



elemental  
minerals limited

**FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED**  
**30 JUNE 2013**

## **CORPORATE DIRECTORY**

This Interim Financial Report covers Elemental Minerals Limited and the entities that it controls (“the Group”). The Group’s presentation currency is USD (\$).

### **Directors**

Mr Sam Middlemas (Interim Chairman)  
Mr Iain Macpherson (Managing Director)  
Mr Ian Stalker (Non Executive Director)  
Mr Michael Barton (Non Executive Director)  
Mr Robert Franklyn (Non Executive Director)

### **Auditors**

Deloitte Touche Tohmatsu  
Level 14, 240 St Georges Terrace  
PERTH WA 6000  
Ph: +61 8 9365 7000  
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### **Joint Company Secretary**

Mr Leonard Math  
Mr Lawrence Davidson (Chief Financial Officer)

### **Registered Office**

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### **Johannesburg Office**

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### **Share Registry**

Advanced Share Registry Services Pty Ltd  
110 Stirling Highway  
NEDLANDS WA 6009

**ASX & TSX Code: ELM**

### **Website**

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

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## DIRECTORS' REPORT

The Board of Directors of Elemental Minerals Limited ("Elemental" or the "Company") presents its report on the Company for the half-year ending 30 June 2013.

### DIRECTORS

The names of the Directors of the Company in office during the half-year and until the date of this report are:

Mr Sam Middlemas	(Chairman)
Mr Iain Macpherson	(Managing Director)
Mr Ian Stalker	(Non Executive Director)
Mr Michael Barton	(Non Executive Director)
Mr Robert Franklyn	(Non Executive Director)

Unless otherwise shown, all Directors were in office from the beginning of the half-year until the date of this report.

### PRINCIPAL ACTIVITIES

The principal activity of the Company during the period was mineral resources exploration and project development at the Company's Sintoukola Potash Project in the Republic of Congo (RoC).

### REVIEW AND RESULTS OF OPERATIONS

#### Operating Results

Net operating loss after tax for the half-year ended 30 June 2013 was USD\$4,591,269 (2012: USD\$5,740,792).

#### Review of Operations

##### Highlights:

- Dingyi Group Investment Limited ("Dingyi") has made a conditional all cash off-market takeover offer for 100% of the fully paid ordinary shares of Elemental at A\$0.66 per share.

##### Operational Activities:

- 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.

##### Post reporting period Operational Activities:

- As announced on 15 August 2013, a mining licence was awarded for the Sintoukola Project by the Ministry of Mines and Geology and discussions over the form of the proposed mining convention are ongoing.
- On 28 August 2013, Elemental announced receipt of approval of its Environmental and Social Impact Assessment from the Ministry of Tourism and Environment.

## DIRECTORS' REPORT

### Dingyi Offer

On 1 July 2013, Elemental announced that it had executed a bid implementation agreement with Dingyi ("**Bid Implementation Agreement**") under which Dingyi will make an off-market takeover offer for 100% of the fully paid ordinary shares of Elemental ("**Dingyi Offer**").

The Dingyi Offer price is A\$0.66 per Elemental share, valuing Elemental at approximately A\$190 million and represents a 126% premium to the volume weighted average price per Elemental share over the 20 trading days prior to the announcement in relation to the Dingyi Offer made on 12 April 2013.

A majority of Elemental directors have recommended that shareholders accept the Dingyi Offer unless a superior proposal emerges or the Dingyi shareholder approval condition has not been satisfied or waived by 30 November 2013 (or such earlier date as provided for in the Bid Implementation Agreement)<sup>1</sup>. The remaining Director, Mr Iain Macpherson, differs from the majority view and recommends that shareholders reject the Dingyi Offer. The reasons for the recommendations made by each Director are set out in the Target's Statement.

The Dingyi Offer is subject to a number of conditions (including Dingyi acquiring at least 50.1% of Elemental's shares and Dingyi shareholder approval but importantly is not conditional upon finance, or Chinese regulatory or Foreign Investment Review Board approvals.

The independent expert engaged by Elemental, BDO Corporate Finance ("**Independent Expert**"), has confirmed that in its view the Dingyi Offer is fair and reasonable to Elemental shareholders.

Dingyi released its Bidder's Statement on 28 August 2013 and the Company released its Target Statement on 5 September 2013, both of which may be accessed on the Company's website. The Dingyi Offer subsequently became open for acceptance on 2 September 2013.

Further details of the Dingyi Offer and the Bid Implementation Agreement are outlined in Elemental's announcement on 1 July 2013. Further information supporting the Independent Expert's conclusions are set out in the Independent Expert's Report also released by Elemental on 1 July 2013 and a copy of which accompanies the Target's Statement.

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<sup>1</sup> This date is subject to Dingyi obtaining the necessary regulatory confirmations required from the SEHK which are discussed in more detail in **section 5.2** of Elemental's Target's Statement. There can be no guarantee that a positive regulatory confirmation will be obtained or obtained in time to facilitate this shareholder approval prior to the specific shareholder approval long stop date.

