financial Liabilities'

The Group has applied the amendments to AASB 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities' for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements

(y) Standards and Interpretations in issue 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	1 January 2017	31 December 2017
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	31 December 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	31 December 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	31 December 2014
AASB 2013-3 'Amendments to AASB 135 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	31 December 2014
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	31 December 2014
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	31 December 2014
INT 21 'Levies'	1 January 2014	31 December 2014

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

	Dec 2013 USD$	Dec 2012 USD$
NOTE 2: OTHER INCOME		
Interest	121,240	463,278
Total Income	121,240	463,278
NOTE 3: LOSS FOR THE YEAR		
Expenses		
Individually significant items included in loss		
- Equity based payments – directors and key management personnel	2,915,626	6,851,579
	2,915,626	6,851,579
NOTE 4: INCOME TAX EXPENSE		
The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-

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

	Dec 2013 USD$	Dec 2012 USD$
Prima facie income tax expense/(benefit) at 30% (2012: 30%)	(2,304,166)	(3,201,545)
Add:		
Tax effect of:		
Other non-allowable items	874,688	2,055,474
Revenue losses not brought to account	1,462,307	1,351,814
	2,336,995	3,407,288
Less:		
Tax effect of:		
Capital raising costs	32,679	29,625
Provisions and accruals	150	176,118
	32,829	205,743
Income tax expense/(benefit)	-	-

NOTE 4: INCOME TAX EXPENSE (CONT)

	Dec 2013 USD$	Dec 2012 USD$
The following deferred tax balances have not been recognised:		
Deferred Tax Assets at 30%:		
Carry forward revenue losses	4,415,649	2,953,342
Carry forward capital losses	108,319	108,319
Capital raising costs	27,027	44,437
Provision and accruals	15,860	16,010
	4,566,855	3,122,109

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

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

	Dec 2013 USD$	Dec 2012 USD$
Deferred Tax Liabilities at 30%:		
Accrued interest	-	-
	-	-

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.

	Dec 2013 USD$	Dec 2012 USD$
NOTE 5: CASH AND CASH EQUIVALENTS		
Cash at bank	4,910,157	20,339,081
	4,910,157	20,339,081
NOTE 6: TRADE AND OTHER RECEIVABLES		
Current		
GST recoverable	42,876	49,214
Prepayments	348,158	79,999
	391,034	129,213

Trade and other receivables are settled within 30 days.

NOTE 7: CONTROLLED ENTITIES	Country of Incorporation	Percentage Owned	Investment	Percentage Owned	Investment
Controlled Entities Consolidated		31 Dec 2013	31 Dec 2013	31 Dec 2012	31 Dec 2012
		%	USD$	%	USD$
Subsidiaries					
Elemental Minerals Limited South Africa	South Africa	100	10	100	10
Sintoukola Potash S.A.	Republic of Congo	93	7,734,000	93	7,734,000

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.

	Dec 2013 USD$	Dec 2012 USD$
NOTE 8: PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment – at cost	1,962,652	1,816,575
Less accumulated depreciation	(921,537)	(573,639)
	1,041,115	1,242,936
Reconciliation:		
Opening balance	1,242,936	1,527,270
Additions	66,972	40,577
Disposal	-	(8,268)
Depreciation capitalised under exploration and evaluation	(312,283)	(294,001)
Depreciation	-	(2,374)
Foreign exchange differences	43,490	(20,268)
Closing balance at period end	1,041,115	1,242,936
NOTE 9: EXPLORATION AND EVALUATION EXPENDITURE		
Opening balance	87,519,929	51,211,707
Exploration and evaluation expenditure capitalised during the year	11,187,209	36,509,732
Foreign exchange differences	2,932,457	(201,510)
Closing balance at period end	101,639,595	87,519,929

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	467,641	4,524,373
	467,641	4,524,373

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 2013

	Dec 2013 USD$	Dec 2012 USD$
NOTE 11: ISSUED CAPITAL		
303,263,391 Fully Paid Ordinary Shares (31 December 2012: 288,587,228)	142,042,802	137,520,208
Issued Capital	142,042,802	137,520,208

