



elemental  
minerals limited

**FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED**  
**30 JUNE 2014**

## **CORPORATE DIRECTORY**

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

### **Directors**

Mr Sam Middlemas (Non Executive Chairman)  
Mr John Sanders (Managing Director)  
Mr Leonard Math (Non Executive Director)

### **Auditors**

Deloitte Touche Tohmatsu  
Level 14, 240 St Georges Terrace  
PERTH WA 6000  
Ph: +61 8 9365 7000  
Fax: +61 8 9365 7001

### **Joint Company Secretary**

Mr Leonard Math  
Mr Lawrence Davidson (Chief Financial Officer)

### **Registered Office**

14 Emerald Terrace  
WEST PERTH WA 6005  
Ph: +61 8 9322 2700  
Fax: +61 8 9322 7211

### **Johannesburg Office**

9 Mulberry Hill Office Park  
Broadacres Drive  
Dainfern  
South Africa  
Ph: +27 11 469 9140  
Fax: +27 86 613 2973

### **Share Registry**

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

**ASX Code: ELM**

### **Website**

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

## **TABLE OF CONTENTS**

<b>CORPORATE DIRECTORY</b>	<b>1</b>
<b>DIRECTORS' REPORT</b>	<b>3</b>
<b>AUDITOR'S INDEPENDENCE DECLARATION</b>	<b>9</b>
<b>DIRECTORS' DECLARATION</b>	<b>10</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	<b>11</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>12</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>13</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>14</b>
<b>CONDENSED NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS</b>	<b>15</b>
<b>INDEPENDENT AUDITOR'S REVIEW REPORT</b>	<b>26</b>

## DIRECTORS' REPORT

The Board of Directors of Elemental Minerals Limited ("Elemental") presents herewith with the financial report of Elemental Minerals Limited and its subsidiaries ("the Group") for the half-year ending 30 June 2014.

### 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 John Sanders	(Managing Director – appointed 16 July 2014)
Mr Leonard Math	(Non Executive Director – appointed 24 April 2014)
Mr John (Iain) Macpherson	(Managing Director – resigned 7 August 2014)
Mr John Ian Stalker	(Non Executive Director – resigned 24 April 2014)
Mr Michael Barton	(Non Executive Director – resigned 31 March 2014)
Mr Robert Franklyn	(Non Executive Director – resigned 31 March 2014)

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 2014 was US\$2,156,913 (2013: US\$4,591,269).

#### Review of Operations

##### Highlights:

- Announced a new Inferred Mineral Resource for the Dougou prospect
- Raised A\$3.1m at a premium from existing share holders
- The Company acquired an additional 4% equity from minority shareholders and now holds 97% of Sintoukola Potash SA

##### Operational Activities:

- Announced the start of the Dougou resource infill and expansion drilling programme
- Completed a target generation exercise for the Dougou Prospect
- Announced a new Inferred Mineral Resource for the Dougou prospect
- Kola Project Land rezoning and compensation process completed

##### Post reporting period Operational Activities:

- Two of the three drill hole infill programme on the Dougou Prospect have been completed. Results are expected to be received in early fourth quarter of 2014.

## 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 was A\$0.66 per Elemental share, valuing Elemental at approximately A\$190 million and represented 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.

As a result of a decision by the Listing Committee of the Stock Exchange Hong Kong Limited (“SEHK”) to uphold the classification of the Dingyi Offer as a “reverse takeover” under SEHK Listing Rules and the release by Dingyi of its Fourth Supplementary Bidders Statement in which it stated that it would not be able to satisfy the Dingyi Shareholder Approval Condition, the parties agreed to the termination of the Bid Implementation Agreement.

Furthermore Dingyi was given 30 days’ notice that the Company was to repay the A\$ 10 million Dingyi Convertible Note with interest. These ring fenced funds that had not been used by the Company and were part of the financing undertaken during the Dingyi takeover bid that expired on 31 March 2014. The Convertible Note was repaid on 20 June 2014.

### Geology and Mineral Resources

During the half-year no drilling was undertaken on the Sintoukola Permit but much was achieved on advancing the Dougou area and wider exploration effort.

#### **Key items completed:**

Completion of the compilation of historic drilling data for Dougou using the large historic exploration database acquired during 2013.

