

## NON-BINDING TERM SHEET AND EXCLUSIVITY SIGNED WITH SUMMIT PRIVATE EQUITY REGARDING US\$50m EQUITY INVESTMENT TO PURSUE AN ACCELERATED STRATEGY IN RELATION TO ITS SINTOUKOLA POTASH PROJECTS

### ELEMENTAL MINERALS LIMITED

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### DIRECTORS

Chairman: David Hathorn  
Managing Director: Sean Bennett  
Non-exec Director: Sam Middlemas  
Non-exec Director: Leonard Math

### ISSUED CAPITAL

(As at – 8 Jan 2016)  
410.2m Ordinary Shares  
ASX Code: ELM

Perth, Australia 11 January 2016 – Elemental Minerals Ltd (ASX ELM) ('Elemental' or 'the Company') is pleased to announce that, having made significant progress in its discussions with Summit as announced on 26 November 2015, it has signed a non-binding term sheet and entered into exclusivity with SUMMIT Private Equity ('SUMMIT') in connection with a proposed equity investment in the Company that will see it sufficiently funded through to the commencement of the construction of its flagship potash project, the Kola Sylvinite Project ("Kola") in the Republic of Congo ('RoC').

The non-binding term sheet provides for a minimum equity injection of US\$50 million at a subscription price of A\$0.20 per share into the Company. This cash injection would allow the Company to pursue a new strategy (the 'Proposed Strategy') accelerating the development of its various Potash projects.

Since receiving the proposal the Company has been working with Summit on progressing their due diligence, refining the Proposed Strategy and having detailed discussions with SUMMIT's partners, including the proposed team of world-class project engineers and project managers Vinci Construction Group, Technip France S.A., Egis Group and Louis Dreyfus Armateurs (collectively known as 'the Construction Consortium'). The Board is of the view that the Proposed Strategy provides an attractive holistic approach which not only encompasses the completion of the Definitive Feasibility Study for Kola but also takes steps to de-risk and accelerate the construction of the mine thereby improving the overall economics. The Proposed Strategy includes the following:

- **Raising a minimum of US\$50m** through Summit and investors it introduces, with board representation.
- **Creation of a Master Plan**, which provides a comprehensive strategic overview of Elemental's Kola, Dougou and Yangala projects, and sets out planning considerations of common infrastructure works which could be utilised across all 3 resources.
- **Completion of a comprehensive Definitive Feasibility Study for the Kola Mine ('DFS')**, inclusive of pre-engineering works, by the Construction Consortium.



- **Provision of a binding EPC contract**, early contractor involvement by way of the DFS by the Construction Consortium, allows them to produce an open-book, fixed price, binding Engineering, Procurement and Construction ('EPC') offer within 3 months from the completion of the DFS.
- **Reverting to a 2Mtpa MOP operation**, rather than a phased approach.
- **Accelerate the development of Dougou and Yangala**
- **Enhancing the Company's financing capability**, the credentials of the Construction Consortium, supported by significant financing from key strategic investors, enhances the ability of Elemental to finalise project financing and delivery in an accelerated timeline.

### Key strategic advantages for the Elemental

The key strategic advantages taken into account by the Board of the Company when signing the non-binding term sheet include:

1. **Holistic Strategy** – working with the French Consortium to provide the Master Plan and the DFS, within an estimated 14-month period followed by the provision of a fixed priced EPC contract (concluded on an open book basis) within 3 months of the completion of the DFS allows the Company to accelerate the financing of the mine build as well as de-risk the project for both off-takers and investors.
2. **Reduction in timeframes** – as a result of the early contractor involvement, and the contractors' credentials being known upfront, Elemental may potentially be able to save 18-22 months allowing them to target building the mine within 24 months of the DFS commencing.
3. **Improved economics** – due to the suggested approach for the mine build reverting to the upfront 2Mtpa operation, and the accelerated timelines the overall economics of the project have the potential to improve significantly.
4. **Facilitating the debt / equity finance** through a new strategy which both expedites negotiating off-take agreements, together with the credentials and expertise of the contractors, who also have demonstrable track records in assisting companies in securing project related finance, has the potential to de-risk the raising of the mine build financing.
5. **Adequately Capitalised** – ensuring that the Board of the Company has adequate capital to pursue the Proposed Strategy increases stakeholder confidence in the Company.
6. **Exploration of the Yangala Prospect** – Allowing for first phase drilling to be conducted at the Yangala Prospect which has the potential of becoming a world leading potash resource,
7. **Avoid excessive dilution to existing shareholders** - that arises through the numerous and successive capital raisings that that can result in a sub-optimal strategy as well as inefficient use of management time and resources.

### **Exclusivity**

Taking into account the time taken to formulate the Proposal, the overall strategic benefits the Proposal potentially represents and the proposed investment amount, the Board of Elemental was unanimous in its view that the Proposal ought to be progressed to determine whether formal agreements can be reached and put to shareholders. To do so, Elemental has entered into an exclusivity with SUMMIT to complete confirmatory due diligence and negotiate definitive documentation.

The term sheet is non-binding and remains subject to the negotiation of its terms by the parties. Any investment is subject to a number of conditions within and outside the Company's control, including due diligence, formal documentation, internal approvals by SUMMIT and various consortium members and approval by the Company's Board and Shareholders. There is a risk that one or more of these conditions may not be satisfied, and investors are cautioned against making investment decisions having regard to this proposal.

**Sean Bennett, the Managing Director of the Company,** said: "We have spent a significant amount of time assessing this proposal and meeting with Summit and its partners and believe that this proposal is a very exciting opportunity for the Company, which is why we are willing to enter into exclusivity with Summit. We have been impressed by the work that Summit, and their partners, have done to date and look forward to working with them to bring this new strategy to fruition."

### **Contact**

Elemental Minerals

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## **BACKGROUND**

### **About SUMMIT - [www.summitpe.com](http://www.summitpe.com)**

SUMMIT private equity is a private equity investment group providing distinct perspective on value creation.

The SUMMIT team brings together a blend of intellectual capital and experience across industries, geographies and market cycles, giving us exceptional insight into their client's needs, and an intuitive grasp of the right strategic solutions and innovative transaction structures. The potential investment will be completed through its listed SUMMIT Balanced Fund.

### **About VINCI GROUP - [www.vinci-construction.com/en/group](http://www.vinci-construction.com/en/group)**

A French concessions and construction company founded in 1899 as Société Générale d'Enterprises. It employs over 185,000 people and is the largest construction company in the world by revenue. Vinci is listed at Euronext's Paris stock exchange and is a member of the CAC 40 index. Its head office is in Paris. They have an extensive track-record in terms of all types of construction covering all aspects of the mine life cycle, including areas such as, mine access, water management, pipelines, energy, pits, tunnels, galleries and underground works, civil works, roadways and railway infrastructure, earthworks, jetties, quays and exploration to name a few.

Sogea Satom ([www.sogea-satom.com](http://www.sogea-satom.com)) a wholly owned subsidiary of Vinci Group has been active in Africa for more than 90 years, operates in over 20 African countries employing in excess of 15,000 people, making it the foremost construction company in Africa with a definitive understanding of political climate and cultural nuances associated with working on the continent. Sogea Satom has operated in the Republic of Congo since 1963.

Total annual revenues for Vinci Group stand at more than €38.7 billion annually.

### **About TECHNIP S.A. - [www.technip.com/en](http://www.technip.com/en)**

Founded in 1958, as an engineering company, Technip today employs over 36,000 people and operates in 48 countries. Technip shares are listed on the NYSE Euronext Paris exchange and the USA over-the-counter (OTC) market as an American Depositary Receipt (ADR: TKPPY). Technip provides all or part of the services for basic and detail engineering, procurement, construction and project management. They have an extensive track record in the implementation of large turnkey contracts and the arrangement of related international financing on behalf of their clients. They work with partners from all parts of the globe and implement a global procurement policy that enables Technip to obtain the most competitive prices on the international market. As such they are thus in a position to fulfill the expectations of operators wanting to entrust the largest possible range of services to a single contractor able to manage all aspects of a major project at optimized cost.

