



elemental
minerals limited

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
30 JUNE 2016

CORPORATE DIRECTORY

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

Directors

Mr David Hathorn (Non Executive Chairman)
Mr Sean Bennett (Managing Director)
Mr Jonathan Trollip (Non Executive Director)
Mr Leonard Math (Non Executive Director)

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DIRECTORS' REPORT

The Board of Directors of Elemental Minerals Limited (“Elemental” or “Company”) presents herewith the interim financial report of Elemental Minerals Limited and its subsidiaries (“the Group”) for the half-year ended 30 June 2016.

DIRECTORS

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

Mr David Hathorn	(Non Executive Chairman)
Mr Sean Bennett	(Managing Director)
Mr Jonathan Trollip	(Non Executive Director) – appointed 21 April 2016
Mr Leonard Math	(Non Executive Director)
Mr Sam Middlemas	(Non Executive Director) – resigned 21 April 2016

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

PRINCIPAL ACTIVITY

The principal activity of the Company during the period was mineral resources exploration and project development at the Company’s Sintoukola Potash Permit 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 2016 was US\$2,039,682 (2015: US\$1,198,438).

HIGHLIGHTS

- The Company completed a private placement of A\$4.1 million at A\$0.20 per share on 31 March 2016.
- Completion of the Master Plan which provides a comprehensive strategic overview of Elemental’s Kola, Dougou and Dougou Extension (previously referred to as Yangala) projects (see Fig.1 below), and sets out planning considerations of common infrastructure works which could be utilised across all three projects
- The Terms of Reference for the Dougou Environmental and Social Impact Assessment (ESIA) were approved by the national regulators in March 2016 and the final ESIA report was submitted August 2016.
- Binding Definitive Agreements signed on 1 September 2016 with three strategic investors to raise US\$50m at AUS\$0.20.
- Start of Early Works on the Kola DFS with the initiation of three work packages. The plan remains to initiate the Kola DFS in as soon as the Summit transaction completes.
- Mobilization of drill-rigs for the Dougou Extension (formerly named Yangala) and Kola drill programs.

CORPORATE ACTIVITIES

During the half year, much of the Company’s effort focused on making significant progress on the Summit investment proposal. Subsequent to half-year end, on 1 September 2016, the Company announced the signing of the binding definitive agreements with three strategic investors.

The summary of this investment comprises:

- US\$50m placement agreed with three globally significant strategic investors
 - SQM: Chilean company a world leader in Lithium and a material potash producer. SQM is listed on NYSE with a market capitalisation of cUS\$6.5bn (Investment amount US\$20m)
 - SGRF: sovereign wealth fund of the Sultanate of Oman (Investment amount US\$20m)
 - Summit: private equity firm with expertise in doing business in Africa (Investment amount US\$10m)
- Placement to be completed at A\$0.20 per share with 50m (3 year) free attaching options at an exercise price of A\$0.30
- Preliminary conditional offtake rights granted to SQM and SGRF for minimum of 40% of annual production
- World-class engineering and construction consortium Vinci, Technip, Louis Dreyfus and Aegis (“Engineering and Construction Consortium”) to be appointed to fast-track DFS and fixed price Engineering Procurement and Construction contract (“EPC”)

On 1 September 2016, Elemental announced that it has signed separate inter-conditional definitive investment agreements with three strategic investors representing a cumulative equity injection of US\$50 million through the issue of fully paid ordinary shares (“Shares”) at an issue price of A\$0.20 each.

The three strategic investors are Sociedad Quimica y Minera de Chile S.A. (“SQM”), the State General Reserve Fund of Oman (“SGRF”) and Summit Private Equity (“Summit”) (together the “Strategic Investors”).

To provide additional short term funding, the Company and Summit may agree to bring forward the issue of Shares with a subscription amount of up to US\$2 million to Summit (under its existing placement capacity under Listing Rule 7.1). The balance to be raised of at least US\$48 million is conditional upon (amongst other things) approval by Elemental’s shareholders and any other regulatory approvals required.

The total number of Shares that will be issued under the transaction will be determined based on the prevailing US\$/A\$ exchange rate at completion.

The strategic investment is a landmark event for the Company that will see it pursue its strategy of minimising risk through the various stages of development to construction. This investment allows the Company to appoint a world class Engineering and Construction Consortium to complete a Definitive Feasibility Study (“DFS”) for its flagship potash project, the Kola Sylvinite Project (“Kola”) in the RoC, within 14 months. Importantly it is proposed that the Consortium will be required to, within 3 months of completing the DFS, deliver a fixed price EPC offer. This will significantly de-risk the construction of Kola for Elemental.

The strategic investment also allows Elemental to carry out additional drilling at Dougou Extension (previously named Yangala) to test the high grade Exploration Target. These drilling results will provide more information to define the best strategy going forward.