- Delineation of an Exploration Target (Fig 1) for Dougou of 1.04 to 1.38 billion tonnes grading between 23% and 25% KCl (14.5% to 15.8% K<sub>2</sub>O). This was announced on the 8th May 2014.
- Acquisition of approximately 590 kilometers of oil-industry 2D seismic data through a swap agreement with private exploration company ‘Soccomip’. In return Elemental provided Soccomip with a copy of the historic exploration database. This data acquisition was announced on the 16th May 2014.
- Though announced slightly after the current reporting period (9th July 2014) the bulk of the work for the delineation of a maiden Mineral Resource for Dougou (Fig 1) was completed during the H1 2014 period. The Mineral Resource is 1.29 billion tonnes grading 21.72% KCl (13.71% K<sub>2</sub>O) including 520 million tonnes within the Hangingwall Seam, grading 24.58% KCl (15.52% K<sub>2</sub>O). Some of the attributes of the Dougou Deposit are:
  - The deposit is hosted by 3 near-horizontal carnallite<sup>1</sup> seams (Hangingwall Seam, Upper Seam, Lower Seam) and between a depth of 400 and 600 metres. Available historic data indicates insoluble content of the seams is less than 0.3%.
- Globally, carnallite seams typically grade between 12% and 20% KCl. At over 24% KCl, the Hangingwall Seam at Dougou is high grade for a carnallite seam and is of significant thickness, averaging 8.35 metres.

