



ELEMENTAL MINERALS LIMITED

ABN 31 108 066 422

Notice of General Meeting Proxy Form and Explanatory Statement

Date of Meeting

23 February 2016

Time of Meeting

10.00 am (AWST)

Place of Meeting

Level 3, 88 William Street, Perth 6000, Western Australia

*This Notice of General Meeting and Explanatory Statement should be read in its entirety.
If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor
or other professional adviser without delay.*

Notice of General Meeting

NOTICE IS GIVEN THAT A GENERAL MEETING OF SHAREHOLDERS WILL BE HELD AT LEVEL 3, 88 WILLIAM STREET, PERTH, WESTERN AUSTRALIA ON 23 FEBRUARY 2016, AT 10.00 AM (AWST).

AGENDA

The Explanatory Statement accompanying this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

1. Resolution 1 – Approval for the grant of 13,000,000 Performance Rights to Mr David Hathorn

To consider and if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:-

“That for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of 13,000,000 Performance Rights to David Hathorn, a Director, under the Elemental Minerals Limited Performance Rights Plan on the terms and conditions contained in the Explanatory Notes to this Notice of Meeting.”

2. Resolution 2 – Approval for the grant of 8,500,000 Performance Rights to Mr Sean Bennett

To consider and if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:-

“That for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of 8,500,000 Performance Rights to Sean Bennett, a Director, under the Elemental Minerals Limited Performance Rights Plan on the terms and conditions contained in the Explanatory Notes to this Notice of Meeting.”

3. Resolution 3 – Ratification of previous share issue

To consider and if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:-

“That, for the purposes of Listing Rule 7.4 and for all other purposes, the 15% placement capacity of the Company be refreshed by the approval of the previous issue of 24,925,000 Shares at an issue price of \$0.20 on 13 July 2015, on the terms set out in the Explanatory Statement.”

VOTING EXCLUSION STATEMENTS

The Company will disregard any votes on the respective Resolutions cast by or on behalf of the following persons:

Resolution	Persons excluded from voting
Resolutions 1 and 2 – Approval of grant of Performance Rights	<p>A director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of their associates.</p> <p>The Company will also disregard any votes cast on Resolutions 1 and 2 by a Member of the Key Management Personnel or their Closely Related Parties as proxy for another person where the proxy form does not specify how the proxy is to vote, with the exception that votes cast by the Chairman as proxy appointed in writing, in accordance with a direction on the proxy form to vote as the proxy decides will not be excluded.</p> <p>However, the Company need not disregard a vote if:</p> <ul style="list-style-type: none">a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; orb) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.
Resolution 3 – Ratification of previous share issue	<p>The Company will disregard any votes cast on Resolution 3 by those persons who participated in the issue of Shares and their associates.</p> <p>However, the Company need not disregard a vote if:</p> <ul style="list-style-type: none">c) It is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; ord) It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

ENTITLEMENT TO ATTEND AND VOTE

You will be entitled to attend and vote at the General Meeting if you are registered as a Shareholder of the Company as at 4 p.m. (AWST) on 19 February 2016. This is because, in accordance with the Corporations Regulations 2001 (Cth), the Board has determined that the Shares on issue at that time will be taken, for the purposes of the General Meeting, to be held by the persons who held them at that time. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

HOW TO VOTE

Voting in person

Shareholders who plan to attend the meeting are asked to arrive at the venue 15 minutes prior to the time designated for the meeting if possible, so that their holding may be checked against the Company's Shareholder register and attendances recorded.

Corporate representatives

A body corporate, which is a Shareholder or which has been appointed as a proxy, may appoint an individual to act as its corporate representative at the meeting in accordance with section 250D of the Corporations Act. The appropriate appointment document must be produced prior to admission. A form of the certificate can be obtained from the Company's registered office.

Voting by proxy

A Shareholder who is entitled to attend and cast a vote at the meeting may appoint a proxy. A proxy need not be a Shareholder and may be an individual or body corporate. If a body corporate is appointed as a proxy it must appoint a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy at the meeting (see above).