Key terms of transaction

The key terms of the investment agreements (which are inter-dependent) include SQM and SGRF each, whilst their respective voting power is more than 10%, having:

1. a right of first refusal to product off-take from any of the Company’s projects proportionate to their voting power (each with a floor of 20% of production); and
2. the right to nominate a person to the Company’s board.

In addition and to provide the Company with sufficient working capital going forward, whilst minimising dilution to existing shareholders, the Company will issue the Strategic Investors 50 million options (1 million options for every US\$1m invested) with an exercise price of AU\$0.30 and expiring three years from the date of issue.

At the request of the Company, in order to minimise dilution to existing shareholders, Summit and the Company have also agreed to find mechanisms to undertake a transaction that allows shareholders to participate in the capital raising at the same issue price as to the Strategic Investors thereby reducing Summit's investment amount by US\$5m.

The agreements include customary exclusivity arrangements (including no-shop/talk and break fees).

Background on Strategic Investors

SQM is an integrated producer and distributor of specialty plant nutrients, iodine, lithium, potassium-related fertilizers and industrial chemicals. Its products are based on the development of high quality natural resources that allow the Company to be a leader in costs, supported by a specialized international network with sales in over 110 countries totalling close to US\$2 billion annually. SQM is listed on the Santiago and the New York Stock Exchange (ticker SQM) and currently has a market capitalisation of approximately US\$6.5 billion.

SGRF is the sovereign wealth fund of the Sultanate of Oman with a focus on investing the Omani Government's reserves to provide a long-term return for future generations, while also diversifying away from the oil & gas sector. SGRF achieves this by investing primarily internationally across a range of asset classes. Headquartered in Muscat, Oman, SGRF has direct investments in some 25 countries internationally in addition to managing a diversified portfolio of listed market investments across different asset classes. For its direct investment program, SGRF has a particular interest in sectors underpinned by long-term fundamental 'megatrends' such as ports, transportation & logistics, healthcare, power & utilities, mining & resources etc. SGRF also looks to make strategic investments that can be a catalyst to the development and diversification of the Omani economy.

SQM and SGRF have each agreed to subscribe for Shares with a total subscription value of US\$20 million at an issue price of AU\$0.20, or approximately 133 million Shares each¹, representing approximately 17.4% of the total issued share capital.

Summit is a private equity investment group which provides distinct perspective on value creation. The Summit team brings together a blend of intellectual capital and experience across industries, geographies and market cycles, giving them exceptional insight into their clients' needs, and an intuitive grasp of the right strategic solutions and innovative transaction structures. The investment will be completed through a protective cell company established by Summit and registered in Mauritius, or its nominee.

Summit has agreed to subscribe for Shares with a total subscription value of US\$10 million at an issue price of AU\$0.20, or 66 million Shares¹, representing approximately 8.6% of the total issued share capital.

OPERATIONAL ACTIVITIES

Technical Studies

- The Company's engineering team and the Construction Consortium completed the Master Plan study, which provides a comprehensive strategic overview of Elemental's Kola and Dougou and Dougou Extension (previously referred to as Yangala) projects, and sets out planning considerations of common infrastructure works utilised across the different projects. These infrastructure synergies will provide a holistic design basis for the Kola Definitive Feasibility Study (DFS). The Master Plan was completed in mid-April 2016 and supports the Company's aim to produce in excess of 5Mtpa of MoP (Muriate of Potash) in the medium term from the project portfolio.

¹ Assuming a US\$:A\$ exchange rate of 1:1.32. Actual number of shares to be issued will be determined immediately prior to completion by reference to then applicable exchange rate. Worked examples will be set out in the Notice of Meeting.

- A Technical workshop was conducted with the Construction Consortium in March to finalize the DFS scope of works and identify early trade off studies in order to fast track the start of the DFS study phase once initiated.
- The Terms of Reference for the Dougou Environmental Social Impact Assessment (ESIA) were approved and the Company's Consulting teams proceeded with the ESIA field work on the Dougou area which was completed in Q3, 2016. Baseline surveys for biodiversity (flora and fauna), social community studies, as well as hydrology and water quality field campaigns have all been completed in the first quarter.
- Three early works studies have been launched in preparation for the start of the Kola DFS. These studies will ensure that the Kola DFS remains on schedule for a completion in 14 months from date of kick-off, which is expected to start as soon after completion of the Summit transaction as possible. The studies are focusing on construction modularization, run of mine ore transport and mine shaft access.
- The company continued preparation and clarification meetings with its engineering teams to ensure good alignment to facilitate a quick start to the DFS

ROC Regulatory requirements

- The Company has updated the draft Mining Convention with the ROC Government to accommodate Elemental's long-term aim of increasing production from an initial planned 2Mtpa MoP to 5,5Mtpa MoP from multiple mining operations. The Convention will govern the commercial, legal, financial, tax and customs terms and conditions for the life of the mine. The submission of this Mining Convention to the ROC Regulator is planned during Q4 2016.
- The Company has submitted the Mining Permit application for the Dougou area (Dougou and Dougou Extension) to the Ministry of Mines on May 17th 2016 targeting the award in early 2017 following the submission of the ESIA in August 2016.