## DIRECTORS' REPORT

As a result of the previously announced delays in obtaining the required regulatory confirmations from the Hong Kong Stock Exchange, the parties have agreed timetable amendments such that the Dingyi Offer is targeted to proceed in line with the indicative timetable set out below.

Dingyi to despatch its circular in respect of the Dingyi shareholder meeting to approve the Dingyi Offer	October 2013
Dingyi shareholder meeting	Targeted by 31 October 2013
Offer closes (unless extended) <sup>1</sup>	21 November 2013

To facilitate this revised timetable, the Company and Dingyi have agreed to extend the long stop date for obtaining Dingyi shareholder approval to the Dingyi Offer to 30 November 2013.

<sup>1</sup> The Dingyi Offer will remain open for acceptance until the later of 21 November 2013 and the date that is 21 days after the Dingyi shareholder meeting to approve the Dingyi Offer, subject always to the Dingyi shareholder approval condition not otherwise becoming incapable of being satisfied.

### Interim Funding from Dingyi

In connection with the announcement of the Dingyi Offer, Elemental announced on 1 July 2013 that Dingyi had agreed to subscribe for A\$5 million of Elemental shares at an issue price of A\$0.3407 per share ("**Subscription Shares**") and also to provide Elemental with additional financing of up to A\$15 million through a secured convertible loan facility to provide working capital during the bid period (the "**Convertible Note Facility**").

Accordingly, on 30 August 2013 the Company announced that it had completed the placement of 14,676,163 ordinary shares to Dingyi Group Investment Limited (the "Placement") as approved by the Company's shareholders at an extraordinary general meeting held on 14 August 2013, raising a total of A\$5million.

Drawdown under the Convertible Note Facility is also subject to a number of conditions, including Elemental shareholder approval (to the extent required) and finalisation of security documentation.

If necessary the Board will convene a shareholders meeting at a later date to approve the Convertible Note Facility if it is considered likely to need to draw on the facility.

Further details of the interim funding provided by Dingyi in connection with the Dingyi Offer are outlined in Elemental's announcement on 1 July 2013 and Elemental's Notice of General Meeting and Explanatory Statement announced on 10 July 2013.

## DIRECTORS' REPORT

### Geology and Mineral Resources

The Phase 3A drilling was completed during the half-year, comprising two boreholes totalling 551.48 metres, to extend sylvinite mineralisation in the north western 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 <sub>2</sub> O	% 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 later in the year. 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 square kilometres 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.

Elemental has also secured a large historic database including operational reports from the Holle Mine and detailing exploration and operational activities in RoC by Potasse d'Alsace from the 1960s to the late 1980s.

The Company now has significant volume of data for historic boreholes within the Sintoukola Permit and across the basin as a whole 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).

Both of these data sets will greatly assist in Elemental's Bankable Feasibility Study and target generation and future exploration across the Sintoukola exploration licence including resource delineation on and around the Kola deposit.

