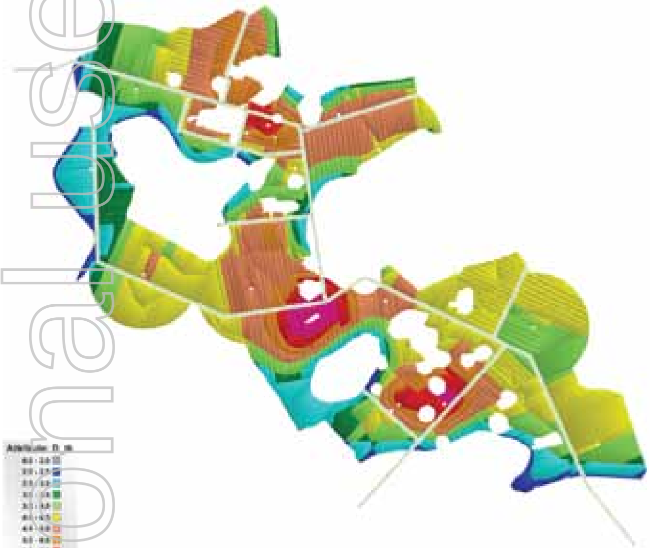

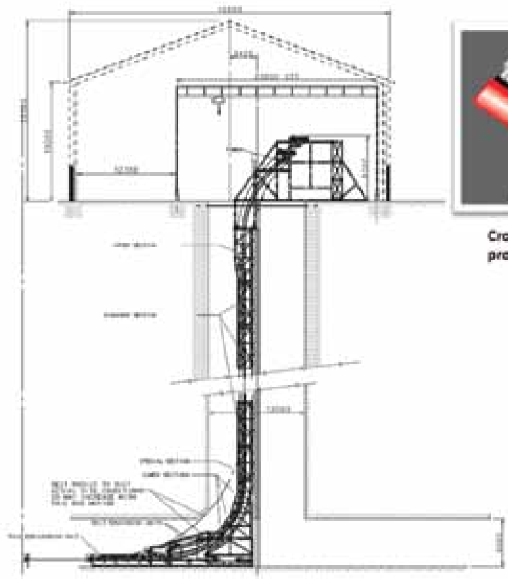

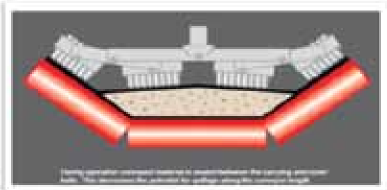

Cross Section of the two belts in black with the product squeezed by the top compression rollers.

elemental minerals limited

Annual Report Ended 31 December 2012

CORPORATE DIRECTORY

NON-EXECUTIVE CHAIRMAN
Robert Samuel Middlemas

MANAGING DIRECTOR
John (Iain) Macpherson

NON-EXECUTIVE DIRECTORS
John Ian Stalker
Michael Barton
Robert Franklyn

JOINT COMPANY SECRETARY
Lawrence Davidson and Leonard Math

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SHARE REGISTRY
Advanced Share Registry Services
150 Stirling Highway
NEDLANDS WA 6009
Telephone: (08) 9389 8033
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SECURITIES EXCHANGE LISTING
Australian Securities Exchange (ASX)
Code: ELM, ELMO

Toronto Stock Exchange (TSX)
Code: ELM

WEBSITE: www.elementalminerals.com.au

CEO REVIEW AND REVIEW OF OPERATIONS

Dear Shareholder,

It gives me great pleasure to report back to you on a tough, but significant year for Elemental Minerals (Elemental). This year, despite its very real challenges, I believe has set a solid foundation from which to take this organisation from an exploration company through its development phase to becoming a producer.

As an aside, this is also the first full annual report that you will receive since we changed our year end. Our March 2012 report only covered a six month period under review.

The highlights of the year can be summed up in two parts; completion of our major drilling programme, which resulted in a massive increase in the resource base and the completion of our pre-feasibility study (PFS). The increased scale of the resource coupled to the very positive PFS, are key milestones in our quest to become a new independent, large scale potash producer.