(a) Movements in fully paid ordinary shares

	Number	USD$
On Issue at 31 December 2011	228,787,236	117,156,721
Exercise of options at AUD$0.20 each during fiscal 2012	14,827,044	3,066,756
Share purchase plan at AUD$0.385 each during fiscal 2012	8,430,806	3,418,639
Share placement at AUD$0.385 each November 2012	36,542,142	14,729,400
Less capital raising costs	-	(1,150,611)
Conversion of listed options	-	299,303
On Issue at 31 December 2012	288,587,228	137,520,208
Share placement at AUD$0.3407 each 30 August 2013	14,676,163	4,573,488
Less capital raising costs	-	(50,894)
On Issue at 31 December 2013	303,263,391	142,042,802

(b) Movements in listed options

On Issue at 1 January 2012	12,332,117	299,303
Exercise of listed options AUD$0.20 each	(12,327,044)	(299,303)
Lapsing of listed options AUD$0.20 each	(5,073)	-
On Issue at 31 December 2012	-	-

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

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 on 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 2013

Exercise Period	Exercise Price AUD$	Balance 1 Jan 2013	Options Issued	Options Exercised/ Lapsed	Balance 31 Dec 2013
		Number	*Number*	*Number*	*Number*
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
		12,453,620	250,000	(1,953,620)	10,750,000

31 December 2012

Exercise Period	Exercise Price	Balance 1 Jan 2012	Options Issued	Options Exercised/ Lapsed	Balance 31 Dec 2012
		Number	*Number*	*Number*	*Number*
On or before 31 January 2012	$0.20	12,332,117	-	(12,332,117)	-
On or before 31 January 2012	$0.20	2,500,000	-	(2,500,000)	-
On or before 20 December 2012	$0.46	200,000	-	(200,000)	-
On or before 19 February 2015	$1.07	4,500,000	-	-	4,500,000
On or before 19 May 2015	$1.07	5,250,000	-	(800,000)	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
		26,735,737	1,550,000	(15,832,117)	12,453,620

(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.

	Dec 2013 USD$	Dec 2012 USD$
NOTE 12: RESERVES		
a) Option Reserve		
Movements during the period		
Opening balance	23,001,452	16,149,873
Share based payment vesting expense (i)	2,915,626	6,851,579
Closing balance	25,917,078	23,001,452

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

b) Foreign Currency Translation Reserve		
Movements during the period		
Opening balance	(610,807)	2,635,461
Currency translation differences arising during the year	3,011,200	(3,246,268)
Closing balance	2,400,393	(610,807)
Total reserves	28,317,471	22,390,645

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.

NOTE 14: NOTES TO STATEMENT OF CASH FLOWS	Dec 2013 USD$	Dec 2012 USD$
Reconciliation of cash flows from operating activities:		
Loss for the year	(7,680,553)	(10,671,818)
Adjustments for:		
Equity compensation benefits	2,915,626	6,851,579
Net realised foreign exchange losses	675,275	114,194
Depreciation	-	2,374
Operating loss before changes in working capital		
Decrease/(increase) in receivables	(31,390)	38,558
Increase/(decrease) in payables	(22,989)	118,714
Net cash used in operating activities	(4,144,031)	(3,546,399)

NOTE 15: FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Overview

The Group has exposure to the following risks from their use of financial instruments:

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

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

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

(a) Market Risk

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

(i) Foreign currency risk

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

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

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

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

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

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

(ii) Interest rate risk

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

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

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non Interest Bearing	
	Dec 2013 %	Dec 2012 %	Dec 2013 USD$	Dec 2012 USD$	Dec 2013 USD$	Dec 2012 USD$
FINANCIAL ASSETS						
Cash at bank	3.5	4.5	4,910,157	20,339,081	-	-
Receivables	-	-	-	-	391,034	129,213
Total financial assets			4,910,157	20,339,081	391,034	129,213
FINANCIAL LIABILITIES						
Non-derivative						
Payables			-	-	467,641	4,524,373
Total financial liabilities			-	-	467,641	4,524,373

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 2012.