## DIRECTORS' REPORT

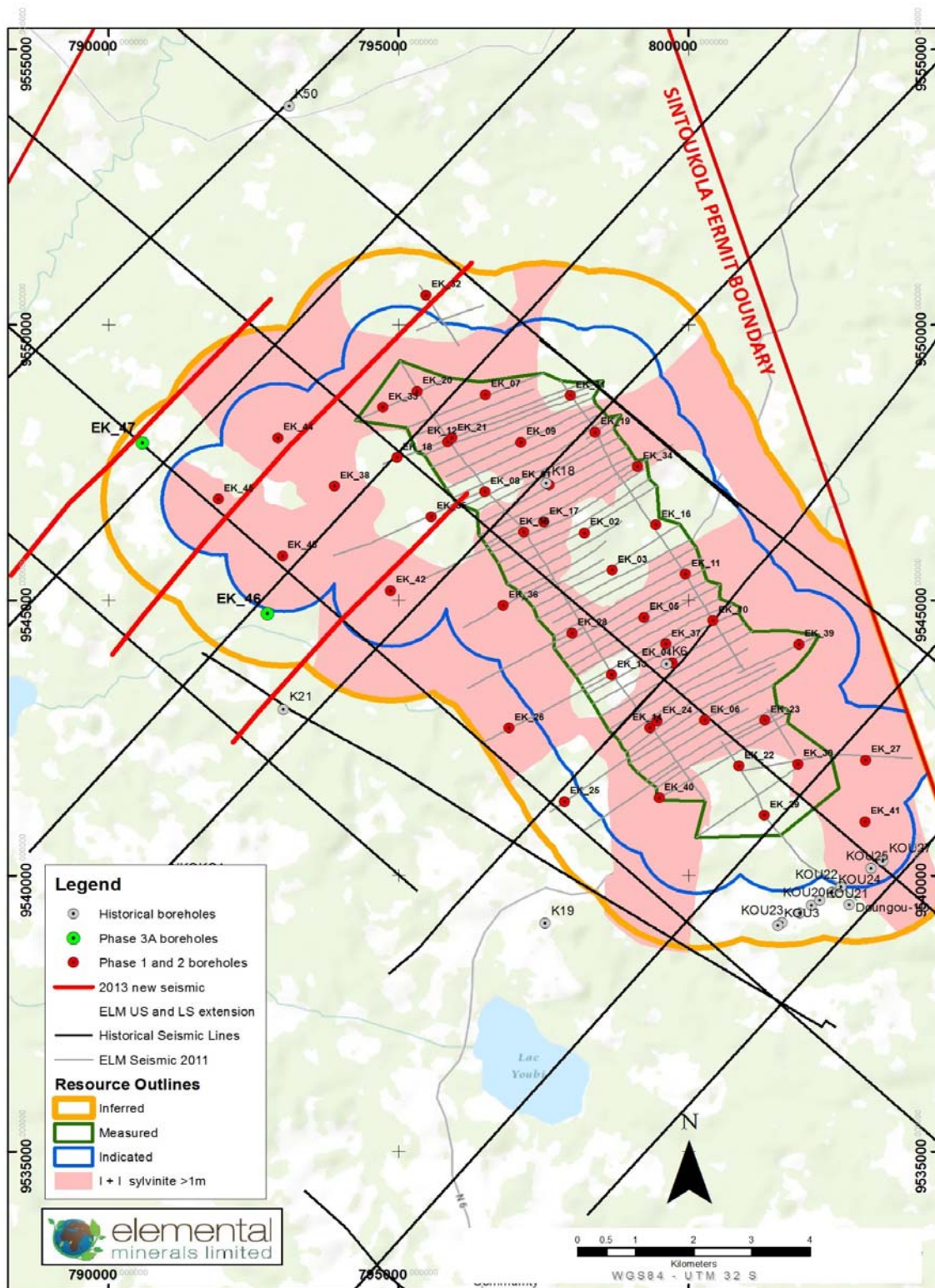


Figure 1. Map showing EK\_46 and EK\_47 and distribution of sylvinitic mineralisation at Kola. Includes the Upper Seam, Lower Seam and Hangingwall Seam, where over 1 metre in thickness and in Measured, Indicated or Inferred Mineral Resource categories (Hangingwall Seam is all Inferred). The red lines show the recently acquired 2D seismic data.



