



elemental
minerals limited

ELEMENTAL MINERALS REVIEW OF OPERATIONS FOR THE QUARTER ENDED 30 JUNE 2014

Perth, Australia – 31 July 2014 – Elemental Minerals Ltd. (ASX: ELM) ("Elemental" or "the Company") is pleased to provide the following quarterly update on its activities, including at its Sintoukola Potash Project located in the Republic of Congo ("RoC").

Key Points:

- Announced Exploration Target and Inferred Mineral Resource for Dougou
- Raised A\$3.1m at a premium from existing shareholders
- Repaid A\$10m Dingyi Convertible Bond
- Secured Balance of Congo Subsidiary Sintoukola
- Appointed New Managing Director

Strategic Direction

On 17 July 2014 Elemental appointed Mr John Sanders as the new Managing Director, replacing Mr Iain Macpherson. Mr Sanders previously worked with Elemental as General Manager and Executive Director between 2009 and 2012. During this time, Mr Sanders was integral to the development of the Sintoukola Project, was a key member of the Elemental team and was instrumental in the rapid progress of the Company.

Elemental has now developed a two pronged strategy which will continue to advance the Kola project and has triggered an aggressive follow up exploration programme for the Dougou Prospect aimed at unlocking value for the largely untested potential of the greater Sintoukola permit.

With the introduction of new leadership under Mr Sanders, and in addition to the above outlined strategy, a review of all cost areas for the business has been completed and an aggressive cost cutting campaign is under way. Integral to this exercise is a review of all costs associated with operational activities and technical studies with a view to optimising the spend in these areas, which will allow for the cost effective delivery of the planned Kola Feasibility Study which is to start in Q1 2015 and the consideration of other study opportunities that may become available as a result of the advanced exploration work currently being conducted on the Dougou resource area.

Resource Expansion Programme

The Company believes that the Congo Basin is a potash province that could rival those found in Canada and Russia. Elemental has an exploration permit covering a total of 1 408km². Less than 15% of this area has been tested to date by the Company. Only one borehole (ED_01) has been drilled outside of the Kola Deposit. As previously reported ED_01 intersected a very high grade potash seam referred to as the HWS (Refer announcement on 4 September 2012).

On 9 July 2014 the Company announced that it had completed a maiden Mineral Resource Estimate for a portion of the Dougou Target (part of the Sintoukola Potash Project) (Refer announcement on 9 July 2014).

Highlights

- The Inferred Mineral Resource Estimate ('MRE' or the 'estimate') for Dougou is 1.29 billion tonnes grading 21.72% KCl, including 520 million tonnes grading 24.58% KCl within the Hangingwall Seam.
- The deposit is hosted by 3 near-horizontal carnallite seams (Hangingwall Seam, Upper Seam, Lower Seam) and between of 400 and 600 metres below surface. Available historic data indicates insoluble content of the seams is less than 0.3% which is consistent with levels encountered at Kola.
- 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.
- The grade and low insoluble content, coupled with 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.
- An area (named the Yangala sylvinite prospect) of approximately 10 by 7 kilometres in extent to the north and abutting the Dougou Resource, has been identified as being prospective for sylvinite and is a possible target for future drilling (Fig 1).

In line with the focus on exploration, Elemental announced on 16 May 2014 that it had reached an agreement with a private Company, Socomip SA ("Socomip"), to share historic exploration and seismic data covering Elemental's Sintoukola permit.

The information includes a total of 590 line kilometres of oil seismic data from the 1980s within the Sintoukola permit. It is estimated that a geophysical programme of this scale and detail of work today would cost at least US\$ 20 million and would take several years to acquire and process.

Drilling at Dougou commenced ahead of schedule on 11th July, starting with drillhole ED_02. The programme will consist of three drillholes (Fig. 1) for a total of approximately 1600 metres, planned to extend and add confidence to the Dougou Inferred Resource. Drillholes are expected to reach the evaporite sequence at a depth of between 310 and 340 metres. The drillholes target the potash of the carnallite Hangingwall, Upper and Lower Seams (refer to announcement of 9 July for an explanation of the Dougou geology) at a depth of between 430 and 570 metres. Drilling is being undertaken by Meridian Drilling Limited. The programme is expected to be completed within 8 to 10 weeks.

Tenement Details

Elemental Minerals Limited holds 93% of Sintoukola Potash S.A. who has the rights over the Sintoukola Project situated in the Kouilou Province in the south west corner of the Republic of Congo. The Sintoukola Project comprises an exclusive exploration permit, for potash and associated salts, which covers an area of 1,408 km² along the northern part of the coastline in the west of the country.