	Profit or Loss		Equity	
	100bp Increase USD$	100bp Decrease USD$	100bp Increase USD$	100bp Decrease USD$
31 December 2013				
Variable rate instrument	49,101	(49,101)	-	-
31 December 2012				
Variable rate instrument	203,391	(203,391)	-	-

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 2013 and 31 December 2012 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.

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The management does not expect any counterparty to fail to meet its obligations.

(c) Liquidity and capital risk

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

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

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

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

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

31 Dec 2013	Within 1 Year USD$	Between 1 and 5 years USD$	After 5 Years USD$
Non-derivatives			
Non-interest bearing			
Trade and other payables	467,641	-	-
Total Financial Liabilities	467,641	-	-

31 Dec 2012	Within 1 Year USD$	Between 1 and 5 years USD$	After 5 Years USD$
Non-derivatives			
Non-interest bearing			
Trade and other payables	4,524,373	-	-
Total Financial Liabilities	4,524,373	-	-

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.

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

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.

(d) Fair Value of Financial Instruments

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

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

Except as detailed in the following table, the directors consider that carrying amounts at financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair value.

	31 December 2013		31 December 2012	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	USD$	USD$	USD$	USD$
Financial assets				
Loans and receivables:				
- Trade and other receivables	391,034	391,034	129,213	129,213
Financial liabilities				
Financial liabilities held at amortised cost:				
- Trade and other payables	467,641	467,641	4,524,373	4,524,373

	Fair value hierarchy as at 31 December 2013			
	Level 1	Level 2	Level 3	Total
	USD$	USD$	USD$	USD$
Financial assets				
Loans and receivables:				
- Trade and other receivables	-	391,034	-	391,034
Total	-	391,034	-	391,034
Financial liabilities				
Financial liabilities held at amortised cost:				
- Trade and other payables	-	467,641	-	467,641
Total	-	467,641	-	467,641

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.

NOTE 16: SEGMENT INFORMATION

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

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

NOTE 17: EVENTS SUBSEQUENT TO REPORTING DATE

On 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 both a significant shareholder and holder of convertible notes 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.

Subsequent to year end, the Company also completed the drawdown from Dingyi of $10 million of the $15 million available under the secured Convertible Note Facility from (and issue of 10 million convertible notes to Dingyi). The funds will be used by the Company to continue to progress further work on its Sintoukola Project. The convertible notes issued pursuant to the Convertible Note Facility may be converted at Dingyi's election into Elemental shares at a conversion price of A$0.3407.Interest is payable on the funds drawn down under the Convertible Note Facility quarterly at 7% per annum.

The Company may elect to redeem the convertible notes before their maturity date at any time after 90 days following convertible notes first being issued. Otherwise, convertible notes are redeemable on their maturity date or at the election of the holder if certain default events or repayment events occur. The maturity date for the convertible notes is 6 months after the close of the Dingyi Offer. Dingyi has announced that the Dingyi Offer will close on 31 March 2014, meaning the maturity date for the convertible notes would be 30 September 2014. The noteholder may extend the maturity date for additional periods of not more than 6 months in certain circumstances. Further details of the terms of the Convertible Note Facility and the convertible notes issued to Dingyi are set out in Note 27 of the financial statements.

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

NOTE 18: COMMITMENTS FOR EXPENDITURE

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

	Dec 2013 USD$	Dec 2012 USD$
Within one year	-	-
Longer than one year, not longer than 5 years	-	-
Longer than 5 years	-	-
	-	-

The Group has satisfied the minimum exploration expenditure requirements to maintain its rights to tenure in relation to the Sintoukola project.

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 2013 USD$	Dec 2012 USD$
NOTE 19: AUDITORS' REMUNERATION		
Audit services:		
Deloitte – Audit and half year review	100,000	89,898
Deloitte Congo – Audit and half year review	52,906	50,016
	152,906	139,914

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$95,292 (31 December 2012: USD$103,060) 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$102,146 (31 December 2012: USD$108,882) 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 were USD$112,931 during the reporting period (31 December 2012: USD $107,390). Mr Leonard Math is an employee of GDA Corporate.

The Company paid USD$1,180,279 (31 December 2012: 146,315) 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.

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.