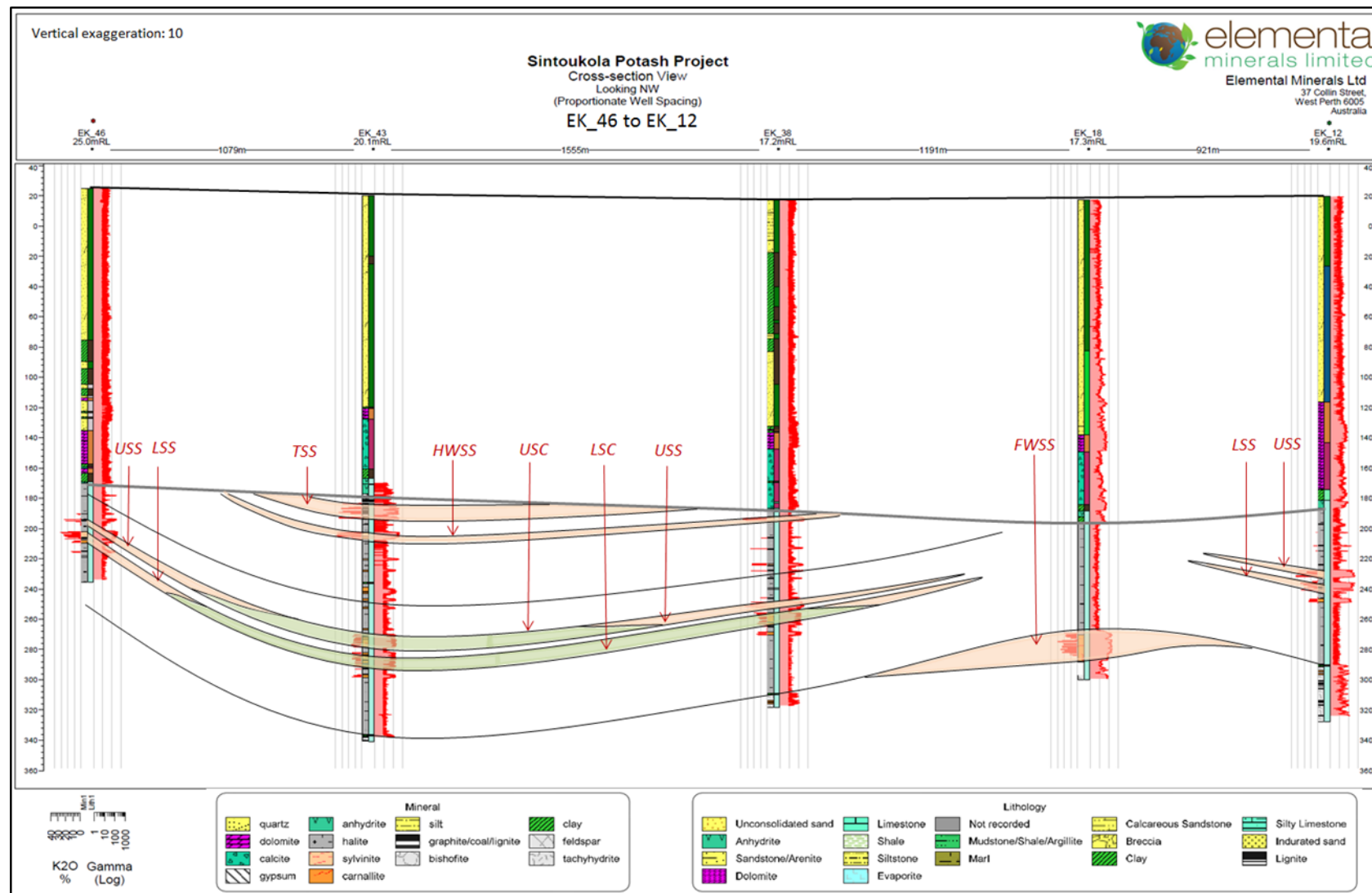


Figure 2. West to East cross section (looking northwest) through the northwest portion of Kola showing the potash seams. Abbreviations: USS=Upper Seam Sylvinite, LSS=Lower Seam Sylvinite, HWSS=Hangingwall Seam Sylvinite, FWSS=Footwall Seam Sylvinite, USC= Upper Seam Carnallitite, LSC=Lower Seam Carnallitite,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