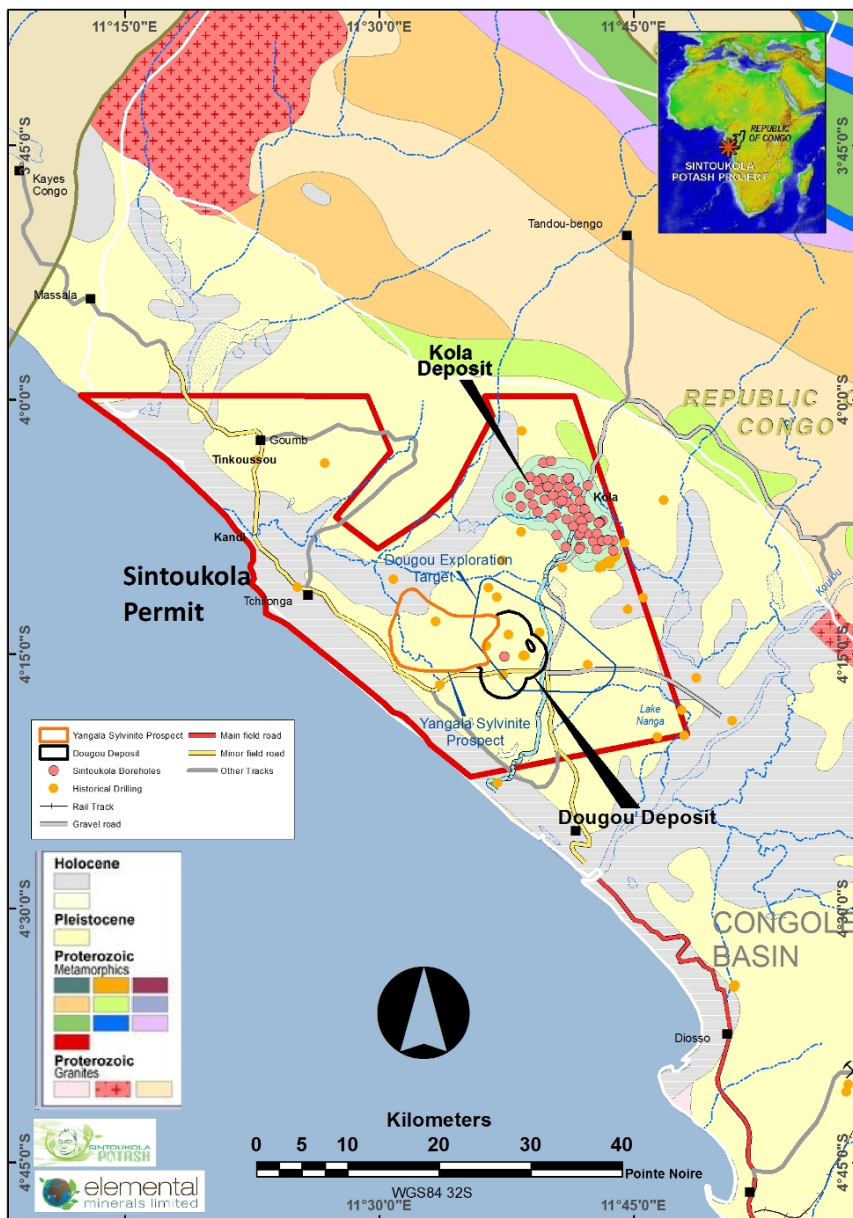
---

<sup>1</sup> Carnallite is a rock comprising predominantly of the primary potash mineral carnallite (KMgCl<sub>3</sub>·6H<sub>2</sub>O) and halite (NaCl).

## DIRECTORS' REPORT

- Coupled with the grade and low insoluble content, the apparent continuity of grade and thickness and the gentle dip of the seams at Dougou may provide key advantages for extraction by solution mining.
- Concurrent and announced with the above, the interpretation of the aforementioned oil-industry 2D seismic data led to the identification of the Yangala Sylvinite Prospect (Fig 1) which is adjacent to the Dougou Deposit.

A contract for the drilling of 3 boreholes (awarded to Meridian Drilling Limited) with the aim of providing additional potash intersections at the Dougou Deposit was announced on the 3rd of June 2014. Drilling commenced almost immediately in the second half of 2014. Results are expected to be received in the early fourth quarter of 2014.



# DIRECTORS' REPORT

Table 1. Inferred Mineral Resource Estimate for the Dougou Deposit at a 14% KCl cut-off grade

Seam	Million Tonnes	Density (g/cm <sup>3</sup> )	% KCl	Ave Thickness (m)
Hangingwall Seam	520	1.61	24.58	8.35
Upper Seam	399	1.68	20.68	7.25
Lower Seam	366	1.72	18.81	6.51
TOTAL	1,285	1.66	21.72	7.48

1. This Mineral Resource Estimate is effective as of 20<sup>th</sup> June 2014.
2. Delineated exclusion zones and a further 15% of the tonnage have been removed from the Estimate.
3. A minimum thickness cut-off of 2 metres was applied.
4. Table entries are rounded to the second significant figure.
5. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, marketing, or other relevant issues.
6. Confidence in the estimate of Inferred Mineral Resources is not sufficient to allow the results of the application of technical and economic parameters to be used for detailed planning in Pre-Feasibility or Feasibility Studies.

## **Bankable Feasibility Study (BFS)**

### **Technical Studies:**

Elemental has completed an internal assessment of phasing the implementation of the Kola project. This study has shown that initial project implementation capital cost can be reduced significantly by initially constructing the project for a capacity of 1mtpa, with an expansion to the PFS design capacity occurring approximately 2-4 years later. In doing so, certain infrastructure items, such as the gas pipeline, marine facilities and employee facilities can be deferred. Whilst this increases initial Phase 1 operating costs, the long terms operating costs of the project are expected to remain at the bottom end of the industry cost curve.

The results of this internal study were positive and have prompted Elemental to undertake this study formally with SRK, AAE and AMEC. The results of this study, which will be completed in October 2014, will also incorporate the results of value engineering process undertaken during 2013 and the latest potash prices as reported by Fertecon.

### **Historic Database:**

A full assessment and review of the historic reports, plans and documents that form part of the historic MDPA (Mines de Potasse d'Alsace) database, which was acquired in 2013, was completed in the time period. Historic production data, mine plans and reports from the construction and operations period of the St Paul mine near Holle (producing potash from 1969-1977) have provided excellent information of the operational conditions that can be expected in the underground mine. Recommendations from this review, which relate to safety measures, mine plan alignments and mining equipment selection, will be incorporated in the Feasibility Study mine design.

### **Dougou Assessment:**

An internal assessment of a possible solution mine at Dougou has also been completed. The results are positive and indicate that a low capital solution mine can be established at Dougou in the medium term. A consultant has been selected to undertake this study formally and this is likely to commence in H2 of 2014, with the results communicated to the market early in 2015.

## **DIRECTORS' REPORT**

### **Review of Consultants:**

A process is ongoing to review all consultants selected for the Feasibility Study. Additional South Africa based consultants are being considered to reduce travel costs, make use of the favourable Rand-Dollar exchange rate and increase consultant accountability. This process is successfully reducing the FS study costs, without reducing the quality of the study outcomes.