The Kola PFS was completed in September 2012 and was led by SRK Consulting (US) Inc. Based on a measured and indicated sylvinite mineral resource of 573 Mt grading 20.92% K_20 (33.14% KCl), a proven and probable mineral reserve of 151.7Mt grading 20.02% K_20 (31.69% KCl) was declared. The mineral reserve is based entirely on the Upper and Lower Seam.

The PFS supports a 23-year life-of-mine producing two Mt Muriate of Potash (MoP) per annum through conventional underground mining at an average depth of approximately 270 metres. Run-of-mine material will be transported some 36 kilometres via an overland conveyor to a process plant located at the coast. Final MoP product will be trans-shipped to ocean-going vessels via a 750 metre jetty.

At a 10% discount rate, the PFS yields a net present value (NPV) of US$2.97-billion, with an after-tax internal rate of return (IRR) of 29.3%. Elemental is now focussed on the next stages of the project, advancing towards production and in particular is looking at alternative configurations to enhance capital requirements given the exceptionally tough capital markets. Fortunately the inherent quality of the project supports a number of interesting alternatives.

While the capital markets have been exceptionally difficult in 2012, we nevertheless have strong shareholder support for our project, and managed to raise funds towards the latter part of the year through a raise that was significantly oversubscribed. We also had strong support for the share purchase plan (SPP) that we launched in Australia and the combination of both the capital raise and the SPP added a total of US$ 17.15-million to the company's cash balance, which stands us in reasonable stead to navigate the current tricky capital markets.

Geology and mineral resources

The project's Kola deposit currently contains a sylvinite resource of 573Mt at an average grade of 20.92% K_2O (33.13% KCl) within the measured and indicated category and 475Mt of inferred mineral resources grading 20.39% K_2O (32.27% KCl). This resource is the basis for the PFS business plan.

The overall potash resource (including carnallite, which does not feature in the current PFS business plan) is 1.32-billion tonnes in the measured and indicated mineral resource category at an average grade of 15.65% K_2O (24.78% KCl), and inferred mineral resources of 948 Mt grading 16.20% K_2O (25.64% KCl), at a 10.0% K_2O cut-off grade.

Four main potash mineralised seams are present within the Kola deposit and are identified in stratigraphic and chronological order as: Hangingwall Seam (HWS), Upper Seam (US), Lower Seam (LS), and the Footwall Seam (FWS). The depth to the top of the Upper Seam is within 250 to 320 metres from surface.

Exploration at Kola has focussed on the Upper and Lower Seams, which contain the bulk of the mineral resources defined to date. The Hangingwall Seam, which was discovered relatively recently, currently contributes 47Mt at an average grade of 34.75% K_2O (55.01% KCl) to the inferred mineral resources, and the Footwall Seam 225Mt grading 17.63% K_2O (27.92% KCl) also in the inferred mineral resource category.

Table 1: Mineral resource estimate for sylvinite mineralisation only (base case) at a 10% K_2O CoG

	Measured			*Indicated*			*Inferred*		
	Tonnes (Mt)	% K_2O	% KCl	Tonnes (Mt)	% K_2O	% KCl	Tonnes (Mt)	% K_2O	% KCl
Hangingwall Seam							*47*	*34.75*	*55.01*
Upper Seam ("USS")	*171*	*22.45*	*35.54*	*159*	*22.04*	*34.89*	*96*	*21.78*	*34.48*
Lower Seam ("LSS")	*93*	*19.22*	*30.42*	*150*	*19.06*	*30.17*	*107*	*19.14*	*30.30*
Footwall Seam							*225*	*17.63*	*27.92*
Total	*264*	*21.32*	*33.74*	*309*	*20.59*	*32.59*	*475*	*20.39*	*32.27*

1. *A bulk density of 2.07g/cm^3 was applied for all sylvinite mineralisation*
2. *Zones of geological uncertainty have been excluded*
3. *Table entries are rounded to the second significant figure*
4. *Insoluble contents for the mineral resource were not estimated but insoluble content of the seam intersections average less than 0.3% for the US, LS and HWS and 1.5% for the FWS*

Table 2: Mineral resource estimate for sylvinite and carnallite mineralisation at a 10% K_2O cut-off grades (CoG). Includes the sylvinite mineral resources of Table 1

