

LANDMARK BINDING AGREEMENTS SIGNED WITH STRATEGIC INVESTORS TO INVEST US\$50m EQUITY AND PRELIMINARY OFF-TAKE INTEREST FOR A MINIMUM OF 800,000 TONNES OF MOP ANNUALLY

Summary:

- **US\$50m placement agreed with three globally significant strategic investors**
 - **SQM:** Chilean company already involved in potash business. SQM's market capitalisation is cUS\$6.5bn (US\$20m)
 - **SGRF:** sovereign wealth fund of the Sultanate of Oman (US\$20m)
 - **Summit:** private equity firm with expertise in doing business in Africa (US\$10m)
- **Placement to be completed at A\$0.20 per share with 50m free attaching options at an exercise price of A\$0.30**
- **Preliminary conditional offtake rights granted to SQM and SGRF for minimum of 40% of annual production**
- **World-class engineering and construction consortium to be appointed to fast-track DFS and fixed price EPC**
- **Proposed change of company name to Kore Potash Limited**

Perth, Australia 1 September 2016 – Elemental Minerals Ltd (ASX ELM) ('Elemental' or the 'Company') is pleased to announce that it has signed separate inter-conditional definitive investment agreements with three strategic investors representing a cumulative equity injection of US\$50 million through the issue of fully paid ordinary shares ("**Shares**") at an issue price of AU\$0.20 each.

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

To provide additional short term funding, the Company and Summit may agree to bring forward the issue of Shares with a subscription amount of up to US\$2 million to Summit (under its existing placement capacity under Listing Rule 7.1). The balance to be raised of at least US\$48 million is conditional upon

ELEMENTAL MINERALS LIMITED

Level 3, 88 William Street,
Perth,
Western Australia 6000
Telephone: +61 (8) 9463 2463
Facsimile: +61 (8) 9463 2499

EMAIL AND WEBSITE

info@elementalminerals.com
www.elementalminerals.com

DIRECTORS

Chairman: David Hathorn
Managing Director: Sean Bennett
Non-exec Director: Jonathan Trollip
Non-exec Director: Leonard Math

ISSUED CAPITAL

(As at – 1 Sept 2016)
433.2m Ordinary Shares
ASX Code: ELM



(amongst other things) approval by Elemental's shareholders and any other regulatory approvals required.

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

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

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

Key terms of transaction

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

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

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

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

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

Background on Strategic Investors

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

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

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

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

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

Background on Kola, Dougou and Dougou Extension (previously Yangala)

Kola is one of the most attractive potash opportunities globally. A Pre Feasibility Study (PFS) completed by SRK Consulting in 2012 estimated that Kola, with Proven and Probable reserves of 152 Mt of Sylvinitic ore² (Table 1 and 2) would have an operating cost of less than US\$100 per tonne MOP; making it one of the lowest cost potash mines in the world. This reflects key positive attributes of the project; including the shallow ore depth (shaft depth 250 metres) compared to many mines which are over 1000m deep. The average grade at 33% KCL is excellent by global standards and has an unusually low insoluble content (less than 0.3%) thus potentially reducing processing costs. With the proposed mine being only 35km from the coast compared to many potash mines which are over 1000km, the need for additional transport infrastructure is minimal and the

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

² NI 43-101 Technical Report. PFS for the Kola Deposit, 17 September 2012 (SRK Consulting). The Company confirms that all material assumptions underpinning the production and forecast financial information previously announced continue to apply.

ore can be taken to the coast via a conveyor belt. Added to this, Elemental has permission for its own private jetty and access to infrastructure such as electricity, gas and water which are readily available nearby. A Mining licence and Environmental & Social Impact Assessment (ESIA) approval for Kola were granted in August 2013³.

The Dougou Deposit is 15 km southwest of Kola and is a very large carnallite deposit with a Measured and Indicated Potash Mineral Resource of 1.1 billion tonnes (Table 1.) grading 20.6% KCl (at a depth of between 400 and 600 metres) hosted by 35-40 metres of carnallite within 4 flat-lying seams⁴. A Scoping Study was completed by ERCOSPLAN of Germany in February 2015⁵. This Study indicated that a low capital cost, low operating cost quick to production carnallite solution mine can be established at Dougou, taking advantage of the deposit quality and availability of cheap energy in the RoC.

The Dougou Extension Sylvinitic Prospect (previously referred to as the Yangala Prospect) lies immediately west of Dougou. At the Dougou Extension, 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. An Exploration Target of 235 to 470 Mt grading 55 to 60 % KCl was announced on 27th January 2015⁶. (Note: An Exploration Target is a statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate, quoted as a range of tonnes and a range of grade (or quality), relates to mineralisation which is conceptual in nature and for which there has been insufficient exploration to estimate a Mineral Resource. There is no guarantee that further exploration will lead to the delineation of a Mineral Resource).

Benefits of transaction

This cash injection and preliminary off-take agreements allows the Company to pursue a new strategy with the aim of accelerating the development of its various Potash projects and creating significant shareholder value through:

- **Investment by three strategic shareholders** that bring a combination of potash experience, Latin American, Middle Eastern and African influence, financing expertise and significant financial capability.
- **Allowing the Company to appoint a team of world-class project engineers and project managers for the DFS.** The Company will engage Vinci Construction Group, Technip France S.A., Egis Group and Louis Dreyfus Armateurs (collectively known as the '**Construction Consortium**') to provide a comprehensive DFS for the Kola Mine, inclusive of pre-engineering works, within 14 months.
- **Allowing the Company to receive a binding EPC contract within 3 months of completion of the DFS.** As a junior mining company the risks of construction cost overruns are significant. The early involvement of the Construction Consortium through the DFS allows the Construction Consortium to produce an open-book, fixed price, binding EPC

³ Announcement dated 15 August 2013: Elemental Minerals Announces Award of Mining License for the Kola Potash Project.