A Shareholder who is entitled to cast two or more votes may appoint two proxies to attend the meeting and vote on their behalf and may specify the proportion or a number of votes each proxy is appointed to exercise. If a Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes (disregarding fractions). If you wish to appoint a second proxy, you may copy the enclosed proxy form or obtain a form from the Company's registered office.

To be effective for the scheduled meeting a proxy appointment (and any power of attorney or other authority under which it is signed or otherwise authenticated, or a certified copy of that authority) must be received at an address or fax number below no later than 10 a.m. on 21 February 2016, being 48 hours before the time of the meeting, any proxy appointment received after that time will not be valid for the scheduled meeting.

In person

Level 3,
88 William Street, Perth,
Western Australia 6000

By email

leonard.math@elementalminerals.com

By mail

GPO Box 2570,
Perth, Western Australia 6001

By fax

(08) 9463 2499

For further information concerning the appointment of proxies and the ways in which proxy appointments may be submitted, please refer to the enclosed proxy form.

Voting by attorney

A Shareholder may appoint an attorney to attend and vote on their behalf. For an appointment to be effective for the meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the Company at one of the addresses listed above for the receipt of proxy appointments at least 48 hours prior to the commencement of the meeting.

Chairman as proxy

If you appoint a proxy, the Company encourages you to consider directing them how to vote by marking the appropriate box on each of the proposed Resolutions.

If a Shareholder entitled to vote on a Resolution appoints the Chairman of the meeting as their proxy (or the Chairman becomes their proxy by default) and the Shareholder does not direct the Chairman how to vote on the Resolution the Chairman intends to vote in favour of the Resolution, as proxy for that Shareholder on a poll; and

If you do not want to put the Chairman of the meeting in the position to cast your votes in favour of any of the proposed Resolutions, you should complete the appropriate box on the proxy form, directing your proxy to vote against, or to abstain from voting, on the resolution.

BY ORDER OF THE BOARD

Leonard Math
Director & Joint Company Secretary
Dated 20 January 2016

Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the General Meeting of the Company to be held on 23 February 2016 at 10.00 am (Perth time).

The Directors recommend Shareholders read this Explanatory Statement and the Notice of Meeting in full before making any decision in relation to the Resolutions. Terms used in this Explanatory Statement will, unless the context otherwise requires, have the meaning given to them in the glossary contained in this Explanatory Statement.

Resolutions 1 to 2 – Approval of Issue of Performance Rights

Background

Resolutions 1 to 2 seek Shareholder approval for the issue of Performance Rights to Non-Executive Chairman, David Hathorn (13 million) and Managing Director, Sean Bennett (8.5 million) as announced to the ASX on 26 November 2015.

In determining each Director's remuneration package, including the proposed issue of Performance Rights under the Plan, the Board considered the scope of the role of each Director, the business challenges facing the Company and market practice for the remuneration of officers in positions of similar responsibility.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the company unless either:

- the giving of the financial benefit falls within one of the exceptions to the provision; or
- prior shareholder approval is obtained to the giving of the financial benefit.

Related party is widely defined under the Corporations Act, and includes directors of a company.

Financial benefit is defined broadly and includes benefits from the public company's subsidiaries. It is necessary to look at the economic and commercial substance and the effect of the transaction in determining the financial benefit. The Corporations Act requires that any consideration that is given is disregarded, even if the consideration is adequate.

David Hathorn and Sean Bennett are Directors, and therefore related parties of the Company, and the issue of the securities to them or their nominees constitutes the provision of a financial benefit for the purposes of Chapter 2E of the Corporations Act.

Shareholder approval is therefore being sought pursuant to Chapter 2E of the Corporations Act and Listing Rule 10.14.

The Performance Rights will be issued subject to the Company's Performance Rights Plan Rules. Refer to Annexure A for the summary of the Plan Rules.