Robert Samuel Middlemas	Interim Chairman
John (Iain) Macpherson	Managing Director
John Ian Stalker	Non-Executive Director
Michael Barton	Non-Executive Director
Robert Geoffrey Franklyn	Non-Executive Director
Lawrence Davidson	CFO & Joint Company Secretary
Leonard Math	Joint Company Secretary
Werner Swanepoel	Project Manager

NOTE 21: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT)

Key management personnel compensation

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

	Dec 2013 USD$	Dec 2012 USD$
Short-term employee benefits	1,071,291	1,367,773
Post-employment benefits	4,845	2,364
Equity compensation benefits	1,481,239	4,542,390*
	2,557,375	5,912,527

*The Company has restated the remuneration table for the year ended 31 December 2012. The remuneration table that was included in the 31 December 2012 financial statements contained an error relating to the disclosure of employee benefit expense for share-based payments issued to Mr. Lawrence Davidson, the CFO and Joint Company Secretary of the Company and to Mr. Werner Swanepoel, the Project Manager of the Company. The share-based payments amounts have been expensed and included in the Statement of Income and Other Comprehensive Income but were omitted being disclosed in the remuneration table due to an oversight. Hence, this this error has been retrospectively adjusted to the remuneration table for year ended 31 December 2012.

Individual directors and executives compensation disclosures

Information regarding individual directors and executives' compensation and some 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.

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 2013	Balance at 1 Jan 2013	Received as Remuneration	Options Exercised	Other Movements	Balance at 31 Dec 2013
Directors					
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	-	-	-	-	-
Executives					
Lawrence Davidson	50,000	-	-	-	50,000
Leonard Math	-	-	-	-	-
Werner Swanepoel	50,000	-	-	-	50,000

NOTE 21: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT)

31 December 2012	Balance at 1 Jan 2012	Received as Remuneration	Options Exercised	Other Movements	Balance at 31 Dec 2012
Directors					
Robert Samuel Middlemas	250,000	-	-	-	250,000
Iain Macpherson	4,000,000	-	-	10,000	4,010,000
John Sanders (i)	3,300,000	-	-	-	3,300,000
John Ian Stalker	1,750,000	-	-	-	1,750,000
Michael Barton (ii)	-	-	-	-	-
Robert Franklyn (iii)	-	-	-	-	-
Jan Castro (iv)	-	-	-	-	-
Executives					
Graham Anderson (v)	100,000	-	-	-	100,000
Lawrence Davidson (vi)	-	-	-	50,000	50,000
Leonard Math	-	-	-	-	-
Werner Swanepoel		-	-	50,000	50,000

(i) Mr Sanders held his shares in the Company at the date of his resignation – 17 December 2012.
(ii) Appointed on 25 April 2012.
(iii) Appointed on 17 July 2012.
(iv) Resigned on 25 April 2012.
(v) Mr Anderson held his shares in the Company at the date of his resignation – 7 August 2012.
(vi) Mr Davidson held his shares in the Company at the date of his appointment – 7 August 2012.

NOTE 21: KEY MANAGEMENT PERSONNEL DISCLOSURES (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 2013	Balance at 1 Jan 2013	Received as Remuneration	Options Exercised / (Expired)	Other Movements	Balance at 31 Dec 2013	Vested and exercisable at year end
Directors						
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	-
Executives						
Lawrence Davidson	1,200,000	-	-	-	1,200,000	800,000
Leonard Math	-	-	-	-	-	-
Werner Swanepoel	1,200,000	-	-	-	1,200,000	800,000

31 December 2012	Balance at 1 Jan 2012	Received as Remuneration	Options Exercised / (Expired)	Other Movements	Balance at 31 Dec 2012	Vested and exercisable at year end
Directors						
Robert Samuel Middlemas	250,000	-	-	-	250,000	83,333
Iain Macpherson	1,500,000	-	-	-	1,500,000	500,000
John Sanders (i)	1,500,000	-	-	-	1,500,000	500,000
John Ian Stalker	1,250,000	-	-	-	1,250,000	416,666
Michael Barton (ii)	-	250,000	-	-	250,000	-
Robert Franklyn (iii)	-	-	-	-	-	-
Jan Castro (iv)	-	-	-	-	-	-
Executives						
Graham Anderson (v)	266,667	-	-	-	266,667	266,667
Lawrence Davidson (vi)	-	-	-	1,200,000	1,200,000	400,000
Leonard Math	-	-	-	-	-	-
Werner Swanepoel	-	-	-	1,200,000	1,200,000	400,000