## DIRECTORS' REPORT

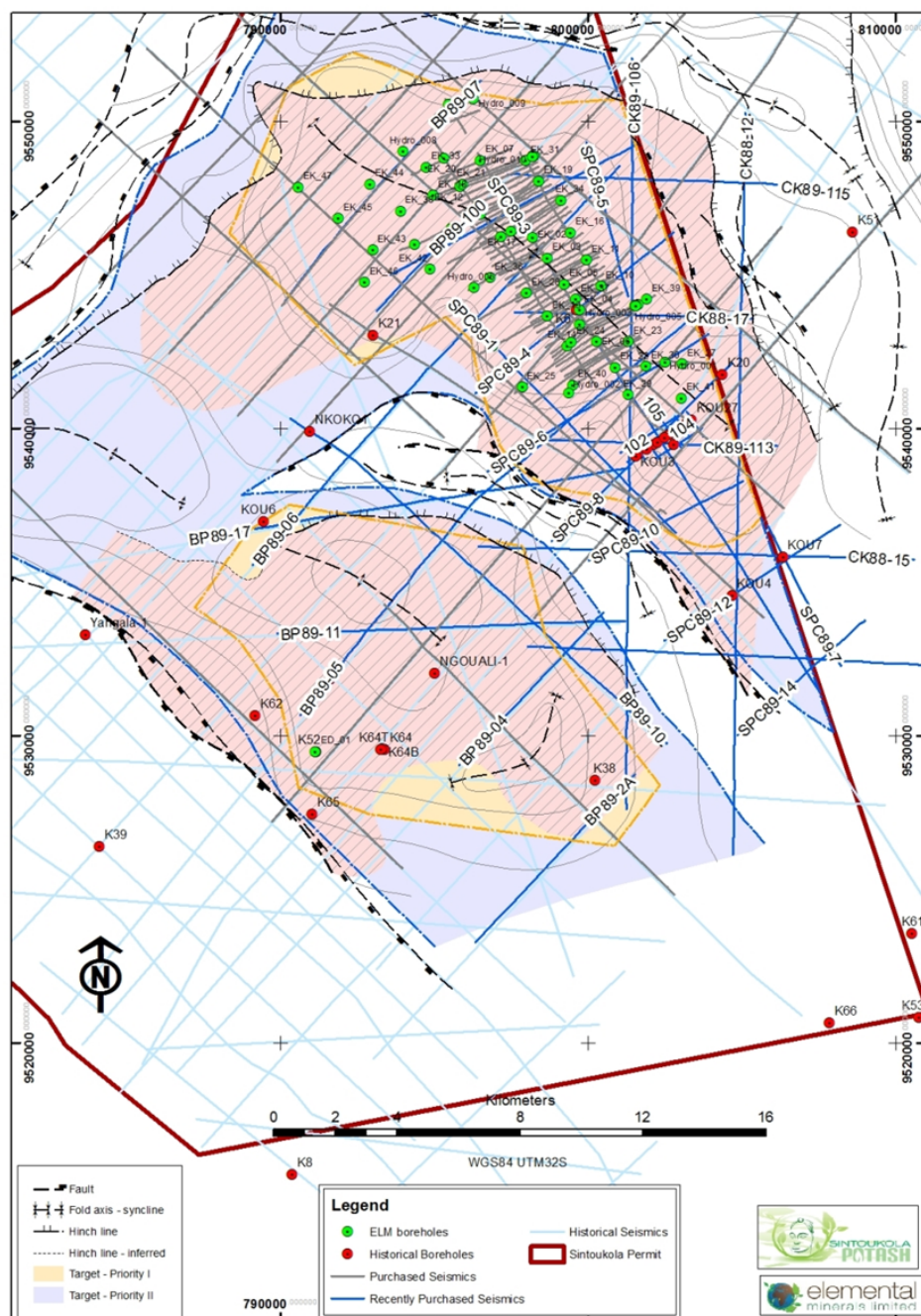


Figure 3. Map showing Kola and Dougou and all boreholes and seismic data. The lines marked in blue are part of the recently acquired historic dataset. The historic boreholes are marked in red.

## DIRECTORS' REPORT

### Bankable Feasibility Study (BFS)

#### **Field Programme:**

A 12-month metocean survey was completed during this period. The data helped define meteorological and oceanographic conditions that was used in the brine discharge modelling and design of the marine facilities and was included in the ESIA that has subsequently been approved.

#### **Technical Studies:**

A plant modularisation study was completed by AMEC. The purpose of this study was to investigate opportunities afforded by the application of a modularised construction strategy on the process plant to optimize the construction schedule. The findings will be incorporated in the next phase of the feasibility study.

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 PFS, 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 RoC. 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). The plot enquiry process to determine compensation values was completed by the commission and Elemental is currently awaiting the results thereof.

### **AUDITOR'S INDEPENDENCE DECLARATION**

Section 307C of the Corporations Act 2001 requires our auditor Deloitte Touche Tohmatsu to provide the directors of Elemental Minerals Limited with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 12.

Signed in accordance with a resolution of Directors made pursuant to s306(3) of the Corporations Act 2001.

On behalf of the Directors



**Robert Samuel Middlemas**  
**Chairman**  
**12 September 2013**

## DIRECTORS' REPORT

### Competent Person / Qualified Person Statement:

Information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by Dr. Simon Dorling, Mr. Jeff Elliott and Dr. Andrew Scogings of CSA Global Pty Ltd, the Company's geological consultants. Dr. Dorling, Mr. Elliott and Dr. Scogings 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" (the JORC Code). Dr. Dorling, Mr. Elliott and Dr. Scogings 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 news release.

Further information respecting Elemental's Sintoukola Potash Project and the PFS is contained in a technical report entitled "NI 43-101 Technical Report, Sintoukola Potash Project, Republic of Congo" dated September 17, 2012 with an effective date of September 17, 2012 (the "Technical Report"). 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.

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

12 September 2013

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 review of the financial statements of Elemental Minerals Limited for the half-year ended 30 June 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



**Chris Nicoloff**  
Partner  
Chartered Accountants

## DIRECTORS' DECLARATION

The Directors of Elemental Minerals Limited 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; and

b) 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.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Board of Directors,

A handwritten signature in black ink, appearing to read 'Sam Middlemas', with a stylized flourish at the end.

**Robert Samuel Middlemas**  
**Chairman**  
**12 September 2013**

**CONDENSED CONSOLIDATED STATEMENT OF  
PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME  
FOR THE HALF-YEAR ENDED 30 JUNE 2013**

	Notes	30 June 2013 USD\$	30 June 2012 USD\$
Other Income		<u>114,326</u>	<u>337,547</u>
<b>Expenses</b>			
Directors remuneration		(193,886)	(186,923)
Share based payments		(1,899,782)	(3,954,939)
Depreciation expense		-	(1,662)
Consultants, Salaries and employee benefits		(656,010)	(350,118)
Administration expenses		(1,312,707)	(1,584,697)
Net realised loss on foreign exchange		(643,210)	-
<b>Loss before income tax expense</b>		<u>(4,591,269)</u>	<u>(5,740,792)</u>
Income tax expense		-	-
<b>Loss for the period</b>		<u>(4,591,269)</u>	<u>(5,740,792)</u>
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss			
Net foreign currency translation differences		<u>(1,877,591)</u>	<u>546,216</u>
<b>Other comprehensive income for the period</b>		<u>(1,877,591)</u>	<u>546,216</u>
<b>Total Comprehensive Income for the period</b>		<u>(6,468,860)</u>	<u>(5,194,576)</u>
<b>Loss attributable to:</b>			
Owners of the Company		(6,468,860)	(5,740,792)
Non-controlling interest		-	-
		<u>(6,468,860)</u>	<u>(5,740,792)</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(6,190,370)	(5,190,785)
Non-controlling interest		(278,490)	(3,791)
		<u>(6,468,860)</u>	<u>(5,194,576)</u>
Basic loss per share (cents per share)		(1.59)	(2.36)
Diluted loss per share (cents per share)		(1.59)	(2.36)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION  
AS AT 30 JUNE 2013**