	Measured			*Indicated*			*Inferred*		
	Tonnes (Mt)	*% K_2O*	*% KCl*	*Tonnes (Mt)*	*% K_2O*	*% KCl*	*Tonnes (Mt)*	*% K_2O*	*% KCl*
Hangingwall Seam							*47*	*34.75*	*55.01*
Upper Seam	*245*	*19.53*	*30.92*	*310*	*17.76*	*28.11*	*278*	*16.33*	*25.84*
Lower Seam	*313*	*13.26*	*20.99*	*448*	*13.74*	*21.75*	*398*	*13.12*	*20.77*
Footwall Seam							*225*	*17.63*	*27.92*
Total	*559*	*16.01*	*25.35*	*758*	*15.38*	*24.35*	*948*	*16.20*	*25.64*

1. *A bulk density of 2.07g/cm3 was applied for all sylvinite mineralisation and 1.70 g/cm3 for carnallite mineralisation*
2. *Zones of geological uncertainty have been excluded*
3. *Table entries are rounded to the second significant figure*
4. *Insoluble contents for the mineral resource were not estimated but insoluble content of the seam intersections average less than 0.3% for the US, LS and HWS and 1.5% for the FWS*

Table 3: Project mineral reserve, based upon the PFS mineral resource model

Proven			*Probable*			*Total*		
Tonnes (Mt)	% K_2O	% KCl	Tonnes (Mt)	% K_2O	% KCl	Tonnes (Mt)	% K_2O	% KCl
87.9	20.01	31.68	63.8	20.02	31.69	151.7	20.02	31.69

In January 2013, post the period of review for this report, the company announced that it had initiated a Phase 3A drilling programme comprising two boreholes to test the extension of sylvinite seams in the western part of the Kola deposit.

Operations and pre-feasibility study

Elemental Minerals Ltd commissioned SRK Consulting (US), Inc. (SRK), AMEC Americas Limited (AMEC), EGIS International (EGIS) and CSA Global Pty Ltd (CSA) – collectively the consultants, to prepare a technical report compliant with Canadian National Instrument 43-101 (NI 43-101) for a PFS and to complete both a national and international Environmental and Social Impact Assessment (ESIA). These studies have enhanced the findings of the project's preliminary economic assessment released on August 1, 2011, significantly de-risked the project and support the mining permitting process now underway.

PFS highlights (available on Elemental's profile on www.sedar.com)

- Project after-tax NPV_{10} of US$2.97-billion, IRR of 29.3%
- Project pre-tax NPV_{10} of US$3.90-billion, IRR of 31.3%
- Production cash costs of US$79.71/t, FOB – in the lowest quartile of global production cost
- Total initial capital costs of US$1.85-billion
    - includes a weighted average contingency of 18%
    - includes infrastructure of US$580-million
- Pay-back from production start-up of three years
- Production of 2Mt per annum of Muriate of Potash (MoP) from a conventional underground mine with a 23-year life-of-mine

Post year-end activities

As indicated, the company has commenced its Phase 3A drilling programme, the results of which will be communicated when assay tests have been completed. In early March, the company announced that it has retained Cutfield Freeman & Co. Ltd (CF&Co) to act as its financial advisor in relation to seeking one or more joint venture partners for the Sintoukola Project in the Republic of Congo.

This initiative has developed from a review that Elemental initiated in the second half of last year to examine a range of strategic alternatives to maximise shareholder value. Based on this review, Elemental's Board of Directors has decided to seek one or more joint venture partners to participate in development and operation of this project. The aim of the process will be to secure joint venture arrangements which permit the project to be developed in a timely fashion.