(i) Mr Sanders held his options in the Company at the date of his resignation – 17 December 2012.
(ii) Appointed on 25 April 2012.
(iii) Appointed on 17 July 2012.
(iv) Resigned on 25 April 2012.
(v) Mr Anderson held his options in the Company at the date of his resignation – 7 August 2012.
(vi) Mr Davidson held his options in the Company at the date of his appointment – 7 August 2012.

All options refer to options over ordinary shares of Elemental Minerals Limited, which are exercisable on a one-for-one basis.

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 2013 USD$	Dec 2012 USD$
Expense arising from equity-settled share-based payment transactions	2,915,626	6,851,579

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

	Share based payments – options USD$	Share based payments – shares USD$	TOTAL USD$
31 December 2013			
Key management personnel			
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
	1,481,239	-	1,481,239
Other Employees	1,434,387	-	1,434,387
Total	2,915,626	-	2,915,626
31 December 2012			
Directors			
Iain Macpherson	945,608	-	945,608
John Sanders	945,608	-	945,608
John Ian Stalker	788,010	-	788,010
Robert Samuel Middlemas	157,603	-	157,603
Michael Barton	37,881	-	37,881
Lawrence Davidson	833,840	-	833,840
Werner Swanepoel	833,840	-	833,840
	4,542,390	-	4,542,390
Other Employees	2,309,189	-	2,309,189
Total	6,851,579	-	6,851,579

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 22: SHARE BASED PAYMENTS (CONT)

Details of options and shares issued to the key management personnel

During the year, 250,000 options exercisable at $0.90 expiring 22 May 2017 were issued to key management personnel following shareholders approval at the Annual General Meeting held on 22 May 2013. The details of the options are produced below.

Options

The above options have been valued using the black scholes option pricing model. The table below shows the fair value of the options and the inputs used in determining the fair value.

Inputs	Tranche 1	Tranche 2	Tranche 3
Grant date	22 May 2013	22 May 2013	22 May 2013
Share price at grant date	A$0.39	A$0.39	A$0.39
Exercise price	A$0.90	A$0.90	A$0.90
Expiry date	22 May 2017	22 May 2017	22 May 2017
Expected volatility	100%	100%	100%
Dividend yield	0%	0%	0%
Risk free rate	2.75%	2.75%	2.75%
Vesting date	22 May 2014	22 May 2015	22 May 2016
Vesting period (years)	0.90	1.90	2.90
Fair value per option calculated based on above inputs	A$0.2181	A$0.2181	A$0.2181
Number of options	83,333	83,333	83,334

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

	Grant date	Vesting date	Number of options	Expiry Date	Fair value at grant date AUD$	Exercise price AUD$
Option Series 1	18/05/2011	16/02/2013	1,500,000	16/02/2015	$1.4925	$1.07
Option Series 2	18/05/2011	16/02/2014	1,500,000	16/02/2015	$1.6481	$1.07
Option Series 3	18/05/2011	16/02/2015	1,500,000	16/02/2015	$1.7321	$1.07
Option Series 4	18/05/2011	19/05/2012	1,650,000	19/05/2015	$1.5472	$1.07
Option Series 5	18/05/2011	19/05/2013	1,250,000	19/05/2015	$1.6811	$1.07
Option Series 6	18/05/2011	19/05/2014	1,250,000	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

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:

Exercise Period	Exercise Price AUD$	Balance 1 Jan 2013 *Number*	Options Issued *Number*	Options Exercised/ Lapsed *Number*	Balance 31 Dec 2013 *Number*
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
		12,453,620	250,000	(1,953,620)	10,750,000

Share options exercised during the year

No share options were exercised during the year:

Share options outstanding at the end of the year

Exercise Period	Exercise Price AUD$	Number of options
On or before 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	500,000
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
		10,750,000

Shares

There were no shares issued to directors and employees during the year ended 31 December 2013.