Resolution 1 – Approval of Issue of Performance Rights to David Hathorn

Mr David Hathorn was appointed to the Board on 20 November 2015. Mr Hathorn has agreed not to receive any cash remuneration. The Board agreed to grant Mr Hathorn the following Performance Rights, subject to Shareholder approval:-

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 (note 1)	
100%	10,000,000
TOTAL	13,000,000

Vesting of Performance Rights

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 \$0.50, nil.
 - (ii) where the 30 day average daily VWAP is \$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 \$0.50.
- (b) For the remainder of the Performance Right Term, the number of Shares to be issued is 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 \$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 \$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, 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.

Where:

“30 day average daily VWAP” means the average of the daily VWAP calculated using the 30 highest daily VWAPs during a Vesting Period.

“Initial Tranche” means 2,000,000 Shares to be issued where the 30 day average daily VWAP is \$0.50 or more.

“Performance Right Term” means the period on the day the Performance Rights are issued and ending on the fifth annual anniversary of the issue of the Performance Rights.

“Vesting Period” means a 6 month period commencing, in case of the first Vesting Period, on the day the Performance Rights are issued and thereafter on the day after the previous Vesting Period; for the duration of the Performance Right Term.

“VWAP” means daily volume weighted market price (as defined in the Listing Rules) for Shares.

Note 1: For example:

- (a) if the 30 day average daily VWAP for the first Vesting Period is \$0.55, then 2,266,650 Performance Rights will vest into 2,266,650 Shares at the end of that Vesting Period;
- (b) if the 30 day average daily VWAP for the second Vesting Period is \$0.655, then a further 559,965 Performance Rights will vest into 559,965 Shares at the end of that Vesting Period;
- (c) if the 30 day average daily VWAP for the third Vesting Period is \$0.649, then no Performance Rights will vest into Shares at the end of that Vesting Period;

- (d) if the 30 day average daily VWAP for the fourth Vesting Period is \$0.85, then a further 1,039,999 Performance Rights will vest into 1,039,999 Shares at the end of that Vesting Period;
- (e) if the 30 day average daily VWAP for the fifth Vesting Period is \$1.95, then a further 5,866,300 Performance Rights will vest into 5,866,300 Shares at the end of that Vesting Period; and
- (f) if the 30 day average daily VWAP for the sixth Vesting Period is \$2.50, then the remaining Performance Rights held by the holder will vest, being 267,086 Performance Rights.

Performance Rights will vest in full (without any lock up requirements) should there be a change in control event which results in a person acquiring a relevant interest in more than 50% of the Shares in the Company.

Information required by the Corporations Act

For the purposes of section 219 of the Corporations Act and ASIC Regulatory Guide 76, the following information is provided to Shareholders to enable them to assess the merits of the resolution:

- (a) The related party to whom Resolution 1 would permit the benefit to be given:
David Hathorn, a Non-Executive Chairman
- (b) The nature of the financial benefit:
The proposed financial benefits to be given are the issue of 13 million Performance Rights to David Hathorn the terms of which are set out in this Explanatory Memorandum.
- (c) Reasons for giving the benefit
The Board independent of Mr Hathorn have determined that the issue of 13 million Performance Rights to Mr Hathorn recognises the skills and value that Mr Hathorn will bring to the Company based on his past and current experience and his contact base. In addition to the normal day to day functions associated with the Chairman's role, he will be providing the Company up to 30% of his time, in order to ensure that the Company is provided with the guidance and input required to progress the definitive feasibility study for the Sintoukola Potash Project.
- (c) David Hathorn's existing relevant interest
David Hathorn currently holds 4,106,516 Shares (equal to approximately 1.00% of the Company's issued share capital).
- (d) Total remuneration package
As a Non-Executive Chairman, Mr Hathorn has agreed not to receive any cash remuneration.
- (e) Dilution
The Company's issued share capital will not change as a result of the issue of 13 million Performance Rights to David Hathorn. However should all of the Performance Rights vest, a total of 13 million shares will be issued which represents 3.16% of current total shares on issued (410,280,720).
- (f) Valuation of the financial benefit to be given
The Company has obtained a valuation of the Performance Rights, which is set out in Schedule 1 to this Explanatory Memorandum.
- (g) Other Information
The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision on whether it is in the best interests of the Company to pass the Resolution.

