



ELEMENTAL MINERALS REVIEW OF OPERATIONS

FOR THE QUARTER ENDED 31 DECEMBER 2015

Perth, Australia – 29th January 2016 – Elemental Minerals Ltd. (ASX: ELEMENTAL) ("Elemental" or "the Company") is pleased to provide the following quarterly update on its activities at its Sintoukola Potash Project located in the Republic of Congo ("RoC")- Figure 3.

HIGHLIGHTS

Corporate

- New Non-Executive Chairman, David Hathorn, and Managing Director, Sean Bennett, appointed on 23 November 2015.
- Elemental entered into an exclusive non-binding term sheet with Summit Private Equity ("Summit") regarding a US\$50m equity investment, at AU\$0.20, to allow Elemental to accelerate its strategy.

Kola Sylvinite¹ and Dougou Carnallite² Projects

- Drill hole EK_48 was completed on the 2nd of November 2015, at the planned shaft site at Kola. The hole was drilled for hydrological and geotechnical test-work to support the shaft design for the Kola Definitive Feasibility Study (DFS).
- Significant capex reduction opportunities identified through design changes for the Kola DFS.
- Meetings with gas and electricity suppliers confirmed the availability of these utilities for the long term and supported the price assumptions used in the 2012 Kola Pre-Feasibility Study (PFS). The suppliers confirmed their commitment to reaching offtake agreements in the near future.
- At Dougou, drillhole ED_05 was completed on the 18th of October 2015 at depth of 624.15 metres. The hole intersected a total thickness of 36 m of carnallite within the four main potash layers.
- The Terms of Reference for the Dougou Environmental Social Impact Assessment (ESIA) were submitted to the national regulator.

¹ Sylvinite: a rock comprising predominantly of the potash mineral sylvite (KCl) and halite (NaCl).

² Carnallite: a potash mineral with the formula $KMgCl_3 \cdot 6H_2O$.

CORPORATE ACTIVITIES

On 23 November 2015, David Hathorn was appointed Non-Executive Chairman of the Board and Sean Bennett was appointed Managing Director. David Hathorn (53) is the Chief Executive Officer (“CEO”) of the Mondi Group. Prior to Mondi, David was at Anglo American, where he was a member of the group executive committee from 2003 and an executive director of Anglo American PLC from 2005, serving on several of the boards of the group’s major mining operations. Sean Bennett ACA (46) was previously CEO of UBS South Africa and Head of Sub-Saharan Africa.

Messrs Tom Borman, John Sanders and Michael Golding resigned from the Board of Elemental on the same day.

On 11 January 2016, the Company entered into an exclusive non-binding term sheet with Summit regarding a US\$50m equity investment that that will see it sufficiently funded through to the commencement of the construction of its flagship potash project, the Kola Sylvinite Project. This cash injection would allow the Company to pursue a new strategy accelerating the development of its various Potash projects.

The new strategy includes the following:

- **Raising a minimum of US\$50m.**
- **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 three projects. Work on the Master Plan commenced on the 11th January 2016.
- **Completion of a comprehensive Definitive Feasibility Study for the Kola Mine (‘DFS’)**, inclusive of pre-engineering works, by the Construction Consortium (see below).
- **Provision of a binding Engineering, Procurement and Construction (‘EPC’) contract**, early contractor involvement by way of the DFS by a team of world class project engineers and managers including Vinci Construction Group, Technip France SA, Egis Group and Louis Dreyfus Armateurs (“**Construction Consortium**”), which allows them to produce an open-book, fixed price, binding EPC offer within 3 months from the completion of the DFS.
- **Reverting to a 2Mtpa MOP operation** from start-up, rather than a phased approach, to maximise project value.
- **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.

Shareholders should note that the Transaction is subject to conditions precedent customary for transactions of this nature including, successful completion of final due diligence, negotiation and execution of definitive transaction agreements and receipt of all necessary internal and external approvals (including the approval of ELM shareholders which will be sought towards the end of this year), and there is thus no assurance that any transaction will materialise from this term sheet. Shareholders and Investors are therefore advised to exercise caution in their dealings in the Company’s securities.