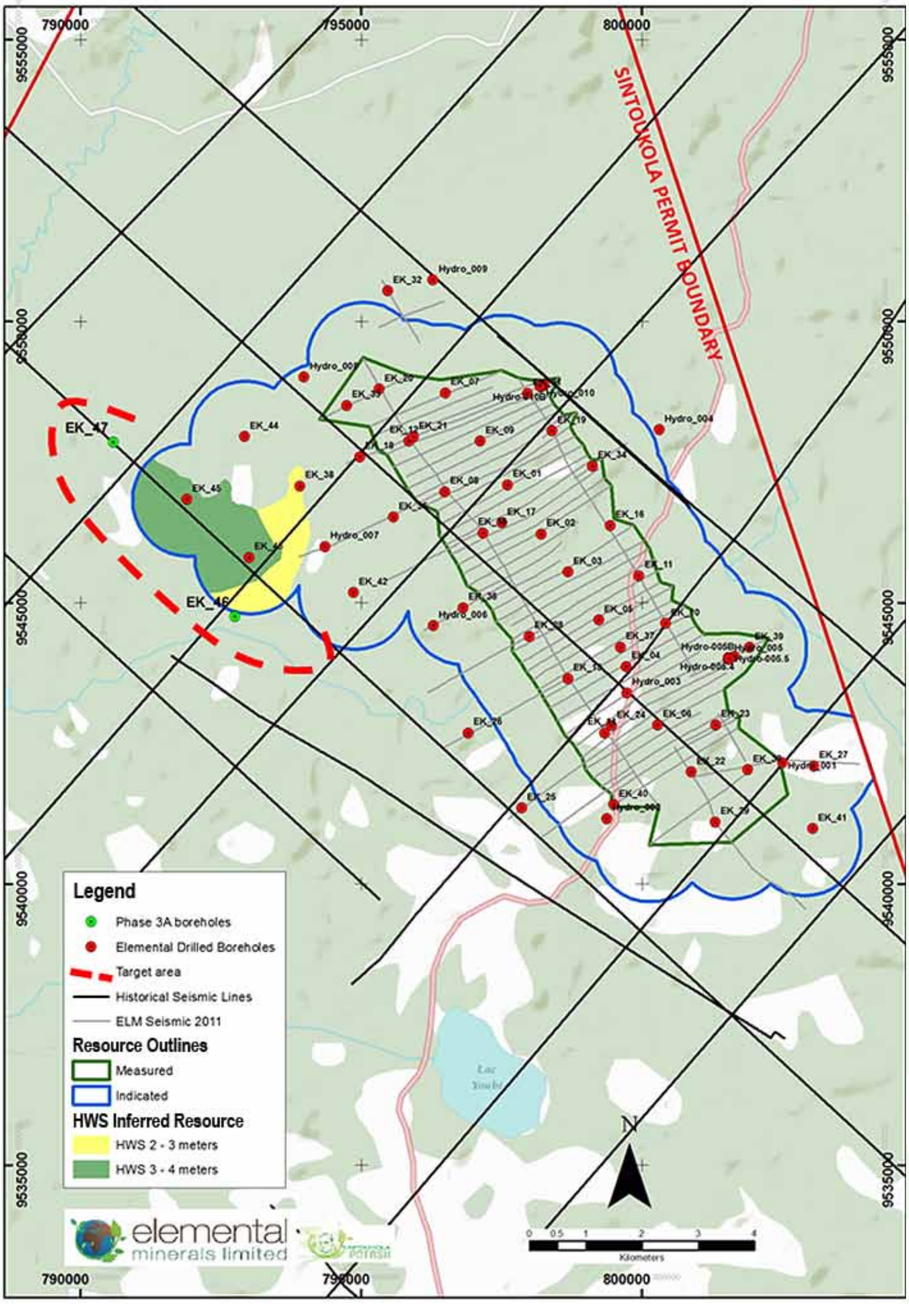


Figure 1: Location of Phase 3A boreholes EK_46 and EK_47

Timeline

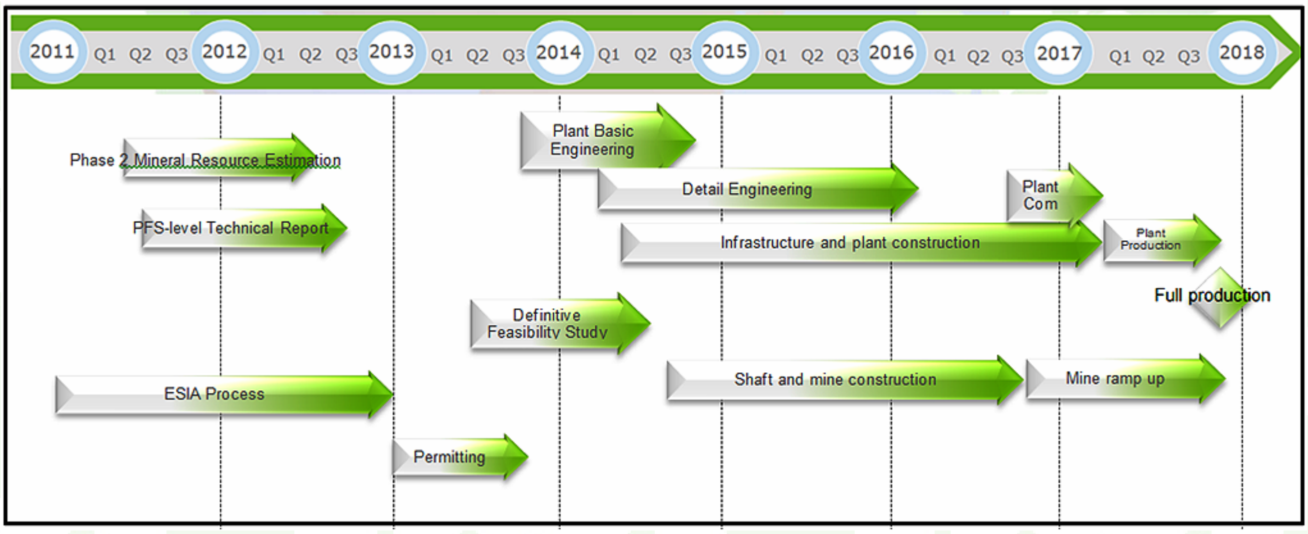
Cognisant of the tough equity and capital markets, the Company felt it prudent to revisit its development schedule and has pushed out the start of the construction of the mine, as a result of a possible delay in the completion of the bankable feasibility study and associated engineering works. The new planned timeline is highlighted below.

Permitting

The Sintoukola exploration permit renewal was granted by the government on 27 November 2012 by decree 2012-1193 and is valid for two years. The renewed permit covers a total of 1408 km^2 as shown in Figure 2.

The mining lease application was officially received by the Ministry of Mines on the 17 December 2012. The mining lease application covers 208 km^2 including the entire Kola resource as is shown in Figure 2.

At the same time, the company submitted its Congolese compliant ESIA. Elemental has subsequently received positive response on the ESIA from the Ministry of Environment. The ESIA submission and approval is a crucial step in the



awarding of a mining licence. The international ESIA is due to be completed in mid-2013.