### **Land acquisition:**

The land commission, which was established in cooperation with the Ministry of Land Affaires, has completed its plot enquiry survey and determined compensation values. 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 Phase 2 process, covering the overhead transmission line corridor from Pointe Noire to Tchiboula, will be launched in conjunction with the BFS.



## **DIRECTORS' REPORT**

### **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 9.

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read "Sam Middlemas", written in a cursive style.

**Robert Samuel Middlemas**  
**Chairman**  
**12 September 2014**

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

12 September 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 review of the financial statements of Elemental Minerals Limited for the half-year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the 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 "Robert Samuel Middlemas". The signature is written in a cursive, flowing style.

**Robert Samuel Middlemas**  
**Chairman**  
**12 September 2014**

**CONDENSED CONSOLIDATED STATEMENT OF  
PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME  
FOR THE HALF-YEAR ENDED 30 JUNE 2014**

	Notes	Half-Year Ended	
		30 June 2014 US\$	30 June 2013 US\$
<b>Continuing Operations</b>			
Other Income		95,555	114,326
		<u>95,555</u>	<u>114,326</u>
<b>Expenses</b>			
Directors remuneration		(155,812)	(193,886)
Share based payments		(1,129,208)	(1,899,782)
Consultants, Salaries and employee benefits		(335,553)	(656,010)
Administration expenses		(814,315)	(1,312,707)
Net realised gain/(loss) on foreign exchange		35,702	(643,210)
Finance costs		(265,471)	-
		<u>(2,569,102)</u>	<u>(4,591,269)</u>
<b>Loss before income tax expense</b>		<b>(2,569,102)</b>	<b>(4,591,269)</b>
Income tax benefit	7	412,189	-
Income tax expense		-	-
		<u>(2,156,913)</u>	<u>(4,591,269)</u>
<b>Loss for the period from continuing operations</b>		<b>(2,156,913)</b>	<b>(4,591,269)</b>
Other Comprehensive Income, net of income tax			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Net foreign currency translation differences		(557,400)	(1,877,591)
		<u>(557,400)</u>	<u>(1,877,591)</u>
<b>Other comprehensive income for the period, net of income tax</b>		<b>(557,400)</b>	<b>(1,877,591)</b>
<b>Total Comprehensive Income for the period</b>		<b>(2,714,313)</b>	<b>(6,468,860)</b>
<b>Loss attributable to:</b>			
Owners of the Company		(2,714,313)	(6,468,860)
Non-controlling interests		-	-
		<u>(2,714,313)</u>	<u>(6,468,860)</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(2,675,753)	(6,190,370)
Non-controlling interests		(38,560)	(278,490)
		<u>(2,714,313)</u>	<u>(6,468,860)</u>
<b>Earnings per share from continuing operations</b>			
Basic loss per share (cents per share)		(0.71)	(1.59)
Diluted loss per share (cents per share)		(0.71)	(1.59)

The above Condensed Consolidated 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 2014**

	Notes	30 June 2014 US\$	31 Dec 2013 US\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		3,185,945	4,910,157
Trade and other receivables		393,666	391,034
<b>Total Current Assets</b>		<u>3,579,611</u>	<u>5,301,191</u>
<b>Non-Current Assets</b>			
Property, plant and equipment		588,655	1,041,115
Exploration and evaluation expenditure	5	105,217,374	101,639,595
<b>Total Non-current Assets</b>		<u>105,806,029</u>	<u>102,680,710</u>
<b>TOTAL ASSETS</b>		<u>109,385,640</u>	<u>107,981,901</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		561,148	467,641
Share application funds	9	2,474,191	-
<b>Total Current Liabilities</b>		<u>3,035,339</u>	<u>467,641</u>
<b>TOTAL LIABILITIES</b>		<u>3,035,339</u>	<u>467,641</u>
<b>NET ASSETS</b>		<u>106,350,301</u>	<u>107,514,260</u>
<b>EQUITY</b>			
Contributed equity	6	142,463,948	142,042,802
Reserves		28,927,839	28,317,471
Accumulated losses		(65,042,943)	(62,886,030)
Equity attributable to owners of the Company		106,348,844	107,474,243
Non-controlling interests		1,457	40,017
<b>TOTAL EQUITY</b>		<u>106,350,301</u>	<u>107,514,260</u>