Lapsing of Performance Rights

A total of 7,000,000 Performance Rights (3,500,000 Class B – Director Performance Rights and 3,500,000 Class C – Director Performance Rights) have lapsed following the resignations of the directors.

KOLA SYLVINITE PROJECT

During the quarter, Hatch and ELM staff identified opportunities for capital expenditure reduction to be adopted for the DFS. These include a review of the preferred ore transport methodology, the shaft sinking methodology (including the possibility of eliminating ground freezing), the brine discharge system design, the process plant layout and the opportunity to outsource the employee facility. Elemental is of the opinion, that these factors combined with the advantageous movement of exchange rates and price of materials have the potential to result in a significant reduction in the Kola project capex with a commiserate improvement in project NPV and IRR.

Discussions were held with electricity and gas suppliers. Both have confirmed their commitment to supplying the Sintoukola Projects in the long term and with Elemental are working towards offtake agreements in the near future. They confirmed the expected price assumptions used in the PFS, underpinning the project's very low operating costs.

Drill hole EK_48 was completed on the 2nd of November 2015, at the planned shaft site at Kola. The hole was drilled for hydrological and geotechnical test-work to support the shaft design for the DFS. The hole was cored from surface and ended at a depth of 217.5 metres in the thick anhydrite layer that overlies the potash bearing 'Salt' sequence. The coring of the relatively soft rocks of the 'cover sequence' was successful and hydrological and geophysical logging was carried out as planned. Rocks were more stable and competent than expected and hydrological data collected does not indicate the presence of high rates of groundwater flow, which should have a positive impact on the shaft design and cost.

The shaft location is central to the deposit and will provide ease of access to the shallow high grade sylvinite reserve³ (152 Mt grading 31.7% KCl) hosted by the Upper and Lower Seams. The shaft bottom will be at a depth of approximately 240 metres below surface which is very shallow relative to potash mines globally, supporting significant cost savings and a shortened mine construction period.



Fig 1. Left; Drilling operations at the Kola Shaft site. Right; Typical core from the Kola shaft site drilling. In this case a clayey siltstone.

³ NI 43-101 Technical Report. PFS for the Kola Deposit, 17 September 2012 (SRK Consulting)

DOUGOU CARNALLITE PROJECT

At Dougou, drilling of drillhole ED_05 was completed on the 18th October 2015, at an end of hole depth of 624.15 metres. The hole intersected a total of 36 m of carnallite⁴ within the four main potash layers (Table 1)⁵. Assay data will become available after dissolution testwork has been completed. Mineralisation appears to be similar to that intersected in the other previously reported drillholes at Dougou.

Potash Layer	Depth From (m)	Depth To (m)	Thickness (m)	Av. carnallite (% visual)
Top Seam	499.74	508.62	8.88	60-70
Hangingwall Seam	521.17	531.38	10.21	85-95
Upper Seam	588.02	595.05	7.03	75-85
Lower Seam	598.38	608.26	9.88	65-75

Table 1. Summary of carnallite intersections in ED_05. Carnallite content is based on inspection of core and conversion of gamma data. All intersections are true thickness as drillholes are vertical and layering is horizontal.

This hole is for the retrieval of core for dissolution, geotechnical and metallurgical test-work to provide data for the design of the solution mining method. The deposit is ideally suited to this mining method having a combined potash interval averaging 35 metres thick and being comprised uniformly of four flat to very gently dipping carnallite seams.

The results from this test work campaign will form key data inputs into the Dougou PFS – the next big milestone at Dougou. Should assay results be as expected, ED_05 is anticipated to support a significant further increase in the Measured and Indicated Resource which currently stands at 1.1 billion tonnes grading 20.6% KCl (Table 2), including 311 Mt grading 24.6% KCl within the Hangingwall Seam (HWS).⁶

⁴ Carnallite: a rock type comprising predominantly of the potash mineral carnallite and halite (NaCl).