Information required by the Listing Rules

In compliance with the information requirements of ASX Listing Rule 10.15, Shareholders are advised of the following information:

- (a) Nature of relationship between allottee and the Company
The Performance Rights are proposed to be issued to Mr David Hathorn. Mr Hathorn is a Non-Executive Chairman of the Company and, as such, is a related party of the Company.
- (b) Details of the maximum number of securities that may be issued
The maximum number of securities that may be acquired by Mr Hathorn under Resolution 1 is 13 million. A further 8.5 million securities may be acquired by Mr Sean Bennett under Resolution 2.
- (c) Issue price
The 13 million Performance Rights will be issued for nil cash consideration.

- (d) Previous issues under the Plan
At the date of this Notice of Meeting no Performance Rights have been granted to Mr Hathorn or any other Eligible Persons.
- (e) Eligible participants under the Plan
Persons eligible to participate in the Plan are full time or part-time employees or executive or non-executive directors of the Company or a Related Body Corporate of the Company, being Messrs David Hathorn, Sean Bennett, Robert Samuel Middlemas and Leonard Math.
- (f) Voting exclusion statement
A voting exclusion statement for Resolution 1 is included in the Notice of General Meeting preceding this Explanatory Statement.
- (g) Terms of any loan
The Company will not be providing a loan in connection with Mr Hathorn's acquisition of Performance Rights under the Plan.
- (h) Issue date
The Company will issue the Performance Rights under Resolution 1 on a date no later than 12 months after the date of this General Meeting.
- (i) Valuation of the Performance Rights
The value of the Performance Rights being given to Mr Hathorn, and the pricing methodology is set out in Schedule 1;

Directors' recommendation

The Board of Directors, with Mr Hathorn abstaining, recommend that Shareholders vote in favour of Resolution 1 as the Company will receive the benefits outlined above and the grant of Performance Rights will allow the Company to preserve cash to advance the definitive feasibility study for the Sintoukola Potash Project.

Mr Hathorn declines to make a recommendation to Shareholders in relation to Resolution 1 as he has a material personal interest in the outcome of Resolution 1.

Resolution 2 – Approval of Issue of Performance Rights to Sean Bennett

Mr Sean Bennett was appointed to the Board on 20 November 2015. In addition to his salary of US\$300,000 p.a. the Board agreed to grant Mr Bennett the following Performance Rights, subject to Shareholder approval:-

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 (note 1)	
100%	2,125,000
TOTAL	8,500,000

Vesting of Performance Rights

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 \$0.50, nil.
 - (ii) where the 30 day average daily VWAP is \$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 \$0.50.
- (b) For the remainder of the Performance Right Term, the number of Shares to be issued is 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 \$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 \$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.

Where:

“30 day average daily VWAP” means the average of the daily VWAP calculated using the 30 highest daily VWAPs during a Vesting Period.

“Initial Tranche” means 531,250 Shares to be issued where the 30 day average daily VWAP is \$0.50 or more.

“Performance Right Term” means the period on the day the Performance Rights are issued and ending on the fifth annual anniversary of the issue of the Performance Rights.

“Vesting Period” means a 6 month period commencing, in case of the first Vesting Period, on the day the Performance Rights are issued and thereafter on the day after the previous Vesting Period; for the duration of the Performance Right Term.

“VWAP” means daily volume weighted market price (as defined in the Listing Rules) for Shares.