Field Work and Exploration Activity

KOLA SYLVINITE PROJECT

Following a tender process with 3 geophysical consultants, a contract for further processing of Elemental's seismic data for the Kola deposit was awarded to DMT Petrologic GmbH (DMT) of Germany. DMT is carrying out additional processing of the 203 line km of seismic data that was collected by Elemental during 2010 and 2011. Processing has yielded excellent results so far. Improved resolution and depth conversion of the seismic data will translate into further gains in confidence of the updated resource model, which will be used for the Kola DFS. The work will be completed during Q4 2016.

Three sites have been selected for the drilling of 3 drillholes at Kola, to test specific settings with the aim of providing data to support an expansion of the resource in certain areas. All drilling equipment is on site and ready for start-up as soon as the Summit investment is complete.

DOUGOU EXTENSION PROSPECT (FORMERLY YANGALA PROSPECT)

Following a tender process with 4 potential contractors, Elemental finalized a drilling contract with a South African based team, to operate under a management service agreement. Drilling equipment was mobilized to site in preparation for the drilling 8 holes at the Dougou Extension Prospect after the Summit investment agreement is concluded. This drilling is designed to follow up on Elementals two existing holes at this Prospect², testing the Exploration Target of 235 to 470 Mt grading 55 to 60% KCl, as announced in 2015³

² Announcement dated 20 October 2014: Elemental Minerals Announces Exceptional Results from Dougou-Yangala Drilling

³ Announcement dated 27 January 2015: Elemental Minerals Announces an Exploration Target for the High Grade Sylvinitic Hangingwall Seam at the Yangala Prospect.

(The reader is cautioned that an Exploration Target is a statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate, quoted as a range of tonnes and a range of grade (or quality), relates to mineralisation for which there has been insufficient exploration to estimate a Mineral Resource. There is no guarantee that further exploration will lead to the delineation of a Mineral Resource)