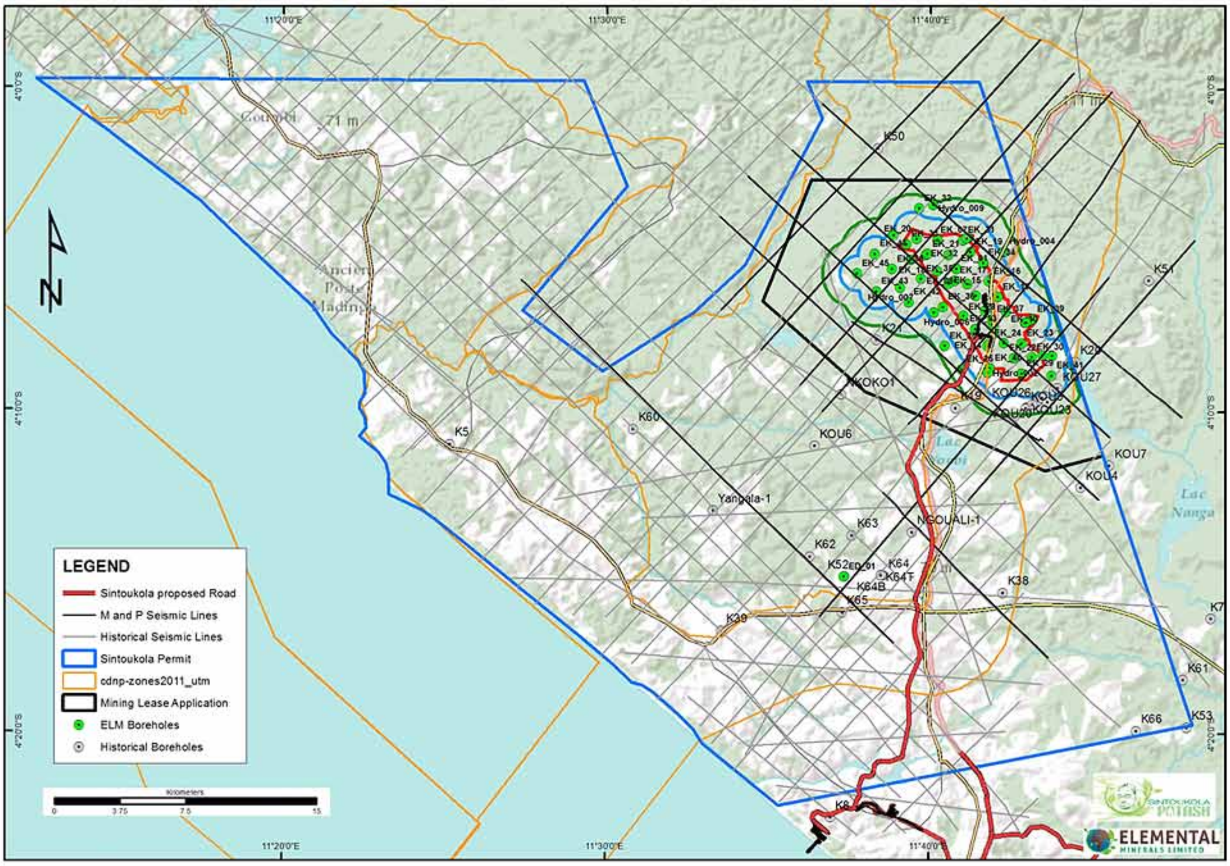
The land rezoning process is well underway with the Minister of Land Affairs signing off on the Decree of Public Utility and project land acquisition in February 2013.

Conclusion

Not withstanding the tough period we have experienced in global financial markets, it is testament to the Elemental team that we have met our development timelines to date and that the outlook for the future development timetable, despite the delays acknowledged above, continues to be within our reach. I would like to thank my colleagues for their input throughout the year and look forward to communicating with you, the shareholder, regularly over the coming year.

Iain Macpherson
CEO and Managing Director
Elemental Minerals Limited

Figure 2: Renewed SP exploration permit (blue outline) and mining lease application (black outline)



Competent Person/Qualified Person Statement:

Information in this report that relates to exploration results or mineral resources is based on information compiled by Simon Dorling and Jeff Elliott, of CSA Global Pty Ltd, Elemental's geological consultants. Dr Dorling and Mr Elliott are members of the Australian Institute of Geoscientists (MAIG) and have sufficient experience relevant to the style of mineralisation and type of deposit under consideration – and to the activity they are 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). Dr Dorling and Mr Elliott are also qualified persons for the purposes of Canadian National Instrument 43-101 and they consent to the inclusion in this report of the Information, in the form and context in which it appears.

DIRECTORS' REPORT

Your directors present their report on Elemental Minerals Limited (the Company) and its controlled entities (Group or Consolidated Entity) for the financial year ending 31 December 2012.

Directors

The names of directors in office at any time during or since the end of the year are:

Robert Samuel Middlemas	Chairman
John (Iain) Macpherson	Managing Director
John Ian Stalker	Non-Executive Director
Michael Barton	Non-Executive Director (appointed 25 April 2012)
Robert Geoffrey Franklyn	Non-Executive Director (appointed 17 July 2012)

Mr John Sanders resigned as Executive Director of the Company on 17 December 2012. Mr Jan Alex Castro resigned as Non-Executive Director of the Company on 25 April 2012. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Joint company secretary

Mr Lawrence Davidson (appointed 7 August 2012)
Mr Leonard Math
Mr Graham Anderson resigned as Company Secretary on 7 August 2012.