The above Condensed Consolidated 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 2014**

	Contributed Equity US\$	Accumulated Losses US\$	Option Reserve US\$	Foreign Currency Translation Reserve US\$	Non- Controlling Interest US\$	Total Equity US\$
<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 period	-	(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:						
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>
<b>Balance at 1 Jan 2014</b>	142,042,802	(62,886,030)	25,917,078	2,400,393	40,017	107,514,260
Loss for the half-year	-	(2,156,913)	-	-	-	(2,156,913)
Other comprehensive income	-	-	-	(518,840)	(38,560)	(557,400)
Total comprehensive income	-	(2,156,913)	-	(518,840)	(38,560)	(2,714,313)
Transactions with owners in their capacity as owners:						
Issue of shares, net of transaction costs	421,146	-	-	-	-	421,146
Share based payments	-	-	1,129,208	-	-	1,129,208
<b>Balance at 30 June 2014</b>	<b>142,463,948</b>	<b>(65,042,943)</b>	<b>27,046,286</b>	<b>1,881,553</b>	<b>1,457</b>	<b>106,350,301</b>

The above Condensed Consolidated 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 2014**

	Notes	30 June 2014 US\$	30 June 2013 US\$
<b>Cash flows from operating activities</b>			
Payments to suppliers		(1,214,806)	(2,401,356)
Interest received		95,555	114,326
Research and Development Refund		412,189	-
<b>Net cash flows used in operating activities</b>		<u>(707,062)</u>	<u>(2,287,030)</u>
<b>Cash flows from investing activities</b>			
Payments for exploration and evaluation tenements		(3,125,319)	(10,122,787)
<b>Net cash flows used in investing activities</b>		<u>(3,125,319)</u>	<u>(10,122,787)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares, net of share issue costs		2,895,337	(209,019)
Interest paid		(265,471)	-
Receipts from borrowings (convertible notes)		8,803,980	-
Payments to borrowings (convertible notes)		(9,414,569)	-
<b>Net cash flows generated/(used in) from financing activities</b>		<u>2,019,277</u>	<u>(209,019)</u>
Net (decrease) in cash and cash equivalents		(1,813,104)	(12,618,836)
Cash and cash equivalents at beginning of period		4,910,157	20,339,081
Foreign currency differences		88,892	(643,210)
<b>Cash and cash equivalents at end of period</b>		<u>3,185,945</u>	<u>7,077,035</u>

The above Condensed Consolidated 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 2014

## 1. REPORTING ENTITY

Elemental Minerals Limited (“the Company”) is a company domiciled in Australia and is listed on the Australian Securities 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 2013 financial report for the year ended 31 December 2013, 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

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

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

### *Going Concern*

The consolidated entity incurred losses of US\$2,156,913 (2013: US\$4,591,269) and experienced net cash outflows from operating and investing activities of US\$3,832,381 (2013: US\$12,409,817) for the half year ended 30 June 2014. Cash and cash equivalents totalled US\$3,185,945 as at 30 June 2014.



**CONDENSED NOTES TO THE HALF-YEAR  
FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2014  
(Continued)**

The directors have prepared a cash flow forecast for the period ending 30 September 2015, which indicates the consolidated entity will have sufficient cash flow to meet the working capital requirements and exploration budget through to 30 September 2015, which has been based on the following assumptions:

- (a) Receipt of the funds from the Loan agreement executed with Harlequin Investments Ltd (“Harlequin”) for A\$1.773m on 8 September 2014, which will be converted into equity as part of the non-renounceable rights issue; and
- (b) the successful completion of the underwritten non-renounceable rights issue being completed in October 2014 for A\$9.5 million (before capital raising costs).

The company lodged a prospectus on 12 September 2014 for an underwritten 1 for 6 non-renounceable rights issue at A\$0.18 per New Share, together with for every two New Shares issued shareholders will receive three New listed Options exercisable at A\$0.25, to raise approximately A\$9.5 million (before capital raising costs). The offer is fully underwritten by Patersons Securities Limited. The offer is anticipated to be completed by 16 October 2014.

The directors expect the rights issue to be successfully completed in the anticipated time frame and therefore the financial report has 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.