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 10,750,000 ordinary shares at 31 December 2013 (31 December 2012: 12,453,620). 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 2013	31 Dec 2012
Earnings reconciliation	USD$	USD$
Profit/(Loss) attributable to ordinary shareholders	(7,680,553)	(10,671,818)
	Number	Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares at period end	293,559,480	246,022,332

NOTE 24: CONTINGENT LIABILITIES AND ASSETS

The Company and its subsidiaries in the Republics of Congo 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 following the letter sent by the financial administration on indirect taxes and other fiscal administrative matters confirming that Sintoukola Potash may be exempted from withholding tax in pursuance with Section 185 TER of the General Tax Code. An amendment of the Mining Research Convention has been submitted to the Ministry of Mines and Geology for that purpose and shall be signed with Sintoukola Potash in the course of 2014. This may or may not lead to cost being incurred and at the date of this report, it is not practicable to determine the financial impact.

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 2013

NOTE 26: PARENT INFORMATION

	Dec 2013 USD$	Dec 2012 USD$
ASSETS		
Current Assets	3,546,680	20,012,161
Non-current Assets	104,186,183	91,409,387
TOTAL ASSETS	107,732,863	111,421,548
LIABILITIES		
Current Liabilities	210,225	3,279,327
TOTAL LIABILITIES	210,225	3,279,327
NET ASSETS	107,522,638	108,142,221
EQUITY		
Contributed equity	142,042,802	137,520,208
Reserves	27,266,210	25,188,982
Retained earnings	(61,786,374)	(54,566,969)
	107,522,638	108,142,221
FINANCIAL PERFORMANCE		
Loss for the year	7,218,951	10,572,599
Other comprehensive income	-	-
Total comprehensive income	7,218,951	10,572,599

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").

Set out below is a summary of the material terms of the Convertible Note Facility. The summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of each of Dingyi and Elemental under the Convertible Note Facility.

- Convertible Note Facility: Subject to satisfaction of various conditions, funds under the Convertible Note Facility may be drawn down by Elemental in 3 tranches of A$5 million each. The first tranche was available for drawdown once those conditions have been satisfied or waived. The second and third tranche were available for drawdown in December 2013 and March 2014 respectively, provided Dingyi's off-market takeover offer for Elemental ("Dingyi Offer") remained open.

- Use of funds: The funds drawn down under the Convertible Note Facility are to be used by Elemental to continue to progress further work on its Sintoukola Project.

- Conditions to drawdown: Drawdown of each tranche of funding under the Convertible Note Facility is subject to various conditions including:

  – Elemental shareholder approval to the extent required under Listing Rules 7.1 and 10.1;
  – Exchange of binding security documentation to secure moneys drawn down under the Convertible Note Facility;
  – Various conditions in relation to the Dingyi Offer, including the relevant bid implementation agreement not being terminated and no defeating condition to the Dingyi Offer having been breached (other than breaches which Dingyi decides to waive).

- Security: The Convertible Note Facility is to be secured by first ranking securities over Elemental's 93% shareholding in Sintoukola, the owner of the Sintoukola Potash Project, and receivables owed by Sintoukola to Elemental ("Securities"). Those Securities have now been established on terms customary for securities of that nature.

- Interest: Interest is payable quarterly at 7% per annum. Elemental may elect to capitalise all interest which would otherwise be payable prior to the maturity date.

- Conversion: Convertible notes issued on drawdown of a tranche under the Convertible Note Facility may be converted at Dingyi's election into Elemental shares at a conversion price of A$0.3407.

- Maturity date: The maturity date of convertible notes issued under the Convertible Note Facility is 6 months after the close of the Dingyi Offer, although Dingyi has the ability to unilaterally extend the maturity date for additional periods of not more than 6 months in limited circumstances.

  Dingyi has announced that the Dingyi Offer will close on 31 March 2014, meaning that the maturity date for the convertible notes would be 30 September 2014.

  Elemental may redeem convertible notes issued under the Convertible Note Facility without penalty at any time after the date that is 90 days after the first tranche is drawn down. Dingyi may require any convertible notes on issue to be redeemed earlier than their maturity date where an event of default occurs. In these circumstances, all (or any part) of the convertible notes on issue must be redeemed:

  (a) within 5 business days of being notified of the occurrence of insolvency related or certain other fundamental events of default; or
  (b) within 6 months of being notified of any other event of default not the subject of paragraph (a) above.