⁵ Announcement dated 10 November 2015

⁶ Announcement dated 9 February 2015: Elemental Minerals Announces Large Mineral Resource Expansion and Upgrade for the Dougou Potash Deposit

ED_05 main potash seams

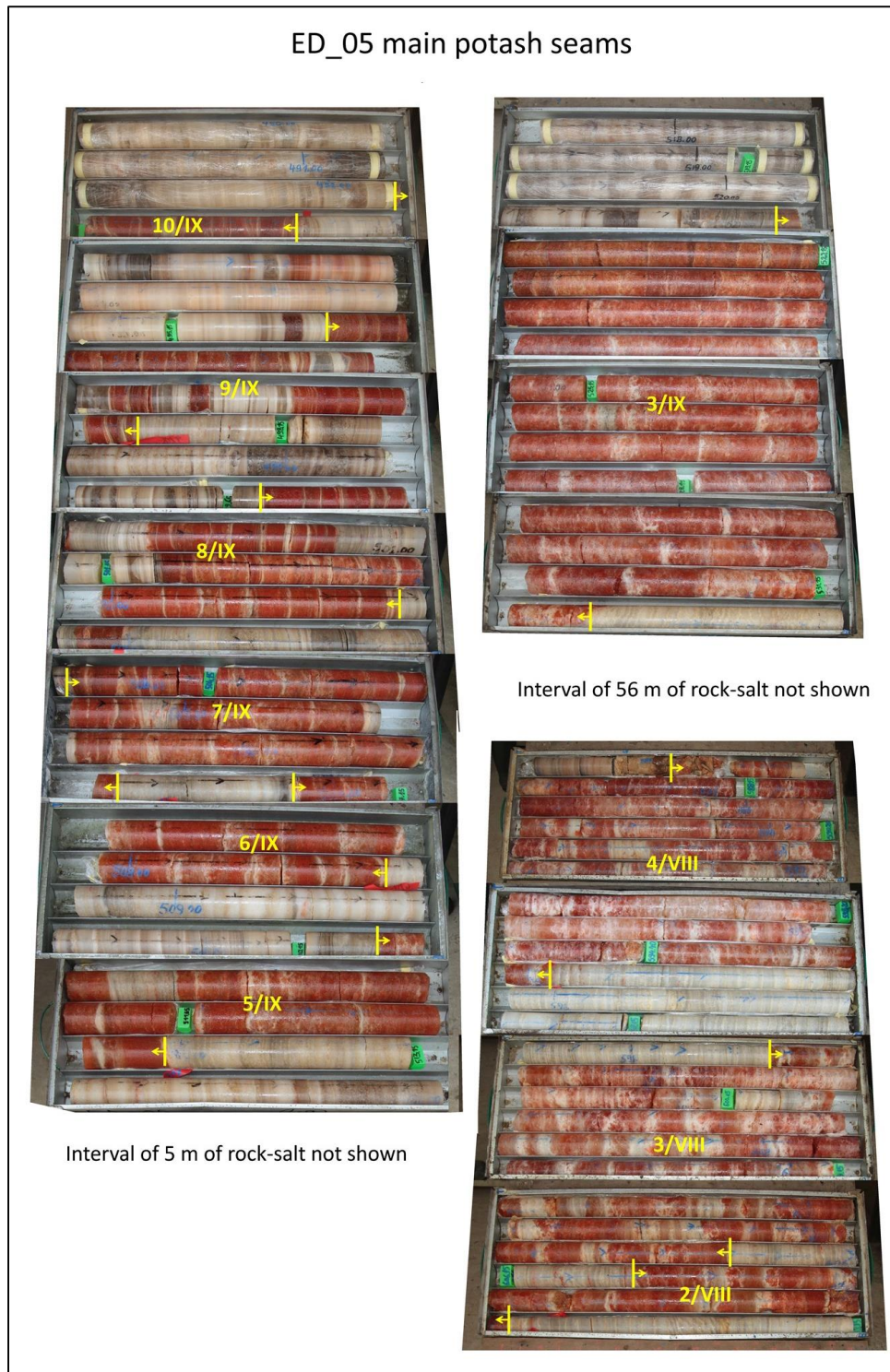


Figure 2. Carnallite seams intersected in ED_05 at Dougou. Core trays are 1 m length.