Note 1: For example:

- (a) if the 30 day average daily VWAP for the first Vesting Period is \$0.55, then 584,350 Performance Rights will vest into 584,350 Shares at the end of that Vesting Period;
- (b) if the 30 day average daily VWAP for the second Vesting Period is \$0.655, then a further 111,510 Performance Rights will vest into 111,510 Shares at the end of that Vesting Period;
- (c) if the 30 day average daily VWAP for the third Vesting Period is \$0.649, then no Performance Rights will vest into Shares at the end of that Vesting Period;
- (d) if the 30 day average daily VWAP for the fourth Vesting Period is \$0.85, then a further 207,090 Performance Rights will vest into 207,090 Shares at the end of that Vesting Period;
- (e) if the 30 day average daily VWAP for the fifth Vesting Period is \$1.95, then a further 1,168,200 Performance Rights will vest into 1,168,200 Shares at the end of that Vesting Period; and
- (f) if the 30 day average daily VWAP for the sixth Vesting Period is \$2.50, then the remaining Performance Rights held by the holder will vest, being 53,850 Performance Rights.

Performance Rights will vest in full (without any lock up requirements) should there be a change in control event which results in a person acquiring a relevant interest in more than 50% of the Shares in the Company.

Information required by the Corporations Act

For the purposes of section 219 of the Corporations Act and ASIC Regulatory Guide 76, the following information is provided to Shareholders to enable them to assess the merits of the resolution:

- (a) The related party to whom Resolution 2 would permit the benefit to be given:
Sean Bennett, a Managing Director

- (b) The nature of the financial benefit:
The proposed financial benefits to be given are the issue of 8.5 million Performance Rights to Sean Bennett the terms of which are set out in this Explanatory Memorandum.
- (c) Reasons for giving the benefit
The Board independent of Sean Bennett have determined that the issue of 8.5 million Performance Rights to Mr Bennett recognises the skills and value that Mr Bennett will bring to the Company based on his past and current experience.
- (c) Sean Bennett's existing relevant interest
Sean Bennett does not hold any Shares in the Company.
- (d) Total remuneration package
As the Managing Director, Sean Bennett is paid a remuneration package of USD\$300,000 including superannuation per annum. This package does not include any security based incentive component.
- (e) Dilution
The Company's issued share capital will not change as a result of the issue of 8.5 million Performance Rights to Sean Bennett. However should all of the Performance Rights vest, a total of 8.5 million shares will be issued which represents 2.07% of current total shares on issued (410,280,720).
- (f) Valuation of the financial benefit to be given
The Company has obtained a valuation of the Performance Rights, which is set out in Schedule 1 to this Explanatory Memorandum.
- (g) Other Information
The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision on whether it is in the best interests of the Company to pass the Resolution.

Information required by the Listing Rules

In compliance with the information requirements of ASX Listing Rule 10.15, Shareholders are advised of the following information:

- (a) Nature of relationship between allottee and the Company
The Performance Rights are proposed to be issued to Mr Sean Bennett. Mr Bennett is the Managing Director of the Company and, as such, is a related party of the Company.
- (b) Details of the maximum number of securities that may be issued
The maximum number of securities that may be acquired by Mr Bennett under Resolution 2 is 8.5 million. A further 13 million securities may be acquired by Mr Hathorn under Resolution 1.
- (c) Issue price
The 8.5 million Performance Rights will be issued for nil cash consideration.
- (d) Previous issues under the Plan
At the date of this Notice of Meeting no Performance Rights have been granted to Mr Bennett or any other Eligible Persons.
- (e) Eligible participants under the Plan
Persons eligible to participate in the Plan are full time or part-time employees or executive or non-executive directors of the Company or a Related Body Corporate of the Company, being Messrs David Hathorn, Sean Bennett, Robert Samuel Middlemas and Leonard Math.
- (f) Voting exclusion statement
A voting exclusion statement for Resolution 2 is included in the Notice of General Meeting preceding this Explanatory Statement.
- (g) Terms of any loan
The Company will not be providing a loan in connection with Mr Bennett's acquisition of Performance Rights under the Plan.

(h) Issue date

The Company will issue the Performance Rights under Resolution 2 on a date no later than 12 months after the date of this General Meeting.

(i) Valuation of the Performance Rights

The value of the Performance Rights being given to Mr Bennett, and the pricing methodology is set out in Schedule 1.

Directors' recommendation

The Board of Directors, with Mr Sean Bennett abstaining, recommend that Shareholders vote in favour of Resolution 2 as the Company will receive the benefits outlined above and the grant of Performance Rights will allow the Company to preserve cash to advance the definitive feasibility study for the Sintoukola Potash Project.