Total annual revenues stand at more than €10.7 billion.

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### **About EGIS GROUP - [www.egis-group.com](http://www.egis-group.com)**

Egis, a subsidiary of the French “Caisse des Dépôts” and “Iosis Partenaires” (shareholding by executive partners and employees) on a 75%-25% basis, is a consulting and engineering group working in the fields of construction for transport, urban development, buildings, industry, water, the environment and energy. The group is also involved in project financing, tolling, road and airport operations. The new group results from the merger, on 1 January 2011, of Egis, a leader in infrastructure engineering and Iosis, a French leader in construction and civil nuclear engineering. Egis provides engineering services in the field of urban development, from buildings to transport infrastructure: hospitals, tertiary buildings, stadiums, museums, stations, airports, tramways; and major transport and civil engineering projects: high-speed railway lines, motorways, port terminals, civil nuclear engineering, etc.; as well as sectors such as water, the environment and landscaping. Egis has been present in the Republic of Congo since 2009.

Total annual revenues stand at more than €800 million per year.

### **About LOUIS DREYFUS ARMATEURS - [www.lda.fr/home-139](http://www.lda.fr/home-139)**

Louis Dreyfus Armateurs Group a family owned business founded in 1851 is a French company involved in maritime transportation and services offering a worldwide presence with around 1,600 seagoing and office-based personnel. Although being clearly separate entities the LDA Group has shareholders in common with Louis Dreyfus Commodities, a global conglomerate company that is involved in agriculture, oil, energy and commodities (global processing, trading and merchandising). Able to offer its dry bulk chain customers a full range of services, LDA is a leading global player in transport and logistics. As an inventive port operator, LDA Group is a valued partner for logistics innovation worldwide. Thanks to strategic diversification conducted since the late 1990s into high added value maritime activities, LDA now also offers its clients tailor-made industrial maritime solutions. LDA is a fully integrated ship-owner, offering all the services from ship design to the maritime operations by its own crewmembers.

Louis Dreyfus Armateurs is a non-listed company.

### **About TRX - [www.trxinvest.com](http://www.trxinvest.com)**

The activities of what is now TRX began in 1985 in Rio de Janeiro and has evolved over the last 30 years into a global advisory boutique which provides independent, conflict free services in the development, financing and management of major infrastructure projects, from their conception, design and construction into their financing and operating phases. TRX also provides strategic advice for corporate clients relating to project finance, M&A, raising capital and restructuring issues.

TRX now operates 6 offices distributed in the Americas and Europe. Their services are provided by 80 globally distributed associates, which individually and collectively offer relevant technical, commercial, legal and financial expertise. TRX's team not only draws upon a diverse range of backgrounds but also brings together deep and diversified networks of trusted and long-standing relationships. TRX has strategically developed its team to address the growing needs of its clients to now become a unique and trusted advisor to whom all stakeholders now turn to for efficient, goal oriented and successful advice and for access to a privileged and essential network of key partners.

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## About Elemental Minerals Limited

Elemental Minerals Limited (ASX: ELM) is an advanced stage mineral exploration and development company whose primary asset is 97%-owned Sintoukola Potash SARL (SP) in the RoC. SP holds 100% ownership of the Sintoukola Exploration Permit and 100% of the Kola Mining Lease, within which the Kola, Dougou and Yangala Projects are located.

These properties are easily accessed, being located approximately 80km to the north of the city of Pointe Noire. The Projects have the potential to be among the world's lowest-cost potash producers and their location near the Congolese coast of Central West Africa offers a transport cost advantage to key Brazilian and Asian fertilizer markets. The three projects are at varying stages of development; the Kola sylvinitic Project is the Company's lead project.