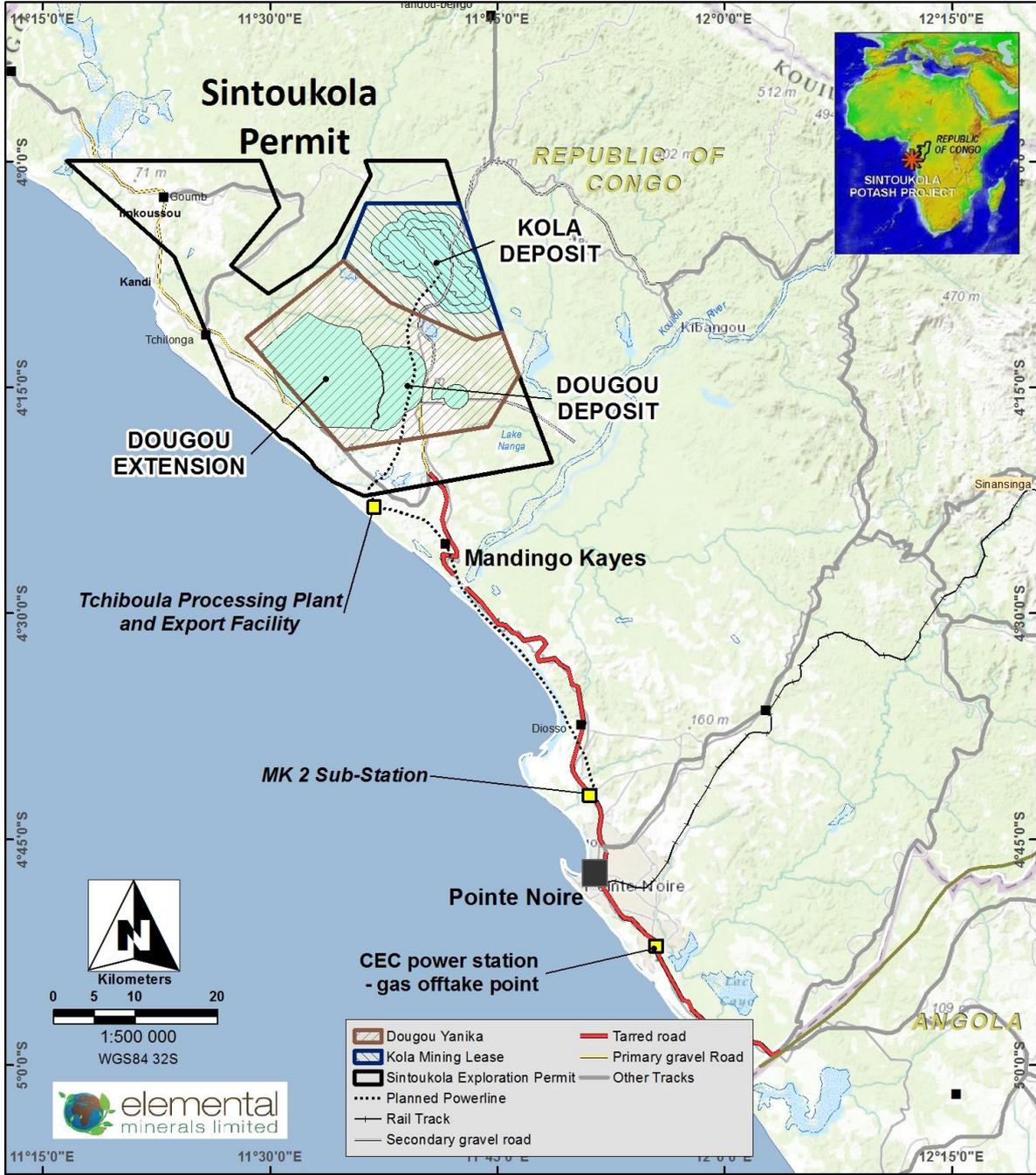


Figure 1. Location of the Sintoukola Project showing the Dougou, Kola and Dougou Extension (formerly named Yangala) Projects, and available infrastructure.

Table 1. Elemental Minerals' Potash Mineral Resources and Exploration Targets

	Category	Million Tonnes	Grade KCl %	Grade K ₂ O %
Kola Sylvinite Deposit	Measured	264	33.7	21.3
	Indicated	309	32.6	20.6
	Inferred	475	32.5	20.5
	TOTAL	1,048	32.8	20.7
Kola Carnallitite Deposit	Measured	295	17.8	11.3
	Indicated	449	18.7	11.8
	Inferred	473	18.8	11.9
	TOTAL	1,217	18.5	11.7
Dougou Carnallitite Deposit	Measured	148	20.1	12.7
	Indicated	920	20.7	13.0
	Inferred	1,988	20.8	13.1
	TOTAL	3,056	20.7	13.1
TOTAL MINERAL RESOURCES	Measured	707	24.2	15.3
	Indicated	1,678	22.3	14.1
	Inferred	2,936	22.3	14.1
	TOTAL	5,321	22.6	14.3
Dougou Extension Prospect (previously referred to as Yangala)	Exploration Target* (not a Mineral Resource)	235 to 470	55 to 60	35 to 38

Notes: The Kola Mineral resources were estimated by CSA Global of Perth, and reported under the JORC Code 2004. Elemental is not aware of any new information or data that materially affects the information included in the Announcement to the ASX on 21st August 2012 titled "Elemental Announces Further Significant Mineral Resource Upgrade for Kola". In the case of the Mineral Resources the Company can confirm the assumptions and the technical parameters underpinning the estimates continue to apply and have not materially changed. The form and context of the Competent Person's findings as presented in the announcement have not materially changed. The Dougou Mineral Resource was completed by ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau mbH ("ERCOSPLAN") and reported in accordance with the JORC code 2012 in the ASX announcement dated 9 February 2015 titled "Elemental Minerals Announces Large Mineral Resource Expansion and Upgrade for the Dougou Potash Deposit". Table entries are rounded to the appropriate significant figure. A conversion factor of 1.5837 was used to convert K₂O to KCl. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, marketing, or other relevant issues. *An Exploration Target is not a mineral resource, there being insufficient exploration data to support a resource model and estimate, and there is no guarantee that it will become a resource with additional exploration. For details the reader should refer to the announcement dated 27 January 2015: Elemental Minerals Announces an Exploration Target for the High Grade Sylvinite Hangingwall Seam at the Yangala Prospect

Table 2. Elemental Minerals' Potash Mineral Reserves

	Category	Million Tonnes	Grade KCl %
Kola Sylvinite	Proven	88	31.68
	Probable	64	31.69
	TOTAL	152	31.69

Notes: *The Kola Sylvinite Mineral Reserves were determined by SRK Consulting and described in detail in the report titled 'NI 43-101 Technical Report for the Sintoukola Potash Project, Republic of Congo' dated 17 September 2012. Mineral Reserves have not changed since that date. Mineral Reserves are not in addition to Mineral Resources but are determined from Mineral Resources by the application of modifying factors.*

Forward-Looking Statements

This directors' 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 and whilst there is a reasonable basis for making such statements regarding the proposed placement described herein; forward-looking statements are subject to known and unknown risks and uncertainties that may cause our actual results, performance or achievements, to differ materially from those expressed or implied in any of our forward-looking statements, which are not guarantees of future performance. Statements in this directors' report regarding the Company's business or proposed business, which are not historical facts, are "forward looking" statements that involve risks and uncertainties, such as resource estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements.

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

Competent Person Statement

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

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 11.

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

On behalf of the Directors



David Hathorn
Chairman
13 September 2016

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

13 September 2016

Dear Board of Directors

Elemental Minerals Limited

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

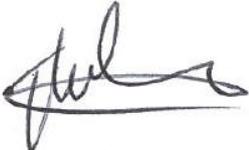
As lead audit partner for the review of the financial statements of Elemental Minerals Limited for the half-year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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

DELOITTE TOUCHE TOHMATSU



John Sibenaler
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 give a true and fair view of the financial position and performance of the Group.