Principal activities and significant changes in nature of activities

The principal activity of the Group during the financial year was exploration of mineral prospects, potash.

Operating results

The net loss of the Group for the year ended 31 December 2012, after providing for income tax, amounted to $10,671,818 (six months ended 31 December 2011: $6,821,698).

Dividends paid or recommended

In respect of the year ended 31 December 2012, no dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Significant changes in state of affairs

During the year ended 31 December 2012, Mr John Sanders resigned as Executive Director of the Company on 17 December 2012. Mr Jan Alex Castro resigned as Non-Executive Director of the Company on 25 April 2012. Mr Michael Barton and Mr Robert Franklyn were appointed as Non-Executive Directors of the Company on 25 April 2012 and 17 July 2012 respectively.

The Company raised A$14,068,725 through the placement of 36,542,142 new fully-paid ordinary shares at A$0.385 to private and sophisticated investors in November 2012. The placement was undertaken on a combined non-underwritten brokered basis with BMO Capital Markets, Renaissance Securities (Cyprus) Limited and National Bank Financial Inc. The Company further raised A$3,245,860 through a share purchase plan (SPP) issuing of 8,430,806 shares at A$0.385 per share. The SPP was completed in December 2012.

The Company raised A$2,465,409 from issuing 12,327,044 shares through the exercise of listed options exercisable at $0.20 expiring 31 January 2012. 5,073 Listed options exercisable at $0.20 expiring 31 January 2012 have lapsed.

The Company also further issued 2,500,000 shares through the exercise of unlisted options exercisable at A$0.20 expiring 31 January 2012, raising A$500,000.

After reporting date events

No significant events requiring separate disclosure have occurred since reporting date.

Future developments

The Group will continue its mineral exploration activities with the objective of finding mineralised resources, particularly potash and the development of the Kola deposit. The Company will also consider the acquisition of further prospective exploration interests.

Environmental issues

The Group operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of shareholders, employees and suppliers. In respect of the current year under review, the directors are not aware of any particular or significant environmental issues which have been raised in relation to

the Group's operations. The Group holds exploration tenements in the Republic of Congo. The Group's operations are subject to environmental legislation in this jurisdiction in relation to its exploration activities.

Information on Directors

Robert Samuel Middlemas
Interim Chairman
B.Com., PGrad Dip Bus., CA, MAICD

Robert Middlemas is a Chartered Accountant and the principal of a corporate advisory company. He has over 20 years of experience providing director, company secretarial and chief financial officer services to a number of ASX-listed companies operating primarily in the resources sector. He currently acts as acting CEO with the ASX listed Bauxite Resources Limited and company secretary and chief financial officer of the ASX-listed Manhattan Resources Limited and Rubicon Resources Limited.

Previously, Mr Middlemas trained in the Australian audit division of Price Waterhouse which included secondments to Canada and United Kingdom. His expertise includes corporate secretarial, management accounting, financial and management reporting in the mining industry, initial public offerings, capital raisings, cash flow modelling and corporate governance.

Mr Middlemas holds a bachelor of commerce degree from the University of Western Australia and a graduate diploma of accounting from Curtin University of Western Australia. He is an Associate Member of the Institute of Chartered Accountants in Australia and a member of the Australian Institute of Company Directors.

Interest in shares and options	288,961 Shares 250,000 Options exercisable at $1.07 each expiring 16 February 2015
Directorships held in other entities	Nil
Former directorships of listed companies in last three years	Rubicon Resources Limited

John (Iain) Macpherson
Managing Director
B.Sc., Mining Engineering

John Macpherson is a seasoned mining executive with over 25 years experience in senior management and executive roles in both the junior and major mining sectors. Mr Macpherson trained as a mining engineer at the Royal School of Mines and has extensive operational experience throughout southern, western and central Africa, western and eastern Europe and Russia. His early career was with Gold Fields Limited in southern and western Africa, where he rose to senior operational roles before moving onto the junior mining sector.

In the junior sector he operated in senior operational and executive roles in western and eastern Europe and Russia before moving to South Africa as UraMin's chief operating officer, Mr Macpherson established and led the highly effective team that was instrumental in raising in excess of US$450-million to develop UraMin's uranium projects. In mid-2007, when Areva acquired UraMin for US$2.5-billion, Mr Macpherson was retained by Areva as managing director to ensure that UraMin's proven entrepreneurial approach be carried through to the new entity.