SRK Cardiff advanced their work on the ESIA for the Dougou project. Stakeholder engagement meetings were held with local regulators, NGO's and various affected communities in the Dougou project area. The findings from the engagements were used to compile the terms of reference for the ESIA, which were submitted to the government authorities on 23 December 2015. Detailed social and biophysical baseline studies are planned throughout the next quarter, but the study will also be able to draw large amounts of baseline information from the comprehensive ESIA programme undertaken on the Kola deposit and associated infrastructure in 2011 and 2012. The assessment will be compliant with IFC Standards and Equator Principles and is expected to be complete in time for a mining license application in H2 2016.

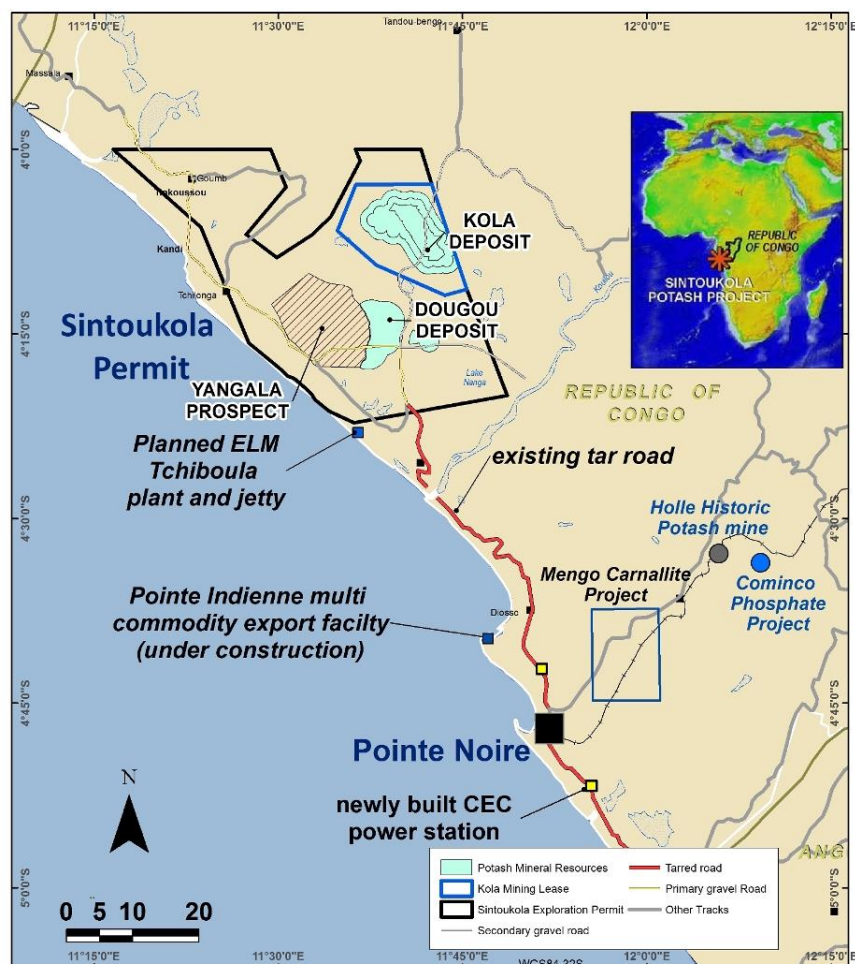


Figure 3. Location of the Sintoukola Project showing the Dougou, Kola and Yangala Projects, and available infrastructure.