In the event the raising of the abovementioned capital funding is not successful then directors will pursue other capital raising initiatives from its supportive shareholder base as it has successfully done in the last 3 years.

Should the consolidated entity be unable to successfully complete the abovementioned capital funding, there is a material uncertainty whether the consolidated entity will be able to continue as a going concern and, therefore, whether it 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 consolidated entity not continue as a going concern.

**CONDENSED NOTES TO THE HALF-YEAR  
FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2014  
(Continued)**

**Application of new and revised Accounting Standards**

***New, revised or amending Accounting Standards and Interpretations adopted***

In the current half year, the Group has applied all of the below new and revised Standards and Interpretations issued by the Australia Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period beginning 1 January 2014.

- AASB CF 2013-1 'Amendments to the Australian Conceptual Framework' and AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part A Conceptual Framework)
- AASB 1031 'Materiality' (2013)
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'
- AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'
- AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'
- INT 21 'Levies'

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

**CONDENSED NOTES TO THE HALF-YEAR  
FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2014  
(Continued)**

***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.

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
AASB 9 'Financial Instruments'(December 2009) and relevant amending standards.	1 January 2018	31 December 2018
AASB 2014-1 'Amendments to Australian Accounting Standards' - Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles' - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)' - Part C: 'Materiality'	1 July 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part D: 'Consequential Amendments arising from AASB 14'	1 January 2016	31 December 2016
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'	1 January 2015	31 December 2015
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	31 December 2016
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	31 December 2016

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

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	31 December 2017
IFRS 9 Financial Instruments	1 January 2018	31 December 2018
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016	31 December 2016

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

**CONDENSED NOTES TO THE HALF-YEAR  
FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2014  
(Continued)**

**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 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.

**CONDENSED NOTES TO THE HALF-YEAR  
FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2014  
(Continued)**

**5. RECONCILIATION OF CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE**

	<b>30 June 2014 US\$</b>	<b>31 December 2013 US\$</b>
Opening Balance	101,639,595	92,608,916
Capitalised during the period (net of exchange differences)	3,577,779	9,030,679
Closing Balance	<b>105,217,374</b>	<b>101,639,595</b>

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

**6. CONTRIBUTED EQUITY**

305,063,391 Fully Paid Ordinary Shares (31 Dec 2013: 303,263,391)	142,463,948	142,042,802
	<b>142,463,948</b>	<b>142,042,802</b>

**a) Movement in share capital**

	<b>US\$</b>
Opening balance at 1 January 2014	142,042,802
Placement of 1,800,000 shares at AUD\$0.25 each	421,146
Closing Balance at 30 June 2014	<b>142,463,948</b>

**7. INCOME TAX BENEFIT**

Research and Development Tax Refund	412,189	-
	<b>412,189</b>	-

**CONDENSED NOTES TO THE HALF-YEAR  
FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2014  
(Continued)**

**8. SHARE BASED PAYMENTS**

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

**Series 1**

On 14 April 2014, the Company issued 6,509,013 Options exercisable at A\$0.33 expiring 15 April 2018 to employees under the Company's Employee Share Option Plan. The options are subject to the following vesting conditions:

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

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	A\$0.26
Exercise Price	A\$0.33
Expected Volatility	100%
Option Life	4 years
Dividend Yield	0%
Risk Free interest rate	2.5%
Weighted average grant date fair value	A\$0.172

**CONDENSED NOTES TO THE HALF-YEAR  
FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2014  
(Continued)**

**Series 2**

On 26 May 2014, the Company issued 1,000,000 Options exercisable at A\$0.33 expiring 15 April 2018 to an employee under the Company’s Employee Share Option Plan. The options are subject to the following vesting conditions:

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

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

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

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

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

<b>Input into the model</b>	<b>Series 1</b>
Grant Date Share Price	A\$0.22
Exercise Price	A\$0.33
Expected Volatility	100%
Option Life	4 years
Dividend Yield	0%
Risk Free interest rate	2.5%
Weighted average grant date fair value	A\$0.139

**CONDENSED NOTES TO THE HALF-YEAR  
FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2014  
(Continued)**

**Series 3**

On 27 June 2014, the Company issued 1,500,000 Options exercisable at A\$0.33 expiring 26 June 2018 to Directors under the Company's Employee Share Option Plan. The options are subject to the following vesting conditions:

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

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

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

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

***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	A\$0.25
Exercise Price	A\$0.33
Expected Volatility	100%
Option Life	4 years
Dividend Yield	0%
Risk Free interest rate	2.5%
Weighted average grant date fair value	A\$0.163

**Share options exercised during the period**

There were no share options exercised during the period ended 30 June 2014.