	Notes	30 June 2013 USD\$	31 Dec 2012 USD\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		7,077,035	20,339,081
Trade and other receivables		489,889	129,213
<b>Total Current Assets</b>		<u>7,566,924</u>	<u>20,468,294</u>
<b>Non-Current Assets</b>			
Property, plant and equipment		1,128,305	1,242,936
Exploration and evaluation expenditure	5	92,608,916	87,519,929
<b>Total Non-current Assets</b>		<u>93,737,221</u>	<u>88,762,865</u>
<b>TOTAL ASSETS</b>		<u>101,304,145</u>	<u>109,231,159</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		1,115,544	4,524,374
<b>Total Current Liabilities</b>		<u>1,115,544</u>	<u>4,524,374</u>
<b>TOTAL LIABILITIES</b>		<u>1,115,544</u>	<u>4,524,374</u>
<b>NET ASSETS</b>		<u>100,188,601</u>	<u>104,706,785</u>
<b>EQUITY</b>			
Contributed equity	6	137,571,102	137,520,208
Reserves		22,691,326	22,390,645
Accumulated losses		(59,796,746)	(55,205,477)
Equity attributable to owners of the Company		100,465,682	104,705,376
Non-controlling interests		(277,081)	1,409
<b>TOTAL EQUITY</b>		<u>100,188,601</u>	<u>104,706,785</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.



**CONDENSED CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 30 JUNE 2013**

	Contributed Equity USD\$	Accumulated Losses USD\$	Option Reserve USD\$	Foreign Currency Translation Reserve USD\$	Non- Controlling Interest USD\$	Total Equity USD\$
<b>Balance at 1 Jan 2012</b>	117,456,024	(44,533,659)	16,149,873	2,635,461	5,145	91,712,844
Loss for the period	-	(5,740,792)	-	-	-	(5,740,792)
Other comprehensive income	-	-	-	550,007	(3,791)	546,216
Total comprehensive income	-	(5,740,792)	-	550,007	(3,791)	(5,194,576)
Transactions with owners in their capacity as owners:						
Issue of shares, net of transaction costs	3,066,536	-	-	-	-	3,066,536
Share based payments	-	-	3,954,939	-	-	3,954,939
<b>Balance at 30 June 2012</b>	<b>120,522,560</b>	<b>(50,274,451)</b>	<b>20,104,812</b>	<b>3,185,468</b>	<b>1,354</b>	<b>93,539,743</b>
<b>Balance at 1 Jan 2013</b>	137,520,208	(55,205,477)	23,001,452	(610,807)	1,409	104,706,785
Loss for the half-year	-	(4,591,269)	-	-	-	(4,591,269)
Other comprehensive income	-	-	-	(1,599,101)	(278,490)	(1,877,591)
Total comprehensive income	-	(4,591,269)	-	(1,599,101)	(278,490)	(6,468,860)
Transactions with owners in their capacity as owners:						
Issue of shares, net of transaction costs	-	-	-	-	-	-
Reclassification of capital raising cost	50,894	-	-	-	-	50,894
Share based payments	-	-	1,899,782	-	-	1,899,782
<b>Balance at 30 June 2013</b>	<b>137,571,102</b>	<b>(59,796,746)</b>	<b>24,901,234</b>	<b>(2,209,908)</b>	<b>(277,081)</b>	<b>100,188,601</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**CONDENSED CONSOLIDATED  
STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 30 JUNE 2013**

	Notes	30 June 2013 USD\$	30 June 2012 USD\$
<b>Cash flows from operating activities</b>			
Payments to suppliers		(2,401,356)	(2,069,637)
Interest received		114,326	380,330
<b>Net cash flows used in operating activities</b>		<u>(2,287,030)</u>	<u>(1,689,307)</u>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		-	(1,545)
Payments for exploration and evaluation tenements		(10,122,787)	(25,649,990)
<b>Net cash flows used in investing activities</b>		<u>(10,122,787)</u>	<u>(25,651,535)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares, net of share issue costs		(209,019)	3,066,536
<b>Net cash flows from financing activities</b>		<u>(209,019)</u>	<u>3,066,536</u>
Net (decrease)/increase in cash and cash equivalents		(12,618,836)	(24,274,306)
Cash and cash equivalents at beginning of period		20,339,081	42,682,537
Foreign currency differences		(643,210)	(340,155)
<b>Cash and cash equivalents at end of period</b>		<u>7,077,035</u>	<u>18,068,076</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

## **CONDENSED NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2013**

### **1. REPORTING ENTITY**

Elemental Minerals Limited ("the Company") is a company domiciled in Australia and is listed on the Australian Securities Exchange and the Toronto Stock Exchange.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### ***Statement of Compliance***

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and *AASB 134 Interim Financial Reporting*. Compliance with *AASB 134* ensures compliance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial reports.