⁴ Announcement dated 9 February 2015: Elemental Minerals Announces Large Mineral Resource Expansion and Upgrade for the Dougou Potash Deposit. The Company confirms that all material assumptions underpinning the production and forecast financial information previously announced continue to apply.

⁵ Announcement dated 17 February 2015: Results for the Dougou Potash Project Scoping Study

⁶ Announcement dated 27 January 2015: Elemental Minerals Announces an Exploration Target for the High Grade Sylvinitic Hangingwall Seam at the Yangala Prospect

offer within 3 months from completing the DFS. This has the potential to significantly de-risk the construction phase for Elemental and its stakeholders.

- **Reduction in timeframes.** As a result of the early involvement of the Construction Consortium, and their credentials being known upfront, the Company hopes to accelerate construction by potentially up to 18 months compared to a normal EPC tender process. This will have a correspondingly positive impact on the project's net present value.
- **Drilling another 8 holes at the Dougou Extension to further test the exploration target (235-470m tonnes grading 55-60% KCl).** The two initial holes drilled at the Dougou Extension confirmed the presence of a seam which is a candidate for the world's highest grading potash seam. If proven this would significantly reduce both Capex and Opex by comparison to other projects globally. These drilling results will provide more information to define the best strategy to follow production.
- **Enhancing the Company's financing capability.** The credentials and financial capability of the Strategic Investors, the preliminary off-take agreements as well as expertise of the Construction Consortium enhances the ability of the Company to finalise project financing thereby allowing the Company to commence construction on an accelerated timeline.
- **De-risking and value creation for shareholders.** Over the last couple of years the Company has continued to trade at a significant discount to other companies at similar stages of development. The Board believes that this is largely because the market is sceptical as to the Company's ability to deliver the project. With the new strategic shareholders, significant funding, offtake agreements and the prospect of a Fixed Price EPC from a world class Construction Consortium, the Company's ability to deliver the project will be materially de-risked. This allows the market to have more confidence in the Company's capability to deliver the project thereby creating significant additional value.

Name change to Kore Potash Limited

The Board considers that given the new strategic direction of the Company, it is appropriate to seek shareholder approval to change the name of the Company to signal the beginning of a new era. The proposed new name is Kore Potash Limited.

Master Plan to form basis of the DFS

The Company has now completed the Master Plan study. This provides a comprehensive strategic overview of Elemental's Kola, Dougou and Dougou Extension projects, and sets out planning considerations of common infrastructure works utilised across the different projects. These infrastructure synergies will provide a holistic design basis for the Kola DFS, taking into account the Company's project development pipeline.

EGM approval and Board recommendation

As set out above, a Notice of Meeting will be dispatched to shareholders shortly. Elemental's Board of Directors unanimously recommend all shareholders vote in favour of the resolutions and intend to do so for their own shareholdings.

Comments

Sean Bennett, Elemental CEO commented “This is a landmark transaction for the Company allowing it to accelerate its strategy to becoming one of world’s leading Potash producers. The new Strategic Investors and the Construction Consortium bring expertise in many different areas such as potash experience, construction experience, financing skills, off-take requirements to name but a few. This is in addition, to the significant financial strength they bring to the business at a time when junior mining companies are struggling to attract investment. The new strategy that the Company can now finally pursue significantly de-risks the future of the Company. For the first time, Elemental can give shareholders confidence that it will become one of the lowest cost Potash producers in the world. The Board is looking forward to working with SQM, SGRF and Summit and the Construction Consortium on what we have no doubt will be an exciting future.”

Patricio de Solminihac, SQM’s CEO commented “Having looked at various potash projects around the world this was, in our view, one of the best candidates to become a low cost project. The quality of the resource and its location set it apart. We look forward to working with ELM’s new management team over the next years to take this project through to production”

Hannes Soll, Summit’s Chief Investment Officer commented “When looking at world food supply and demand statistics, coupled with available accessible arable land required to sustain the ever increasing demand for food, there is no doubt that Potash as a mineral will increasingly become a key nutrient to ensure food supply can meet demand. In addition, as Africa’s population increases and its emerging economies grow and improve, the continent presents itself as one of the major growth Potash markets. Yet amid all of these growth opportunities, affordability of food supply will remain key and as such Potash prices will be challenged as suppliers strive to balance the supply and affordability scales. Taking all these factors into consideration Summit feels there are very few other Potash resources, which can at the scale of Elemental, produce Potash at sustainable good prices (due to high grades, low depths resulting in highly competitive projected opex numbers) whilst remaining profitable, and even less suppliers who can compete in terms of shipping cost effective product to one of the world’s biggest off-takers (Brazil) and the growing continent of Africa.”

Contacts:

Elemental Minerals
Sean Bennett
Managing Director
+27 11 4699140

Fivemark Partners
PR Advisers to the Company
Michael Vaughan
+61 422 602 720

Stephen Kite
Brokers to the Company
Hartleys
+618 9268 3050

BACKGROUND

About VINCI GROUP - 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) 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

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.

About EGIS GROUP - 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.lida.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 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 Dougou Extension (formerly 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 sylvinite Project is the Company's lead project.

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

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 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 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 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.

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

Table 2. Elemental Minerals' potash Ore Reserves

Notes: The Kola Sylvinite Mineral Reserves were determined by SRK Consulting and described in detail in the report titled 'NI 43-101 Technical Report for the Sintoukola Potash Project, Republic of Congo' dated 17 September 2012 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.