Mr Bennett declines to make a recommendation to Shareholders in relation to Resolution 2 as he has a material personal interest in the outcome of Resolution 2.

Resolution 3 – Ratification of previous share issue

Resolution 3 seeks Shareholder approval for the prior issues of Shares that have occurred in the 12 months that have not been approved by Shareholders for the purposes of Listing Rule 7.4.

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the Company's issued capital at the commencement of that 12 month period.

Listing Rule 7.4 sets out an exception to Listing Rule 7.1. It provides that where a company in general meeting subsequently approves the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1

The Company is seeking Shareholder approval to the issues of securities described below. The Board believes that it is in the best interests of the company to maintain the ability to issue up to its full placement capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval so that the Company retains financial flexibility and can take advantage of commercial opportunities that may arise.

Specific Information required by ASX Listing Rule 7.5

In accordance with the requirements of Listing Rule 7.5 the following information is provided in relation to the resolution:-

The number of shares issued: 24,925,000

The price of the Shares issued: \$0.20

The terms of the Shares issued: Shares rank equally in all respects with the existing Shares

The names of the persons to who the Shares were issued or the basis on which persons were determined:	Harlequin Investments Limited	16,400,000
	Forest Nominees Limited	2,500,000
	Barland Trust Portfolio B	2,500,000
	Wadeville International Ltd	1,290,000
	Hereford International Trading Ltd	645,000
	Neek International Ltd	1,290,000
	Adrian Hobbs	300,000

The use of funds raised: Funds raised to advance the Potash Projects and for working capital.

Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 3.

Annexure A

ELEMENTAL PERFORMANCE RIGHTS PLAN RULES

The Plan is administered by the Board in accordance with the Plan rules and the Plan operates as follows:-

(a) Plan Administration

The Board may administer the Plan in accordance with the Plan rules and otherwise as it determines from time to time in its absolute discretion. The Board may delegate their powers under the Plan.

(b) Eligibility

Persons eligible to participate in the Plan are full time or part time employees or executive or non-executive directors of the Company or a Related Body Corporate of the Company. There are currently approximately 14 Eligible Persons who may participate in the Plan.

The Board may, from time to time in its absolute discretion, issue or cause to be issued, offers on behalf of the Company to Eligible Persons. No issues of securities under the Plan may be made to Directors unless Shareholders have approved the issue at a general meeting.

(c) Performance Rights

The Board may invite Eligible executives to participate in the Plan and be issued Performance Rights that upon vesting entitle the holder to subscribe for Shares in respect of the vested Performance Rights.

A Performance Right does not confer on a participant the right to participate in new issues of Shares by the Company, including by way of bonus issue, rights issue or otherwise.

Performance Rights will not give any right to participate in dividends or any voting rights until Shares are issued or transferred to a Participant pursuant to the exercise of vested Performance Rights.

(d) Grant of Performance Rights

A participant will not pay anything for the grant of Performance Rights.

None of the Performance Rights will be listed for quotation on any stock exchange.

(e) Performance Conditions

The performance conditions applicable to any performance period relating to Performance Rights shall be determined by the Board in its absolute discretion from time to time.

In determining the Performance Conditions applicable to a Performance Right the Board may have regard to the Company's Remuneration Policy.

(f) Operation of the Plan

Offers to Eligible Persons will be in such form as the Board determines from time to time and will include relevant information including the number of Performance Rights which are capable of vesting if performance conditions are met, performance conditions, performance period, measurement date(s), expiry date etc.

Participation in the Plan requires the completed Application Form to be returned within the time period specified.

Eligible persons may nominate a nominee to be granted all the Performance Rights as specified in the Offer by notice in writing to the Board for the Board's approval. The Board has discretion to disallow that nominee, without providing a reason.