NOTE 27: DINGYI CONVERTIBLE NOTE FACILITY AND DRAWDOWN OF A$10 MILLION (CONT)

- Default events: It is a default event under the Convertible Note Facility if:
  - Elemental fails to pay an amount due under the Convertible Note Facility within an agreed cure period;
  - Elemental does not give effect to a valid conversion notice;
  - Elemental otherwise fails to comply with a facility document constituting a material adverse event and that event is not cured within an agreed period;
  - Elemental ceases to own its 93% shareholding in Sintoukola, or Elemental or Sintoukola are required by a government agency to dispose of all or a substantial part of their assets;
  - Other customary events of default occur (eg insolvency, provisions of the facility documentation become void, etc).

- Other terms: Elemental has provided representations, warranties and undertakings which are customary for a facility of this nature.

- ASX waivers: Elemental has received waivers of ASX Listing Rules 7.3.2 and 10.1 from ASX in connection with the Convertible Note Facility and the Securities. The terms of the ASX waivers are set out in Elemental's announcement dated 24 December 2014.

On 22 January 2014, following the satisfaction of the conditions precedent to drawdown mentioned above 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.

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

Report on the Financial Report

We have audited the accompanying financial report of Elemental Minerals Limited, which comprises the statement of financial position as at 31 December 2013, 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 26 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.

Deloitte.

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 2013 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 $7,680,553 (2012: $10,671,818) and experienced net cash outflows from operating and investing activities of $22,027,530 (2012: $39,362,250) for the year ended 31 December 2013. These conditions, along with other matters as set forth in Note 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the company and the consolidated entity to continue as going concerns and therefore, 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 24 of the directors' report for the year ended 31 December 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants
Perth, 31 March 2014

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Elemental Minerals Limited 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 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 Company, 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 Company'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 Company 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 Company and monitoring results on a regular basis.
- Determining that The Company has instituted adequate reporting systems and internal controls (both operational and financial) together with appropriate monitoring of compliance activities.
- Determining that The Company financial statements are true and fair.
- Determining that satisfactory arrangements are in place for auditing The Company'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 Company's securities are listed.
- 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 interim Chairman) and one executive director.

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

Name	Position
S Middlemas	Interim Non-Executive Chairman
I Macpherson	Managing Director
I Stalker	Non-Executive Director
M Barton	Non-Executive Director – Resigned 31 March 2014
R Franklyn	Non-Executive Director – Resigned 31 March 2014

The Board is currently reviewing its Board composition following the resignation of Mr Barton and Mr Franklyn on 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 company.

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 Middlemas, Mr Barton, Mr Franklyn and Mr Stalker.

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 Company or another group member, or an employee materially associated with the service provided;
- is not a material supplier customer of the Company or group who accounts for more than 5% of the Company's consolidated gross revenue;
- is not a supplier to the Company or Group member accounts for more than 5% of the supplier's gross revenue;
- has no material contractual relationship with the Company or another group member other than as a director of the Company;
- 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 Company; 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 Company.

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 Company 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 Company 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)
- John Ian Stalker
- Michael Barton

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 Company 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 Company'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 of directors (the "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:

- Robert Franklyn (Chair)
- Robert Samuel Middlemas
- John (Ian) Stalker

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

- Review and recommend appropriate remuneration policies which are designed to enhance Elemental Minerals Limited's ("Elemental" or "the Company") board of directors' ("Board"), individual directors' ("Directors") 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 Company 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; and
- 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; and
- review any executive compensation disclosure before it is publicly disseminated.
- ensure that remuneration policies and systems that support The Company's wider objectives and strategies are in place and are being adhered to;
- co-ordinate annual reviews of The Company's remuneration policies and practices to ensure they are:
    - relevant to The Company's wider objectives and strategies;
    - legal and defensible; and
    - in accordance with the human resource objectives of The Company;
- 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 Company's wider objectives and strategies are in place and are being adhered to;
- co-ordinate annual reviews of the Company's remuneration policies and practices to ensure they are:
    - relevant to the Company's wider objectives and strategies;
    - legal and defensible; and
    - in accordance with the human resource objectives of the Company;
- 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.