#### ***Basis of Preparation***

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in US dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2012 financial report for the year ended 31 December 2012, except for the impact of the standards and interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

**CONDENSED NOTES TO THE HALF-YEAR  
FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2013  
(Continued)**

**Application of new and revised Accounting Standards**

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 beginning 1 January 2013.

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements

- AASB 10 'Consolidated Financial Statements'
- AASB 11 'Joint Arrangements'
- AASB 12 'Disclosure of Interests in Other Entities'
- AASB 127 'Separate Financial Statements' (2011)
- AASB 128 'Investments in Associates and Joint Ventures' (2011)
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'
- AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)'
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'
- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'

These standards has been applied have applied and have introduced new disclosure requirements, they did not affect the consolidated entity's accounting policies or any amounts recognised in the financial report.

The consolidated entity has not elected to early adopt any other new Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective.

**3. FUNCTIONAL AND PRESENTATION CURRENCY**

The consolidated entity's functional currency is the currency of the primary economic environment in which the entity operates. The functional and presentation currency is in US dollars.

**4. 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.

**CONDENSED NOTES TO THE HALF-YEAR  
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**5. RECONCILIATION OF CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE**

	<b>30 June 2013 USD\$</b>	<b>31 December 2012 USD\$</b>
Opening Balance	87,519,929	52,050,105
Capitalised during the period(net of exchange differences)	5,088,987	35,469,824
Closing Balance	<b>92,608,916</b>	<b>87,519,929</b>

**6. CONTRIBUTED EQUITY**

288,587,228 Fully Paid Ordinary Shares (31 Dec 2012: 288,587,228)	137,571,102	137,520,208
	<b>137,571,102</b>	<b>137,520,208</b>

**a) Movement in share capital**

	<b>USD\$</b>
Opening balance at 1 January 2013	137,520,208
Reclassification of capital raising cost	50,894
Closing Balance at 30 June 2013	<b>137,571,102</b>

**CONDENSED NOTES TO THE HALF-YEAR  
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**7. SHARE BASED PAYMENTS**

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

**Series 1**

On 22 May 2013, the Company issued 250,000 Options exercisable at AUD\$0.90 expiring 22 May 2017 to Mr Robert Franklyn (Non-Executive Director) as part of his director remuneration package. The options are subject to the following vesting conditions:

- i) 83,333 Vest on 22 May 2014
- ii) 83,333 Vest on 22 May 2015
- iii) 83,334 Vest on 22 May 2016

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

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

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

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

<b>Input into the model</b>	<b>Series 1</b>
Grant Date Share Price	\$0.39
Exercise Price	\$0.90
Expected Volatility	100%
Option Life	4 years
Dividend Yield	0%
Risk Free interest rate	2.75%
Weighted average grant date fair value	0.2181

**Share options exercised during the period**

There were no share options exercised during the period ended 30 June 2013.

**CONDENSED NOTES TO THE HALF-YEAR  
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**8. COMMITMENTS**

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.

**9. RELATED PARTY TRANSACTIONS**

The company paid USD\$49,084 (30 June 2012: USD\$53,900) 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\$65,350 (30 June 2012: USD\$32,606) 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.

The Company paid USD\$439,839 (30 June 2012: Nil) to Corrs Chambers Westgarth for legal services provided on normal commercial terms. Mr Robert Franklyn is a partner of Corrs Chambers Westgarth, but has not personally provided legal services to the Company

GDA Corporate ("GDA") has been engaged to provide accounting, administrative and company secretarial services on commercial terms. Total amounts paid to GDA were USD\$51,894 during the reporting period (30 June 2012: \$52,780). Mr Leonard Math is an employee of GDA Corporate.

**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 at year end.

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

**10. DIVIDENDS**

No dividends have been paid or provided for during the half-year.

**11. CONTINGENT LIABILITIES**

The Company and its subsidiaries in the Republic of Congo are engaged in on-going discussions with Authorities on indirect taxes and other fiscal administrative matters. These discussions may or may not lead to further costs being incurred by the Consolidated Entity. As at reporting date, it is not practicable to determine the possible financial effect in this regard.

There are no other material contingent liabilities since the last reporting balance date.

**CONDENSED NOTES TO THE HALF-YEAR  
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**12. SUBSEQUENT EVENTS AFTER BALANCE DATE**

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 ("Bid Implementation Agreement"), under which Dingyi will make an off market takeover offer for 100% of the fully paid ordinary shares of Elemental ("Dingyi Offer" following the successful completion of a thorough technical and financial due diligence exercise by Dingyi.

Under the bid implementation agreement, should any party in breach of the terms and conditions under the bid implementation agreement, a compensation amount of \$1.9m will be payable by the party in breach.