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,



David Hathorn
Chairman
13 September 2016

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2016**

	Notes	Half-Year Ended	
		30 June 2016 US\$	30 June 2015 US\$
Continuing Operations			
Other Income		3,454	13,363
		<u>3,454</u>	<u>13,363</u>
Expenses			
Directors remuneration		(151,714)	(184,273)
Share based payments		(839,044)	(365,003)
Consultants, Salaries and employee benefits		(589,875)	(239,330)
Administration expenses		(520,247)	(307,690)
Net realised gain/(loss) on foreign exchange		57,744	(115,505)
		<u>(2,039,682)</u>	<u>(1,198,438)</u>
Loss before income tax expense		(2,039,682)	(1,198,438)
Income tax benefit/(expense)		-	-
		<u>-</u>	<u>-</u>
Loss for the period from continuing operations		<u>(2,039,682)</u>	<u>(1,198,438)</u>
Other Comprehensive Income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Net foreign currency translation differences		1,126,599	(8,598,659)
		<u>1,126,599</u>	<u>(8,598,659)</u>
Other comprehensive income for the period, net of income tax		<u>1,126,599</u>	<u>(8,598,659)</u>
		<u>(913,083)</u>	<u>(9,797,097)</u>
Total Comprehensive Income for the period		<u>(913,083)</u>	<u>(9,797,097)</u>
Loss attributable to:			
Owners of the Company		(2,039,682)	(1,198,438)
Non-controlling interests		-	-
		<u>(2,039,682)</u>	<u>(1,198,438)</u>
Total comprehensive income attributable to:			
Owners of the Company		(913,083)	(9,797,097)
Non-controlling interests		-	-
		<u>(913,083)</u>	<u>(9,797,097)</u>
Earnings per share from continuing operations			
Basic loss per share (cents per share)		(0.48)	(0.31)
Diluted loss per share (cents per share)		(0.48)	(0.31)

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 2016**

	Notes	30 June 2016 US\$	31 Dec 2015 US\$
ASSETS			
Current Assets			
Cash and cash equivalents		2,119,943	3,058,606
Trade and other receivables		264,448	203,165
Total Current Assets		<u>2,384,391</u>	<u>3,261,771</u>
Non-Current Assets			
Property, plant and equipment		409,665	399,152
Exploration and evaluation expenditure	5	97,043,894	93,068,160
Total Non-current Assets		<u>97,453,559</u>	<u>93,467,312</u>
TOTAL ASSETS		<u>99,837,950</u>	<u>96,729,083</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		189,308	320,976
Total Current Liabilities		<u>189,308</u>	<u>320,976</u>
TOTAL LIABILITIES		<u>189,308</u>	<u>320,976</u>
NET ASSETS		<u>99,648,642</u>	<u>96,408,107</u>
EQUITY			
Contributed equity	6	157,971,632	154,657,058
Reserves	7	15,094,160	13,128,517
Accumulated losses		(73,417,150)	(71,377,468)
Equity attributable to owners of the Company		99,648,642	96,408,107
Non-controlling interests		-	-
TOTAL EQUITY		<u>99,648,642</u>	<u>96,408,107</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 2016**

	Contributed Equity US\$	Accumulated Losses US\$	Option Reserve US\$	Foreign Currency Translation Reserve US\$	Non- Controlling Interest US\$	Total Equity US\$
Balance at 1 Jan 2016	154,657,058	(71,377,468)	32,106,965	(18,978,448)	-	96,408,107
Loss for the period	-	(2,039,682)	-	-	-	(2,039,682)
Other comprehensive income	-	-	-	1,126,599	-	1,126,599
Total comprehensive income	-	(2,039,682)	-	1,126,599	-	(913,083)
Transactions with owners in their capacity as owners:						
Issue of shares (net of costs)	3,314,574	-	-	-	-	3,314,574
Share based payments	-	-	839,044	-	-	839,044
Balance at 30 June 2016	157,971,632	(73,417,150)	32,946,009	(17,851,849)	-	99,648,642
Balance at 1 Jan 2015	150,933,803	(68,728,366)	31,186,476	(9,183,690)	-	104,208,223
Loss for the period	-	(1,198,438)	-	-	-	(1,198,438)
Other comprehensive income	-	-	-	(8,598,659)	-	(8,598,659)
Total comprehensive income	-	(1,198,438)	-	(8,598,659)	-	(9,797,097)
Transactions with owners in their capacity as owners:						
Share based payments	-	-	365,003	-	-	365,003
Balance at 30 June 2015	150,933,803	(69,926,804)	31,551,479	(17,782,349)	-	94,776,129