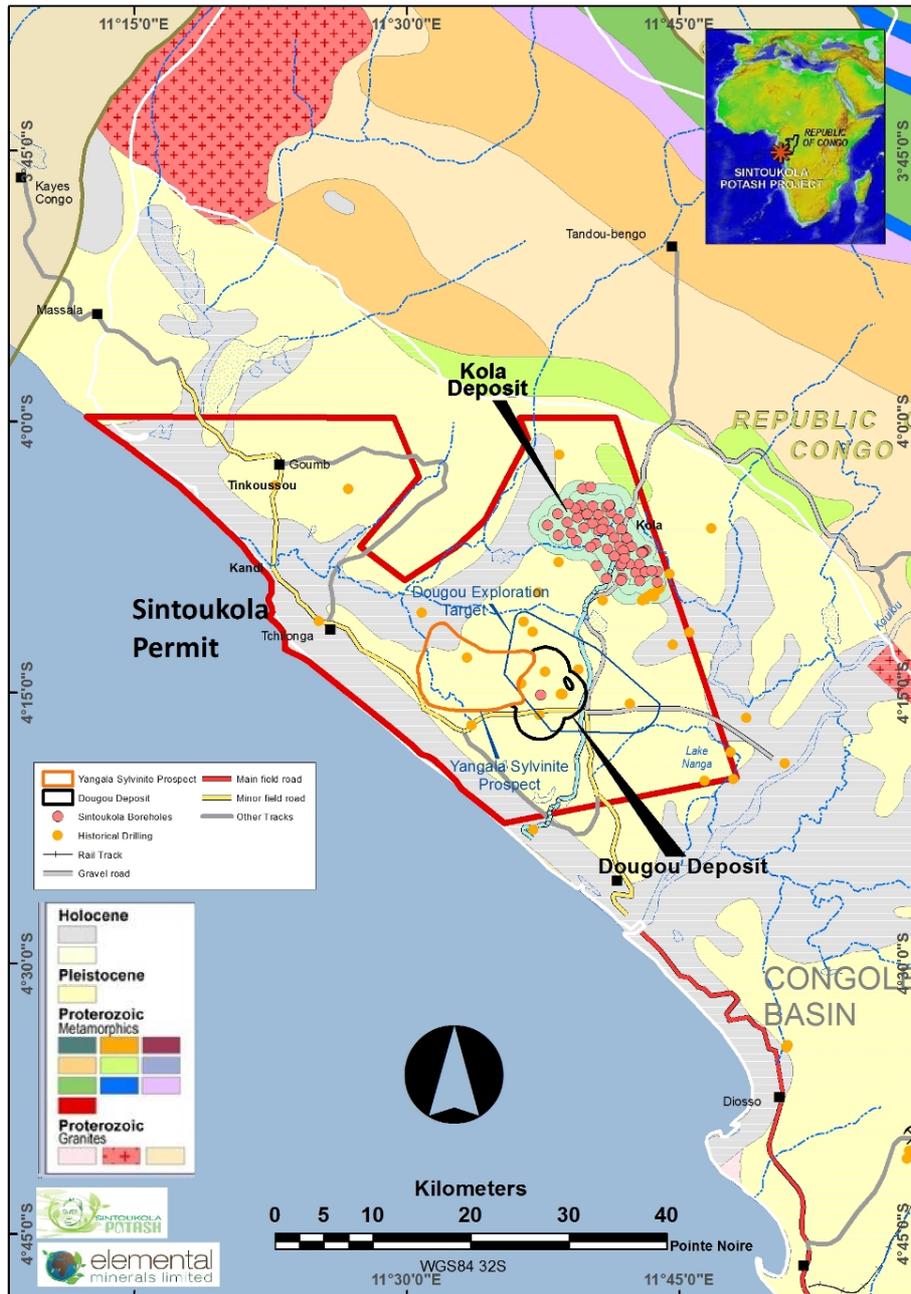


Figure 1. Map showing the Company's Sintoukola permit. The Dougou Deposit and Yangala Prospect are shown.

Corporate

On 19 May 2014 Elemental announced that the Company had raised A\$3.1 million at A\$0.25 per share from sophisticated and institutional investors. The non-broker placement at a premium of 11 percent to the closing price of Elemental shares on Friday 16 May 2014 was to long-term existing shareholders of the Company.

At the same time, Dingyi was given 30 days' notice to repay the A\$ 10 million Dingyi Convertible Note with interest. These ring fenced funds that have not been used by the Company, were part of the financing undertaken during the Dingyi takeover bid that expired on 31 March 2014. The use of the funds required continued Dingyi approval for non pre-approved expenditures, potentially compromising Elemental's ability to fulfil its revised strategy. The note was repaid on 20 June 2014.

Significantly, on 14 July 2014 Elemental announced that it had 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%. Les Etablissements Congolais MGM S.A.R.L ("MGM") will remain as a 3% shareholder and will retain the Chairmanship of Sintoukola. Terms, including first option, have been agreed with MGM for the balance of Sintoukola.

About Elemental Minerals

Elemental Minerals Limited (ASX: ELM) is an advanced mineral exploration and development company whose primary asset is the 97%-owned Sintoukola Potash Project in the Republic of Congo. ELM completed an advanced Pre-Feasibility Study on its Kola Project in September 2012 and was awarded a mining license and an environmental license in August 2013. The Sintoukola Project has the potential to be among the world's lowest-cost potash producers and its strategic location near the Congolese coast of Central West Africa offers a transport cost advantage to key Brazilian and Asian fertilizer markets. For more information, visit www.elementalminerals.com

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Forward-Looking Statements

This news release contains statements that are "forward-looking". Generally, the words "expect," "potential", "intend," "estimate," "will" and similar expressions identify forward-looking statements. By their very nature, forward-looking statements are subject to known and unknown risks and uncertainties that may cause our actual results, performance or achievements, to differ materially from those expressed or implied in any of our forward-looking statements, which are not guarantees of future performance. Statements in this news release regarding the Company's business or proposed business, which are not historical facts, are "forward looking" statements that involve risks and uncertainties, such as resource estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements.