**Takeover Offer**

The Dingyi Offer price is A\$0.66 per Elemental share, valuing Elemental at approximately A\$190 million.

Dingyi proposes to enter into conditional private treaty arrangements with Elemental's option holders to acquire or cause to be cancelled their options in exchange for agreed cash consideration.

The Dingyi Offer will be made in accordance with the requirements of the Australian Corporations Act 2001 (Cth). While Elemental is listed on the Toronto Stock Exchange, the Dingyi Offer is being made in and to residents of Canada on the basis of an exemption from the formal takeover requirements of applicable Canadian provincial securities laws.

**Offer conditions and funding**

The Dingyi Offer is subject to a number of conditions, a summary of which is set out in Annexure A of the full announcement dated 1 July 2013, available on the Company's website.

These include:

- Dingyi acquiring at least 50.1% of Elemental's shares;
- Dingyi shareholders approving the transaction in accordance with the SEHK Listing Rules, which will require Dingyi to obtain the necessary confirmations from the SEHK to enable the Dingyi shareholder approval to be obtained by the shareholder approval long stop date in the Bid Implementation Agreement (the "Shareholder Approval Long Stop Date");
- no prescribed circumstances occurring; and
- no material adverse change in respect of Elemental during the offer period.

On 28 August 2013 Elemental announced the receipt of Dingyi Group Investment Limited's ("Dingyi") formal bidder's statement (**Bidder's Statement**) in respect of Dingyi's off-market takeover offer for 100% of the fully paid ordinary shares of Elemental at A\$0.66 per share (the "**Dingyi Offer**").

The Bidder's Statement has been despatched by Dingyi to Elemental shareholders on 2 September 2013 at which stage the Dingyi Offer will be open for acceptance.

The Target's Statement by Elemental in relation to the Dinyi Offer has been lodged with the ASX and ASIC on 5 September 2013. The Target's Statement has been issued and despatched to Elemental shareholders.

As a result of the previously announced delays in obtaining the required regulatory confirmations from the Hong Kong Stock Exchange, the parties have agreed timetable amendments such that the Dingyi Offer is targeted to proceed in line with the indicative timetable set out below.



**CONDENSED NOTES TO THE HALF-YEAR  
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Dingyi to despatch its circular in respect of the Dingyi shareholder meeting to approve the Dingyi Offer	October 2013
Dingyi shareholder meeting	Targeted by 31 October 2013
Offer closes (unless extended) <sup>2</sup>	21 November 2013

<sup>2</sup> The Dingyi Offer will remain open for acceptance until the later of 21 November 2013 and the date that is 21 days after the Dingyi shareholder meeting to approve the Dingyi Offer, subject always to the Dingyi shareholder approval condition not otherwise becoming incapable of being satisfied.

To facilitate this revised timetable, the Company and Dingyi have agreed to extend the long stop date for obtaining Dingyi shareholder approval to the Dingyi Offer to 30 November 2013.

**Award of Mining License & ESIA for Sintoukola Potash Project**

On 15 August 2013, the Company announced the award the Mining License for its Sintoukola Potash project in the Republic of Congo ("RoC") and on 28 August announced the award of the Environmental Permit.

The award of these permits represents another positive step in the development of the project and together mark the completion of the key permitting stage.

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<sup>2</sup>, approximately 15% of the existing Exploration Licence of 1,408km<sup>2</sup>.

The ESIA covers an area of 3,900 km<sup>2</sup> and grants approval for all required construction and operational activities related to the Kola deposit over the life of mine, currently expected to be 23 years. These activities include ore mining, transport and processing, residue storage, brine disposal, final product loading through maritime facilities, staff accommodation and service corridors.

**Placement & Financing**

On 30 August 2013, Elemental completed the placement of 14,676,163 ordinary shares to Dingyi Group Investment Limited (the "Placement") as approved by the Company's shareholders at an extraordinary general meeting held on 14 August 2013, raising \$5 million (before costs).

In connection with the announcement of the Dingyi Offer, Elemental announced on 1 July 2013 that Dingyi had will also provide Elemental with additional financing of up to A\$15 million through a secured convertible loan facility to provide working capital during the bid period (the "**Convertible Note Facility**").

Drawdown under the Convertible Note Facility is also subject to a number of conditions, including Elemental shareholder approval (to the extent required) and finalisation of security documentation.

The Board will convene a shareholders meeting at a later date to approve the Convertible Note Facility if it is considered necessary.

On 16 August 2013, 1,953,619 Options/Warrants exercisable at C\$1.26 have expired.

No further subsequent events have occurred after balance date other than disclosed above.

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

We have reviewed the accompanying half-year financial report of Elemental Minerals Limited, which comprises the condensed statement of financial position as at 30 June 2013, the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 13 to 24.

## *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

## *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Elemental Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## *Auditor's Independence Declaration*

In conducting our review, 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 review report.

## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Elemental Minerals Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



**Chris Nicoloff**

Partner

Chartered Accountants

Perth, 12 September 2013