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 2016**

	Notes	30 June 2016 US\$	30 June 2015 US\$
Cash flows from operating activities			
Payments to suppliers		(1,212,769)	(794,936)
Interest received		3,454	13,363
Net cash flows used in operating activities		<u>(1,209,315)</u>	<u>(781,573)</u>
Cash flows from investing activities			
Payments for exploration and evaluation		(3,101,665)	(1,718,977)
Net cash flows used in investing activities		<u>(3,101,665)</u>	<u>(1,718,977)</u>
Cash flows from financing activities			
Proceeds from issue of shares, net of share issue costs		3,314,574	-
Net cash flows generated from financing activities		<u>3,314,574</u>	<u>-</u>
Net decrease in cash and cash equivalents		(996,406)	(2,500,550)
Cash and cash equivalents at beginning of period		3,058,606	5,894,073
Foreign currency differences		57,743	(151,372)
Cash and cash equivalents at end of period		<u>2,119,943</u>	<u>3,242,151</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 2016

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 should 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 2015 financial report for the year ended 31 December 2015, 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.

Application of new and revised Accounting Standards

The Group has adopted all of the new and revised standards and interpretation issued by the Australian Accounting Standards Board (“AASB”) that are relevant to its operations and effective for the current half year.

There are no new and revised standards and amendments thereof and interpretations effective for the current reporting period that are considered to have a material effect to the Company.

The adoption of all the new and revised standards and interpretation has not resulted in any changes to the Group’s accounting policy and has no effect on the amounts reported for the current or prior half years.

CONDENSED NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2016 (Continued)

Going concern

The consolidated entity incurred a loss of \$2,039,682 (2015: \$1,198,438) and experienced net cash outflows from operating and investing activities of \$4,310,980 (2015: \$2,500,550) for the half year ended 30 June 2016. Cash and cash equivalents totaled \$2,119,943 as at 30 June 2016.

The directors have prepared a cash flow forecast for the period ending 30 September 2017, which indicates the consolidated entity will have sufficient cash flow to meet working capital requirements through to 30 September 2017 including corporate costs, exploration expenditure, Definitive Feasibility Study (“DFS”) costs related to the Kola Project and Pre-Feasibility Study (“PFS”) costs related to the Dougou Project, which has been based on the following assumptions:

- a) The completion of a \$50m equity investment from the SUMMIT consortium currently awaiting both ELM shareholder and regulatory approvals following the signing of binding inter-conditional investment agreements with strategic investors in the consortium on 1 September 2016. The directors expect such approvals will be obtained in October 2016. Receipt of funds in accordance with the inter-conditional investment agreements are required to be received in October 2016.
- b) Managing and deferring costs where applicable to coincide with the capital raising activity outlined above to ensure all obligations can be met.

The Directors are confident that the above shareholder and regulatory approvals required will be obtained and the financial report has therefore been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

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

Should the Directors not be successful in achieving the matters set out above, there is a material uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will be able to realise its assets and extinguish 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 2016 (Continued)**

3. FUNCTIONAL AND PRESENTATION CURRENCY

The Group's functional currency is the currency of the primary economic environment in which the entity operates. The functional and presentation currency is US dollars (US\$).

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.

The Group operates in one segment, being mineral exploration in Central Africa.

5. RECONCILIATION OF CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

	30 June 2016 US\$	31 December 2015 US\$
Opening Balance	93,068,160	97,701,924
Exploration and evaluation expenditure capitalised during the year	2,786,126	4,932,911
Foreign exchange differences	1,189,608	(9,566,675)
Closing Balance	97,043,894	93,068,160

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

**CONDENSED NOTES TO THE HALF-YEAR
FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2016 (Continued)**

6. CONTRIBUTED EQUITY

	30 June 2016 US\$	31 December 2015 US\$
433,361,970 Fully Paid Ordinary Shares (31 Dec 2015: 410,275,877)	157,971,632	154,657,058
	157,971,632	154,657,058

a) Movement in share capital

	Number of Shares	US\$
Opening Balance	410,275,877	154,657,058
Placement at A\$0.20 per share (net of costs)	22,300,000	3,313,740
Vesting of performance rights	781,250	-
Exercise of listed options	4,843	834
Closing Balance	433,361,970	157,971,632

7. RESERVES

a) Reserves	30 June 2016 US\$	31 December 2015 US\$
Share based payments reserve	32,946,009	32,106,965
Foreign currency translation reserve	(17,851,849)	(18,978,448)
	15,094,160	13,128,517