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

Competent Person Statement:

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

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Elemental Minerals Limited

ABN

31 108 066 422

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$USD'000 | Year to date (6 months) \$USD'000 |
|--|------------------------------|---|
| 1.1 Receipts from product sales and related debtors | - | - |
| 1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration | - - - (638) | - - - (1,399) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 55 | 96 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other (R & D Refund) | 412 | 412 |
| Net Operating Cash Flows | (171) | (891) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: (a) exploration, development and evaluation (b) equity investments (c) other fixed assets | (1,804) - - | (2,285) - - |
| 1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets | - - - | - - - |
| 1.10 Loans to other entities | - | - |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other (provide details if material) | - | - |
| Net investing cash flows | (1,804) | (2,285) |
| 1.13 Total operating and investing cash flows (carried forward) | (1,975) | (3,176) |

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

| | | | |
|------|--|---------|---------|
| 1.13 | Total operating and investing cash flows (brought forward) | (1,975) | (3,176) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 2,895 | 2,895 |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of convertible notes | (8,804) | (8,804) |
| 1.18 | Interest paid on convertible notes | (265) | (265) |
| 1.19 | Proceeds from convertible notes | - | 8,804 |
| | Net financing cash flows | (6,174) | 2,630 |
| | Net increase (decrease) in cash held | (8,149) | (546) |
| 1.20 | Cash at beginning of quarter/year to date | 11,516 | 3,469 |
| 1.21 | Exchange rate adjustments to item 1.20 | (408) | 36 |
| 1.22 | Cash at end of quarter | 2,959 | 2,959 |

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

| | Current quarter \$USD'000 | |
|------|--|-----|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 112 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

All payments to Directors and associates are on normal commercial terms:

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$USD'000 | Amount used \$USD'000 |
|---------------------------------|-------------------------------|--------------------------|
| 3.1 Loan facilities | - | - |
| 3.2 Credit standby arrangements | - | - |

Estimated cash outflows for next quarter

| | \$USD'000 |
|--------------------------------|----------------|
| 4.1 Exploration and evaluation | 2,115.4 |
| 4.2 Development | - |
| 4.3 Production | - |
| 4.4 Administration | 529.1 |
| Total | 2,644.5 |

Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | Current quarter \$USD'000 | Previous quarter \$USD'000 |
|---|------------------------------|-------------------------------|
| 5.1 Cash on hand and at bank | 2,959 | 11,516 |
| 5.2 Deposits at call | - | - |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 2,959 | 11,516 |

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

| | Tenement reference and location | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|-----|---|-------------------------------|----------------------------------|----------------------------|
| 6.1 | Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed | - | - | - |
| 6.2 | Interests in mining tenements and petroleum tenements acquired or increased | - | - | - |

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|-----|--------------|---------------|---|--|
| 7.1 | - | - | - | - |
| 7.2 | - | - | - | - |
| 7.3 | 305,063,391 | 305,063,391 | - | Fully Paid |
| 7.4 | 1,800,000 | 1,800,000 | AUD\$0.25 | Fully Paid |
| 7.5 | - | - | - | - |

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

| | | | | | |
|------|---|-------------|---|-----------------------|--------------------|
| 7.6 | Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | 10,000,000* | - | AUD\$1.00 | AUD\$1.00 |
| 7.7 | Options (description and conversion factor) | | | <i>Exercise price</i> | <i>Expiry date</i> |
| | | 4,500,000 | - | AUD\$1.07 | 16/02/2015 |
| | | 4,450,000 | - | AUD\$1.07 | 19/05/2015 |
| | | 500,000 | - | AUD\$1.09 | 09/01/2016 |
| | | 300,000 | - | AUD\$1.29 | 13/02/2016 |
| | | 250,000 | - | AUD\$1.12 | 23/04/2016 |
| | | 500,000 | - | AUD\$1.18 | 01/04/2016 |
| | | 250,000 | - | AUD\$0.90 | 22/05/2017 |
| | | 7,509,013 | - | AUD\$0.33 | 15/04/2018 |
| | | 1,500,000 | - | AUD\$0.33 | 26/06/2018 |
| 7.8 | Issued during quarter | 7,509,013 | - | AUD\$0.33 | 15/04/2018 |
| | | 1,500,000 | - | AUD\$0.33 | 26/06/2018 |
| 7.9 | Exercised during quarter | - | - | - | - |
| 7.10 | Expired during quarter | - | - | - | - |
| 7.11 | Debentures (totals only) | - | - | | |
| 7.12 | Unsecured notes (totals only) | - | - | | |

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:



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(Company secretary)

Date: .31 July 2014

Print name: Leonard Math

+ See chapter 19 for defined terms.

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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