**9. SHARE APPLICATION FUNDS**

	<b>30 June 2014 US\$</b>	<b>31 December 2013 US\$</b>
Share application funds*	2,474,191	-

\*Funds received before the half year ended 30 June 2014 for a placement of shares issued on 22 July 2014. Total number of 10,600,000 shares were issued at A\$0.25 per share.



**CONDENSED NOTES TO THE HALF-YEAR  
FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2014  
(Continued)**

**10. 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.

**11. RELATED PARTY TRANSACTIONS**

The company paid US\$46,736 (30 June 2013: US\$49,084) 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 US\$9,401 (30 June 2013: Nil) to GDA Corporate for Mr Leonard Math director's fees. GDA Corporate ("GDA") has also been engaged to provide accounting, administrative and company secretarial services on commercial terms. Total amounts paid to GDA were US\$46,931 during the reporting period (30 June 2013: US\$51,894). 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.

**12. DIVIDENDS**

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

**13. 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  
FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2014  
(Continued)**

**14. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis.

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

**15. SUBSEQUENT EVENTS AFTER BALANCE DATE**

On 14 July 2014, the Company announced that it has entered into an agreement to acquire the minority holders' direct stake in Sintoukola Potash SA ("Sintoukola"), which will take its holding from the current 93% to 97%, with terms agreed for the remaining 3%. The agreement will see Elemental issue the Sintoukola minorities' new shares in Elemental, based on their relative shareholding in Sintoukola. This equates to the issue of 13.04 million new shares in Elemental. The closing date is to be agreed between the two parties and if required, will be subject to Shareholders' approval. The closing date for the remaining 3% will be any agreed date but no later than 5 days before the State is vested with 10% free carry in Sintoukola.

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

On 22 July 2014, the Company issued 10,600,000 shares were issued at A\$0.25 per share, raising a total of US\$2,474,191.

On 8 September 2014, the Company executed a loan agreement with Harlequin Investment Ltd for an amount of A\$1,773,187. The loan is unsecured and undrawn with no interest. The lender has entered into a sub-underwriting agreement for the rights issue and this loan will be offset against its sub-underwriting obligation.

On 9 September 2014, the Company announced a fully underwritten 1 for 6 non-renounceable rights issue at A\$0.18 per share, with 3 free attaching options (exercisable at A\$0.25 within 15 months from issue) for every 2 New Shares issued, to raise A\$9.47 million before costs (US\$8.62 million). The Rights Issue Prospectus has been lodged with ASIC on 12 September 2014.

Lodgment date of Rights Issue Prospectus	12 September 2014
Ex Date – Shares trade ex-entitlement	19 September 2014
Record date to determine entitlement	23 September 2014
Prospectus with Entitlement and Acceptance Form dispatched	26 September 2014
Offer opens for receipt of acceptances	26 September 2014
Closing date for acceptances (Closing Date)	8 October 2014
Deferred settlement trading	9 October 2014
Issue of new securities	15 October 2014
Normal trading of new securities expected to commence	16 October 2014

These dates are indicative only. Subject to applicable laws and the Listing Rules, the Company reserves the right to extend the Closing Date by giving at least 3 business days' notice, or to withdraw the offer without prior notice. Any amendment to the timetable will be announced to the market through ASX.

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

# 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 consolidated statement of financial position as at 30 June 2014, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated 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 10 to 25.

## *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 2014 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 consolidated entity's position as at 30 June 2014 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*.

### *Material Uncertainty Regarding Continuation as a Going Concern*

Without modifying our conclusion, we draw attention to Note 2 in the financial statements, which indicates that the consolidated entity incurred losses of \$2,156,913 (2013: \$4,591,269) and experienced net cash outflows from operating and investing activities of \$3,832,381 (2013: \$12,409,817) for the half year ended 30 June 2014. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the consolidated entity to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the ordinary course of business.



**DELOITTE TOUCHE TOHMATSU**



**Chris Nicoloff**

Partner

Chartered Accountants

Perth, 12 September 2014