Movement in share based payments reserve

Date	Details	Number of Options	Number of Rights	US\$
1 Jan 2016	Opening Balance	88,740,487	12,998,270	32,106,965
9 Jan 2016	Lapsing of unlisted options	(333,332)	-	-
15 Jan 2016	Lapsing of listed options	(78,911,086)	-	-
19 Jan 2016	Exercise of listed options	(4,843)	-	-
13 Feb 2016	Lapsing of unlisted options	(300,000)	-	-
29 Feb 2016	Vesting of performance rights	-	(250,000)	-
2 Mar 2016	Issue of performance rights	-	21,500,000	-
2 Mar 2016	Vesting of performance rights	-	(531,250)	-
1 Apr 2016	Lapsing of unlisted options	(500,000)	-	-
23 Apr 2016	Lapsing of unlisted options	(250,000)	-	-
30 June 2016	Issue of performance rights	-	3,000,000	-
30 June 2016	Share based payment vested expenses	-	-	839,044
30 June 2016	Closing Balance	8,441,226	34,717,020	32,946,009

**CONDENSED NOTES TO THE HALF-YEAR
FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2016 (Continued)**

8. SHARE BASED PAYMENTS

During the period, the following performance rights were issued under the Company's Performance Rights Plan.

Performance Rights (Chairman)

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

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

Note 1: Share price allocation matrix

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

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

**CONDENSED NOTES TO THE HALF-YEAR
FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2016 (Continued)**

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

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

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

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

Performance Rights (Managing Director)

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

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

**CONDENSED NOTES TO THE HALF-YEAR
FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2016 (Continued)**

Note 1: Share price allocation matrix

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

- (a) For the first Vesting Period following issue, the number of Shares to be issued is:
 - (i) where the 30 day average daily VWAP is less than A\$0.50, nil;
 - (ii) where the 30 day average daily VWAP is A\$0.50 or more, the Initial Tranche plus 1,062 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds A\$0.50.

- (b) For the remainder of the Performance Right Term, the number of Shares to be issued at the end of each Vesting Period is:
 - (i) where the Initial Tranche has not been issued and the 30 day average daily VWAP for the current Vesting period is A\$0.50 or more, the Initial Tranche plus 1,062 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds A\$0.50 on the basis of one Share for each Performance Right.
 - (ii) where the 30 day average daily VWAP is less than the 30 day average daily VWAP for any previous Vesting Period, nil.
 - (iii) where the 30 day average daily VWAP is equal to or more than the highest previous 30 day average daily VWAP, 1,062 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds the highest previous 30 day average daily VWAP.

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

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

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

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

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

**CONDENSED NOTES TO THE HALF-YEAR
FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2016 (Continued)**

Performance Rights (Non-Executive Director – J Trollip)

On 30 June 2016, shareholders approved the issue of 2,000,000 performance rights to Mr Jonathan Trollip. These performance rights were subsequently issued on 6 July 2016. Performance Rights will vest as one Share for each Performance Right subject to the satisfaction of the following:

Vesting Conditions	
Share Price - allocation matrix	2,000,000
25%	500,000
straight line between A\$0.50 and A\$2.00	
100%	1,500,000
TOTAL	2,000,000

Note 1: Share price allocation matrix

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

- (a) For the first Vesting Period following issue, the number of Shares to be issued is:
 - (i) where the 30 day average daily VWAP is less than A\$0.50, nil;
 - (ii) where the 30 day average daily VWAP is A\$0.50 or more, the Initial Tranche plus 1,000 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds A\$0.50.

- (b) For the remainder of the Performance Right Term, the number of Shares to be issued at the end of each Vesting Period is:
 - (i) where the Initial Tranche has not been issued and the 30 day average daily VWAP for the current Vesting period is A\$0.50 or more, the Initial Tranche plus 1,000 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds A\$0.50 on the basis of one Share for each Performance Right.
 - (ii) where the 30 day average daily VWAP is less than the 30 day average daily VWAP for any previous Vesting Period, nil.
 - (iii) where the 30 day average daily VWAP is equal to or more than the highest previous 30 day average daily VWAP, 1,000 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds the highest previous 30 day average daily VWAP.

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

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

Input into the model	Series 8
Issue Date Share Price	A\$0.190
Expected Volatility	80%
Rights Life	5 years
Grant date fair value	A\$0.1258

**CONDENSED NOTES TO THE HALF-YEAR
FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2016 (Continued)**

Performance Rights (Non-Executive Director – L Math)

On 30 June 2016, shareholders approved the issue of 1,000,000 performance rights to Mr Leonard Math. These performance rights were subsequently issued on 6 July 2016. Performance Rights will vest as one Share for each Performance Right subject to the satisfaction of the following:

Vesting Conditions	
Share Price - allocation matrix	1,000,000
25%	250,000
straight line between A\$0.50 and A\$2.00	
100%	750,000
TOTAL	1,000,000

Note 1: Share price allocation matrix

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

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

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

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

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

Input into the model	Series 8
Issue Date Share Price	A\$0.190
Expected Volatility	80%
Rights Life	5 years
Grant date fair value	A\$0.1258

9. COMMITMENTS

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

The Group has applied for the mining license of the Dougou deposit including the Dougou Extension (formerly called Yangala) (Dougou Mining license) on May 17th, 2016 and receipt has been acknowledged by the Ministry of Mines on May 19th, 2016.

