

Elemental Minerals Limited

NEWS RELEASE

FOR IMMEDIATE RELEASE

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ACQUISITION OF KASAI DIAMOND/GOLD PROJECT IN THE DEMOCRATIC REPUBLIC OF CONGO

- **Company to acquire, subject to certain conditions, the Kasai Diamond and Gold Project in the south of the Democratic Republic of Congo.**
- **the Kasai Diamond and Gold Project consists of:**
 - **7,000 square kilometres in the third largest diamond producing province in the world**
 - **Diamond rights farmed out to De Beers (Company diluting to 30%)**
 - **Extensive historic alluvial gold production with limited hard rock exploration to date**
 - **Field work has commenced to identify gold and platinum targets for drill testing later in the year**
- **Consideration payable of 13 million shares and 6.5 million options**

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Elemental Minerals Limited (“the Company”) is pleased to announce the acquisition, subject to completion of due diligence and receipt of necessary approvals, of the Kasai Diamond and Gold project via the purchase of all the issued shares of Sirocco Resources Limited (“Sirocco”) from the Sirocco shareholders (“the Vendors”). The project covers an area of more than 7,000 square kilometres and is highly prospective for diamonds, gold and platinum.

Project location and tenure

The project is situated in the Katanga and Kasai provinces in the south of the Democratic Republic of Congo. The project consists of 30 permits that cover the southern margin of the third largest diamond producing province in the world. These 30 permits represent a focussed selection of a total area initially acquired of some 20,000 square kilometres. Sirocco (through a wholly owned subsidiary) is the registered owner of the permits. Sirocco has a 100% interest in all the permits, subject to the De Beers joint venture (refer below) and an obligation to allocate 5% to the Government on commencement of mining.

Geological Setting

The Kasai Diamond and Gold Project covers part of the large Archaean Kasai-Lomami gabbro-norite lopolith, as well as meta-sediments of the Luizian greenstone belt, which have been wedged between the Kasai Shield and the Congo Craton during lower Proterozoic. The kimberlites in the region are amongst the largest in the world and lie on what is believed to be a set of major crustal sutures extending from Angola through the project area and Mbuji-Mayi into Tanzania. These major sutures were intermittently active from the Archaean to the Cretaceous - Early Eocene. In addition, seven of the licences cover a portion of one of Africa’s largest gabbroic bodies.

Diamond Potential - De Beers Diamond Joint Venture

De Beers entered into a joint venture agreement in February 2005 over all 30 permits to complete diamond exploration. Sirocco retains the rights to explore for all other minerals within the project area. De Beers have to date completed aeromagnetic and gravity surveys over 26 permits and are now ready to follow up these target areas with detailed ground magnetic and gravity work.

The principal terms of the agreement with De Beers are:

- De Beers can earn up to a 70% interest in diamond deposits by completing a pre-feasibility study.
- De Beers is responsible for all exploration expenditure to completion of a detailed feasibility study.
- After completion of a detailed feasibility study the Company can either contribute its pro rata share of the costs of mine development or dilute its project interest. The Company cannot be diluted below a 5% interest.
- De Beers can withdraw at any time after completion of the first work programme (no minimum expenditure specified, but agreed programme is designed to identify and prove any kimberlites or other primary diamond deposits within the Licence Areas).

Gold Potential – Historic Exploration Activities

Gold was discovered in the region in the late 1920's, with alluvial/eluvial mining activities commencing in 1932. Total recorded production up to 1958 (when detailed record keeping ceased) was approximately 2.5 tonnes of gold. There are a vast number of alluvial gold occurrences. Hard rock mineralisation was found prior to 1940 with high grade free gold within veins and over significant widths in high metamorphic shear structures, although limited work was undertaken. In addition to gold and diamond occurrences, historic sampling has also identified anomalous platinum within the project area. The area has not been explored for 50 years and has never been subjected to modern exploration.

A regional soil sampling programme has recently commenced to determine the primary source of the widespread alluvial gold encountered within the project area. The Company plans to focus on larger areas of anomalous gold and platinum mineralisation, with the aim of identifying drill targets for follow up testing later in the year.

Acquisition Agreement

The principal terms of the agreement for the Company to acquire Sirocco and Kasai Diamond and Gold project:

1. Company to acquire 100% of the issued share capital of Sirocco by the issue to the Vendors of:
 - 13,000,000 fully paid ordinary shares in the Company ("Vendor Shares"). The Vendor Shares will be subject to a 12 month voluntary escrow (and any escrow conditions applied by ASX); and
 - 6,500,000 options ("Vendor Options"). The Vendor Options will be exercisable at 20 cents each and expire on 31 January 2009. The Vendor Options are of the same class as the Company's currently listed option (ASX code ELMO);
2. The Vendors will have the right to appoint one director to the Company's board.
3. The Company has received warranties in respect of the Sirocco corporate structure and the exploration interests in the Democratic Republic of Congo that are generally expected in a transaction of this nature.
4. Agreement is subject to:
 - receipt of necessary approvals, including shareholder approval for the issue of the Vendor Shares and Vendor Options;
 - Company completing a due diligence review to its satisfaction within 1 month.

The Vendors are not associated with the Company, its Directors or their associates.

Shareholders will be asked to approve the acquisition at a shareholders meeting planned for August 2006. The Company is currently preparing the notice of meeting and the notice will be dispatched to shareholders in the coming weeks.

The Company also advises that Mr Simon Cato has resigned as a director of the Company. The Board thanks Mr Cato for his contribution over the last year.

For further information in respect of the Company's activities, please contact:

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Scientific or technical information in this news release has been prepared under the supervision of Klaus Eckhof, a director of the Company and a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Eckhof has sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code).