(g) Vesting of Performance Rights

A Performance Right will vest:-

- (i) following determination by the Board whether and to what extent the performance conditions applicable to the measurement date have been satisfied;
- (ii) if the Eligible Person retires, dies, becomes totally and permanently disabled or is made redundant, unless otherwise determined by the Board; or
- (iii) a change of control event occurs.

(h) Capital Events

If there are certain variations of the share capital of the Company including a capitalisation or rights issue, sub-division, consolidation or reduction of share capital, a demerger or other distribution in specie, the Board may make such adjustments as it considers appropriate.

Schedule 1

VALUATION OF DIRECTORS PERFORMANCE RIGHTS

The Performance Rights to be issued to Messrs Hathorn and Bennett pursuant to Resolution 1 - 2 have been independently valued.

The variables required to value the Performance Rights are as follows:

Assumptions	Managing Director Rights	Chairman Rights
Valuation date	11 Dec 2015	11 Dec 2015
Spot price	\$0.20	\$0.20
Exercise price	Nil	Nil
Performance period	[Refer below]	[Refer below]
Expiry date	5 years	5 years
Expected future volatility	80%	80%
Vesting schedule	[Refer below]	[Refer below]
Risk free rate	2.36%	2.36%
Dividend yield	0%	0%

Performance Period and Vesting Schedule

The performance period varies for each tranche and is detailed in Table 1 and Table 2 below. We understand that the market based performance period is over 5 years.

Table 1: Managing Director

Tranche	Target	Vesting Schedule	No of shares
Tranche 1	Service based	Joining Elemental – sign in bonus	531,250
Tranche 2	Service based	Allocated after 1 year service with Elemental	531,250
Tranche 3	Service based	Allocated after 2 years' service with Elemental	531,250
Tranche 4	Service based	Allocated after 3 years' service with Elemental	531,250
Tranche 5	Operational based	DFS completion for Kola Resource & Mine	850,000
Tranche 6	Operational based	Off-take secured to support debt finance for mine build at Kola Resources & Mine	850,000
Tranche 7	Operational based	Completion of finance package for mine build at Kola Resources & Mine	850,000

Tranche 8	Operational based	Development advanced to commencement of DFS at Dougou Project	850,000
Tranche 9	Operational based	Development advanced to completion of PFS at Yangala Prospect	850,000
Tranche 10	Market based	Entry price of A\$0.50 share price, at which 25% of performance rights will vest, rising on a straight line scale up to 100% of the grant should the share price reach level of A\$2.00 per share. The share price threshold will be calculated on a 30 days VWAP and will be tested every 6 months to determine the number of shares that have vested.	2,125,000

Table 2: Chairman

Tranche	Target	Vesting Schedule	No of shares
Tranche 1	Service based	Allocated after 1 year service with Elemental	1,000,000
Tranche 2	Service based	Allocated after 2 years' service with Elemental	1,000,000
Tranche 3	Service based	Allocated after 3 years' service with Elemental	1,000,000
Tranche 4	Market based	Entry price of A\$0.50 share price, at which 25% of performance rights will vest, rising on a straight line scale up to 100% of the grant should the share price reach level of A\$2.00 per share. The share price threshold will be calculated on a 30 days VWAP and will be tested every 6 months to determine the number of shares that have vested.	10,000,000

Using the above variables, RSM have calculated the value for the Performance Rights based on Monte-Carlo simulation model as follows:

Performance Rights	Average Value per right	Number	Value
<i>Managing Director</i>			
- Share performance targets	\$0.098	2,125,000	\$208,250
- Operational and service targets	\$0.20	6,375,000	\$1,275,000
<i>Chairman Rights</i>			
- Share performance targets	\$0.096	10,000,000	\$960,000
- Operational and service targets	\$0.20	3,000,000	\$600,000
TOTAL		21,500,000	\$3,043,250

Director	Share performance targets Performance Rights	Operational and service targets Performance Rights	Total
David Hathorn	\$208,250	\$1,275,000	\$1,483,250
Sean Bennett	\$960,000	\$600,000	\$1,560,000
TOTAL			\$3,043,250

Glossary

\$ means Australian dollars.