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

10. RELATED PARTY TRANSACTIONS

The company paid US\$41,706 (30 June 2015: US\$27,770) 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.

Nexia Perth Pty Ltd ("Nexia") has been engaged to provide accounting, administrative and company secretarial services on commercial terms. Mr Leonard Math was an employee of Nexia. Total amounts paid to Nexia for providing accounting, administration and company secretarial services were US\$37,174 during the reporting period (30 June 2015: US\$39,807). Total amounts paid to Nexia for Director's fees received on behalf of Mr Leonard Math were USD\$21,867 (30 June 2015: US\$24,133).

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 the half-year end.

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

11. DIVIDENDS

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

12. CONTINGENT LIABILITIES

As at the date of this report, Sintoukola Potash S.A. is currently in litigation before the Administrative Chamber of the Congolese Supreme Court challenging an abusive of power with the State regarding the Minister of Labour's decision cancelling the Dispute Commission's approval to retrench 32 Sintoukola Potash employees in late 2014. The Dispute Commission is the local regulator empowered to assess and authorise any retrenchment which is composed of the employees and employers Unions headed by the Local Labour Authorities. Sintoukola Potash's financial exposure at 30 June 2016 equates to US\$775,000 should the 32 employees be reinstated on the Sintoukola Potash's payroll. Sintoukola Potash has vehemently disputed this claim and commenced legal proceedings with the former employees.

CONDENSED NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2016 (Continued)

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 30 June 2016, the Group had no financial assets and financial liabilities 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.

14. SUBSEQUENT EVENTS AFTER BALANCE DATE

On 1 September 2016, the Company announced that it has signed separate inter-conditional definitive investment agreements with three strategic investors representing a cumulative equity injection of US\$50 million through the issue of fully paid ordinary shares ("Shares") at an issue price of A\$0.20 each.

The three strategic investors are Sociedad Quimica y Minera de Chile S.A. ("SQM"), the State General Reserve Fund of Oman ("SGRF") and Summit Private Equity ("Summit") (together the "Strategic Investors").

To provide additional short term funding, the Company and Summit may agree to bring forward the issue of Shares with a subscription amount of up to US\$2 million to Summit (under its existing placement capacity under Listing Rule 7.1). The balance to be raised of at least US\$48 million is conditional upon (amongst other things) approval by Elemental's shareholders and any other regulatory approvals required.

The total number of Shares that will be issued under the transaction will be determined based on the prevailing US\$/A exchange rate at completion.

The strategic investment is a landmark event for the Company that will see it pursue its strategy of minimising risk through the various stages of development to construction. This investment allows the Company to appoint a world class Engineering and Construction Consortium to complete a Definitive Feasibility Study ("DFS") for its flagship potash project, the Kola Sylvinite Project ("Kola") in the Republic of Congo ("RoC"), within 14 months. Importantly it is proposed that the Consortium will be required to, within 3 months of completing the DFS, deliver a fixed price Engineering, Procurement and Construction ("EPC") offer. This will significantly de-risk the construction of Kola for Elemental.

The strategic investment also allows Elemental to carry out additional drilling at Dougou Extension (previously named Yangala) to test the high grade Exploration Target. These drilling results will provide more information to define the best strategy going forward.

Key terms of transaction

The key terms of the investment agreements (which are inter-dependent) include SQM and SGRF each, whilst their respective voting power is more than 10%, having:

1. a right of first refusal to product off-take from any of the Company's projects proportionate to their voting power (each with a floor of 20% of production); and
2. the right to nominate a person to the Company's board.

**CONDENSED NOTES TO THE HALF-YEAR
FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2016 (Continued)**

In addition and to provide the Company with sufficient working capital going forward, whilst minimising dilution to existing shareholders, the Company will issue the Strategic Investors 50 million options (1 million options for every US\$1m invested) with an exercise price of A\$0.30 and expiring three years from the date of issue.

At the request of the Company, in order to minimise dilution to existing shareholders, Summit and the Company have also agreed to find mechanisms to undertake a transaction that allows shareholders to participate in the capital raising at the same issue price as to the Strategic Investors thereby reducing Summit's investment amount by US\$5m.

The agreements include customary exclusivity arrangements (including no-shop/talk and break fees). Further details of the agreements including additional rights the Strategic Investors will receive under the investment agreements will be set out in the Company's notice of meeting seeking shareholder approval for the transaction that will be dispatched to shareholders shortly.

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 statement of financial position as at 30 June 2016, and 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 12 to 28.

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 gives a true and fair view and 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 2016 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 financial position as at 30 June 2016 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*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 2 in the half year financial statements, which indicates that the consolidated entity incurred a loss of \$2,039,682 (2015: \$1,198,438) and experienced net cash outflows from operating and investing activities of \$4,310,980 (2015: \$2,500,550) for the half year ended 30 June 2016. 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

DELOITTE TOUCHE TOHMATSU



John Sibenaler
Partner
Chartered Accountants
Perth, 13 September 2016