Table 2. Elemental Minerals' Potash Mineral Resources

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

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 21st 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 Ingenieuresellschaft 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.

About Elemental Minerals and Tenement Details

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. The Company has three projects at varying development stages; all within the 1067 km² Sintoukola Permit. SP has 100% ownership of the Kola Mining Lease Sintoukola within which Kola is located. SP also has 100% ownership of the Sintoukola Exploration Permit within which the 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 ore⁷ 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 2013⁸.

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 seams⁹. A Scoping Study was completed by ERCOSPLAN of Germany in February 2015¹⁰. 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 carnallitic¹¹ 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%. In 2015, Elemental announced an Exploration Target for Yangala of 235 to 470 million tonnes grading between 55 and 60 % KCl.¹²

For more information contact us or visit www.elementalminerals.com.

⁷ NI 43-101 Technical Report. PFS for the Kola Deposit, 17 September 2012 (SRK Consulting)

⁸ Announcement dated 15 August 2013: Elemental Minerals Announces Award of Mining License for the Kola Potash Project.

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

¹⁰ Announcement dated 17 February 2015: Results for the Dougou Potash Project Scoping Study

¹¹ Carnallitic: a rock comprising of the potash mineral carnallite (KMgCl₃·6H₂O) and other minerals such as halite (NaCl).

¹² Announcement dated 27 January 2015: Elemental Minerals Announces an Exploration Target for the High Grade Sylvinitic Hangingwall Seam at the Yangala Prospect

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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 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 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 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.

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")

31 DECEMBER 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$USD'000	Year to date (12 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	- - - (413)	- - - (1,614)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	23
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (R & D Refund)	-	-
Net Operating Cash Flows	(413)	(1,591)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) exploration, development and evaluation (b) equity investments (c) other fixed assets	(2,677) - -	(5,340) - -
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	(2,677)	(5,340)
1.13 Total operating and investing cash flows (carried forward)	(3,090)	(6,931)

+ 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)	(3,090)	(6,931)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	3,723
1.15	Repayment of borrowings	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of convertible notes	-	-
1.18	Interest paid on convertible notes	-	-
1.19	Proceeds from convertible notes	-	-
1.20	Cost of Capital raising	-	-
	Net financing cash flows	-	3,723
	Net increase (decrease) in cash held	(3,090)	(3,208)
1.20	Cash at beginning of quarter/year to date	5,521	5,810
1.21	Exchange rate adjustments to item 1.20	(1)	(172)
1.22	Cash at end of quarter*	2,430	2,430

* AUD\$3.334m @ 0.72875

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	125
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	1 414.5
4.2 Development	-
4.3 Production	-
4.4 Administration	1 357.0
Total	2 771.5

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	2,430	5,521
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,430	5,521

+ 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	410,275,877	410,275,877	-	Fully Paid
7.4	3,500,000	3,500,000	-	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				
7.7	Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
		78,915,929	78,915,929	AUD\$0.25	15/01/2016
		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
		6,691,226	-	AUD\$0.33	15/04/2018
		1,500,000	-	AUD\$0.33	26/06/2018
7.8	Issued during quarter				
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	Performance Rights Issued under the Company's Performance Rights Plan				
		2,666,090	Class A		16/09/2017
		2,666,090	Class B		16/09/2018
		2,666,090	Class C		16/09/2019
7.12	Issued during quarter				
		2,666,090	Class A		16/09/2017
		2,666,090	Class B		16/09/2018
		2,666,090	Class C		16/09/2019
7.13	Vested during the quarter	3,500,000	Class A		11/03/2017
7.14	Expired during the quarter	3,500,000	Class B		11/03/2018
		3,500,000	Class C		11/03/2019

+ See chapter 19 for defined terms.

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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(Director & Company secretary)

Date: 29 January 2016

Print name: Leonard Math

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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+ See chapter 19 for defined terms.