ASX means ASX Limited or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the Official Listing Rules of ASX.

AWST means Australian Western Standard Time.

Board means the current board of directors of the Company.

Change of Control Event means a change in ownership of the Company occurs when:

- (a) any one person or more than one person acting as a group acquires ownership of Shares in the Company that constitutes more than 50% of the total fair market value or total voting power of the Shares of the Company; or
- (a) a merger of the Company with another; or
- (b) the disposal of all or the greater part of the Company's assets takes place.

Closely Related Party means a spouse or child of the member, a child of the member's spouse, a dependent of the member or the member's spouse, anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity; company the member controls; or a person prescribed by the Corporations Regulations 2001 (Cth).

Company means Elemental Minerals Limited ACN 108 066 422.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a current director of the Company.

Eligible Person means a person eligible to participate in the Plan.

Explanatory Statement means this explanatory statement.

General Meeting or **Meeting** means the general meeting convened by the Notice.

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Notice or **Notice of Meeting** means the notice of meeting accompanying this Explanatory Statement.

Performance Right means a performance right to acquire Shares in the Company under the Plan.

Plan means the Elemental Minerals Limited Performance Rights Plan.

Proxy Form means the proxy form accompanying the Notice of Meeting.

Related Body Corporate means a related body corporate as defined in the Corporations Act.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

ELEMENTAL MINERALS LIMITED
ABN 31 108 066 422
PROXY FORM

Shareholder Details

Name:

Address:

Contact Telephone No:

Contact Email Address:

Contact Name (if different from above):

Step 1: Appointment of Proxy

I/We being a Shareholder/s of Elemental Minerals Limited and entitled to attend and vote hereby appoint

The Chairman
of the meeting
(mark with an 'X')

OR

Write here the name of the person you
are appointing if this person is someone
other than the Chairman of the Meeting.

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to attend and act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Elemental Minerals Limited to be held at Level 3, 88 William Street, Perth 6000, Western Australia on 23 February 2016 at 10.00 am AWST and at any adjournment of that meeting.

AUTHORITY FOR CHAIRMAN TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chairman as my/our proxy (or where the Chairman becomes my/our proxy by default, I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1 and 2 (except where I/we have indicated a different voting intention below) even though Resolutions 1 and 2 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel which includes the Chairman.

The Chairman of the Meeting intends to vote undirected proxies in favour of each of the proposed Resolutions (to the extent permitted by law).

Step 2: Voting directions to your proxy – please mark to indicate your directions

		For	Against	Abstain*
Resolution 1	Approval of issue of 13 million Performance Rights to David Hathorn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval of issue of 8.5 million Performance Rights to Sean Bennett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of previous share issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.
 Appointment of a second proxy (see instructions attached).

- If you wish to appoint a second proxy, state the % of your voting rights applicable to the proxy appointed by this form

 %

PLEASE SIGN HERE This section must be signed in accordance with the instructions attached to enable your directions to be implemented

Individual or Shareholder 1

Sole Director and
Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

How to complete this Proxy Form

Your Name and Address

Please print your name and address as it appears on your holding statement and the Company's share register. If shares are jointly held, please ensure the name and address of each joint Shareholder is indicated. Shareholders should advise the Company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. Please note, you cannot change ownership of your securities using this form.

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a Shareholder of the Company.

Votes on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company on 08 9463 2463 or you may photocopy this form.

To appoint a second proxy you must on each Proxy Form state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both Proxy Forms do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

Signing Instructions

You must sign this form as follows in the spaces provided:

- Individual: where the holding is in one name, the holder must sign.
- Joint Holding: where the holding is in more than one name, all of the Shareholders should sign.
- Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate can be obtained from the Company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting. ie. no later than 10.00 am on 21 February 2016. Any Proxy Form received after that time will not be valid for the scheduled meeting.

This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be sent or delivered to the Company's registered office at Level 3, 88 William Street, Perth, Western Australia 6000 or sent by facsimile to the registered office on (08) 9463 2499 or by email at leonard.math@elementalminerals.com.