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 Company'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 Company 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 Company, including the statutory and regulatory requirements. They will develop an understanding of the Company'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 Company'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 Company should be cleared in advance – preferably with the full Board, but at least with the chairman of the Board (the "Chairman").

- Directors will comply with all laws and regulations and will actively promote compliance within the Company.
- 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 company 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 company's corporate reputation.

The Code of Conduct describes the company's requirements on matters such as confidentiality, conflicts of interest, use of company information, sound employment practices, compliance with laws and regulations and the protection and safeguarding of company 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 Company'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 company'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 company'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 company's securities are also subject to specified Closed Periods which are set out in the company'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 Elemental Minerals Limited (the "Company") 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 Company'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 Elemental Minerals Limited ("Elemental") and its controlled subsidiaries 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.

Elemental Minerals 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 Elemental'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 Elemental'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.

Elemental takes continuous disclosure seriously and requires that all of its Directors, Officers, Employees and Contractors observe and adhere to Elemental'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 Company'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 of directors (the "Board") 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 (c)).

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 Company 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 Company'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 company'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 company'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 Elemental'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 Company 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 Company'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 Company 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 consisting of fixed components 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.

Elemental Minerals Limited is committed to an inclusive workplace that embraces and promotes diversity, while respecting International, Sovereign and Australian laws.

6. DIVERSITY POLICY – ASX PRINCIPLE 3

Elemental 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 company 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.

Company and Individual Expectations

- Ensure diversity is incorporated into the behaviours and practises of the Company;
- 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 Elemental'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 Company'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	15.7%
Women in senior executive positions	1.4%
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 17 April 2014.

Distribution of equity security holders

Size of Holding	Holders	Units	Percentage %
1 to 1,000	499	293,827	0.097
1,001 to 5,000	876	2,583,221	0.852
5,001 to 10,000	410	3,323,897	1.096
10,001 to 100,000	690	23,600,072	7.782
100,001 and over	147	273,462,374	90.173
	2,622	303,263,391	100.00

The number of holdings comprising less than a marketable parcel was 806.

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 17 April 2014	Number of Shares	% Held
BNP PARIBAS NOMS PTY LTD <DRP>	90,357,043	29.795
CITICORP NOMINEES PTY LIMITED	33,647,703	11.095
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	33,322,017	10.998
J P MORGAN NOMINEES AUSTRALIA LIMITED	21,624,097	7.130
DINGYI GROUP INVESTMENT LIMITED	14,676,163	4.839
MR GARRY THOMAS	5,000,000	1.649
DOG MEAT PTY LTD <DM A/C>	4,500,000	1.484
NATIONAL NOMINEES LIMITED	4,317,345	1.424
MRS NANCY-LEE THOMAS <THOMAS FAMILY A/C>	3,500,000	1.154
MR JEFFREY MAXWELL JONES <TZM A/C>	3,000,000	0.989
NATIONAL AUSTRALIA TRUSTEES LIMITED	2,591,787	0.855
OAKAJEE CORPORATION LTD	2,160,000	0.712
NEFCO NOMINEES PTY LTD	2,120,000	0.699
MRS NANCY-LEE THOMAS < THE THOMAS FAMILY A/C>	2,100,000	0.692
MR GARRY + MRS NANCY-LEE THOMAS <THOMAS FAMILY SUPER A/C>	1,695,000	0.559
LES ESTABLISSEMENTS CONGOLAIS MGM	1,625,000	0.536
MR RICHARD JOHN WATSON	1,579,097	0.521
JOHN MACPHERSON	1,500,000	0.495
FIDUCS LIMITED	1,500,000	0.495
MR MARIO CLAUDE FRICHOT <CLAUDE FRICHOT S/FUND A/C>	1,399,000	0.461
Total	**232,214,252**	**76.572**

Tenement Details

Elemental Minerals Limited holds 93% 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^2 along the northern part of the coastline in the west of the country.

elemental
minerals limited

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