Kola is a large sylvinitic deposit, for which a Pre-Feasibility Study (PFS) defined Proven and Probable Reserves of 152 Mt of sylvinitic ore<sup>1</sup> with an average grade of 31.7% KCl to be mined by conventional underground methods (at a depth of between 200 and 300 m), for a full scale production of 2 Mtpa Muriate of Potash (MoP) by 2024. A Mining License and ESIA approval for Kola were granted in August 2013<sup>2</sup>.

The Dougou Deposit is 15 km southwest of Kola and is a very large carnallitic deposit with a Measured and Indicated Potash Mineral Resource of 1.1 billion tonnes grading 20.6% KCl (at a depth of between 400 and 600 metres) hosted by 35-40 metres of carnallitic within 4 flat-lying seams<sup>3</sup>. A Scoping Study was completed by ERCOSPLAN of Germany in February 2015<sup>4</sup>. This Study indicates that a low capital cost, low operating cost (Life of Mine operating cost of US\$68 per tonne MOP), quick to production carnallitic<sup>5</sup> solution mine can be established at Dougou, taking advantage of the deposit quality and availability of cheap energy in the RoC.

The Yangala Sylvinitic Prospect lies immediately west of Dougou. At Yangala, the Company has drilled two holes, both intersecting a flat-lying layer of over 4 to 4.5 metres thickness with a grade of between 57 and 60% KCl, a candidate for the world's highest grading potash seam<sup>6</sup>. An Exploration Target of 235 to 470 Mt grading 55 to 60 % KCl was announced on 27<sup>th</sup> January 2015<sup>7</sup>.

Elemental's management team has a record of bringing quality African mineral projects to production. For more information contact us or visit [www.elementalminerals.com](http://www.elementalminerals.com).

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<sup>1</sup> NI 43-101 Technical Report. PFS for the Kola Deposit, 17 September 2012 (SRK Consulting)

<sup>2</sup> Announcement dated 15 August 2013: Elemental Minerals Announces Award of Mining License for the Kola Potash Project.

<sup>3</sup> Announcement dated 9 February 2015: Elemental Minerals Announces Large Mineral Resource Expansion and Upgrade for the Dougou Potash Deposit.

<sup>4</sup> Announcement dated 17 February 2015: Results for the Dougou Potash Project Scoping Study

<sup>5</sup> Carnallitic: a rock comprising of the potash mineral carnallite (KMgCl<sub>3</sub>·6H<sub>2</sub>O) and other minerals such as halite (NaCl).

<sup>6</sup> Announcement dated 20 October 2014: Elemental Minerals Announces results for the Phase 1B drilling programme in the Dougou-Yangala area (part of the Sintoukola Potash Project) in the Republic of Congo (RoC).

<sup>7</sup> Announcement dated 27 January 2015: Elemental Minerals Announces an Exploration Target for the High Grade Sylvinitic Hangingwall Seam at the Yangala Prospect.

	Potash Mineral Resources		
Potash Deposit	Category	Million Tonnes	Grade KCl %
Kola Sylvinitite	Measured	264	33.75
	Indicated	309	32.61
	Inferred	475	32.48
	<b>TOTAL</b>	<b>1,048</b>	<b>32.84</b>
Kola Carnallitite	Measured	295	17.83
	Indicated	449	18.69
	Inferred	473	18.81
	<b>TOTAL</b>	<b>1,217</b>	<b>18.53</b>
Dougou Carnallitite	Measured	148	20.07
	Indicated	920	20.65
	Inferred	1,988	20.77
	<b>TOTAL</b>	<b>3,056</b>	<b>20.70</b>
TOTAL MINERAL RESOURCES	Measured	707	24.24
	Indicated	1,678	22.33
	Inferred	2,936	22.35
	<b>TOTAL</b>	<b>5,321</b>	<b>22.59</b>

*Table 1. Elemental Minerals' potash Resources*

**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 the 21<sup>st</sup> August 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 2012 code 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 K<sub>2</sub>O 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.

Category	Million Tonnes	Grade KCl %
Proven	88	31.68
Probable	64	31.69
<b>TOTAL</b>	<b>152</b>	<b>31.69</b>

*Table 2. Elemental Minerals' potash Ore Reserves*

**Notes:** The Kola Sylvinitite 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 and have not changed since then.

### **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 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 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.



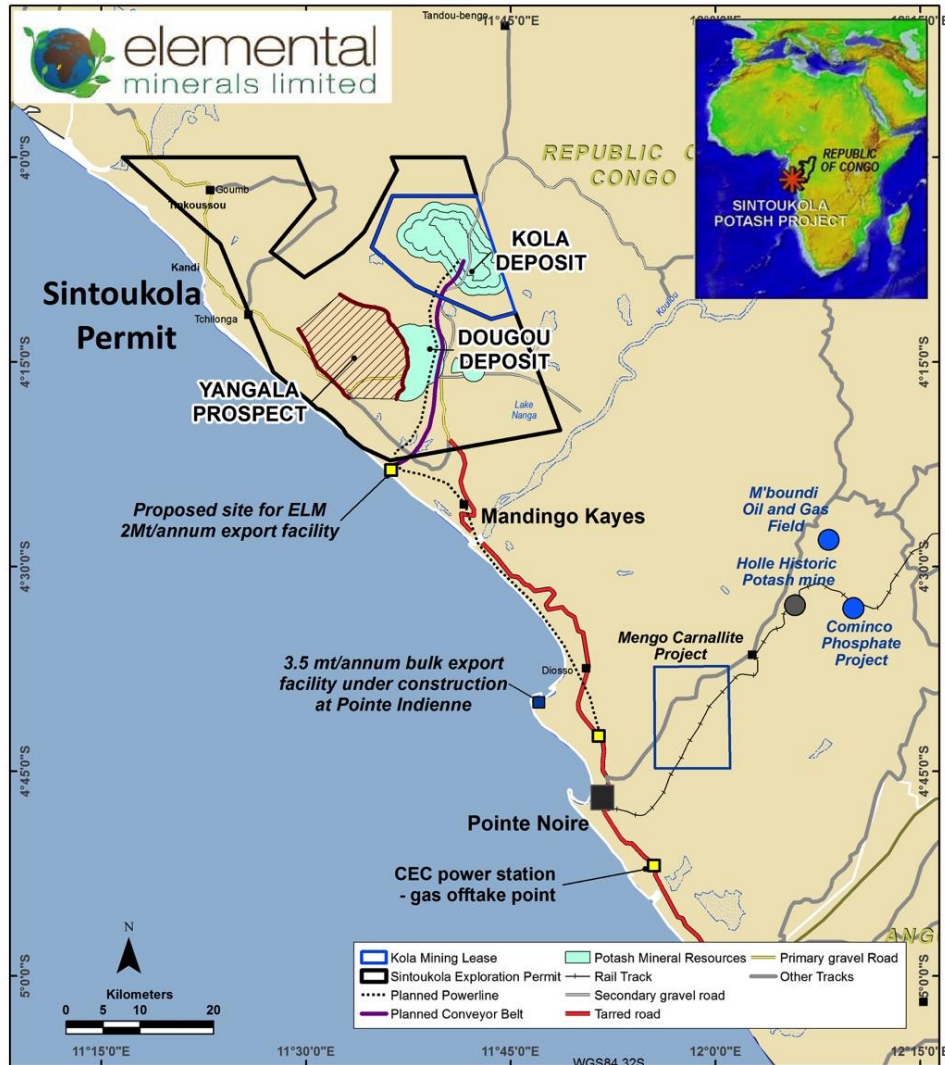


Figure 1: Location of the Kola and Dougou Projects within the Sintoukola Permit in relation to available infrastructure