In early 2008, Mr Macpherson returned to the junior sector and has been actively involved in running Elemental since late 2009. In his career he has been instrumental in developing a number of mining projects including several IPOs and associated financing, specifically on the London, UK and North American markets and has developed a network of private and institutional investors including a number of major banks.

Interest in shares and options	4,010,000 Shares 1,500,000 Options exercisable at $1.07 each expiring 16 February 2015
Directorships held in other entities	Nil
Former directorships of listed companies in last three years	Nil

John Ian Stalker
Non-Executive Director

John Stalker is an engineer, with an outstanding 40-year history in developing and managing numerous mining projects around the world. He has considerable experience within the mining sector in general and in mining operations in particular, having successfully managed eight mining projects throughout the world – from feasibility study to development, construction phases onto production.

Mr Stalker was the chief executive officer of UraMin, until its acquisition by Areva in mid-2007, and was subsequently CEO of Niger Uranium Ltd. from 2008-2010. Prior to joining UraMin, Mr Stalker was at Gold Fields Limited, the world's fourth largest gold producer. At Gold Fields, he managed the company's PGE project in Finland starting in 2001, eventually becoming vice president responsible for all of the company's projects in Australia and Europe in 2004.

Mr Stalker is a non-executive director of Polo Resources Ltd, listed on AIM and TSX, Forum Uranium Corporation, a TSX Venture Exchange-listed company, Aura Minerals Inc., a TSX-listed growing mid-tier gold producer. Mr Stalker is currently CEO of Brazilian Gold Corporation, a Toronto Stock Exchange-listed gold exploration company. Mr Stalker commenced his appointment as CEO of Brazilian Gold in January 2011.

Interest in shares and options	1,750,000 Shares 1,250,000 Options exercisable at $1.07 each expiring 16 February 2015
Directorships held in other entities	Brazilian Gold Corporation, Forum Uranium Corporation, Polo Resources Ltd, Aura Minerals Inc., Premier African Metals
Former directorships of listed companies in last three years	Niger Uranium Limited and Regent Pacific Limited, Berkeley Resources Limited, Vatukoula Gold Mines Plc

Michael Barton
Non-Executive Director
(appointed 25 April 2012)

Michael Barton is a managing director of Pala Investments, an investment company focused exclusively on the mining sector. Whilst at Pala he has been involved in many of Pala's largest transactions, including Sierra Rutile Limited, Avoca Resources Limited and Norcast Wear Solutions.

Mr Barton is a qualified chartered accountant (ACA) and a fellow of the Securities and Investment Institute. Prior to joining Pala, Mr. Barton was a vice president at Hatch Corporate Finance, a company specialising in providing corporate finance advisory services to the metals and mining industry. Michael began his career with Deloitte & Touche where he was involved with numerous clients, transactions and projects in the mining sector.

Mr. Barton is currently a Director of WDS Limited (ASX:WDS), Peninsula Energy Limited (ASX:PEN) and Sierra Rutile Limited (AIM:SRX).

Interest in shares and options	250,000 Unlisted options exercisable at $1.12 expiring 23 April 2016.
Directorships held in other entities	Peninsula Energy Limited and Sierra Rutile Limited.
Former directorships of listed companies in last three years	WDS Limited, Hana Mining, Crowfight Minerals and Nevada Copper

Robert Geoffrey Franklyn
Non-Executive Director
(appointed 17 July 2012)
B Juris, LLB

Robert Franklyn has a broad range of experience in the legal sector, specialising in corporate governance and mergers and acquisitions. He has provided advisory services in Australia and cross-border, advising companies listed on a range of international exchanges including ASX, TSX, JSE, NASDAQ, NYSE, AIM and LSE. Mr Franklyn has also advised on a number of African and Chinese transactions.

Mr Franklyn has been partner at Corrs Chambers Westgarth since 2010 and has over 22 years' experience as a corporate lawyer. He began his career at Freehills and was a partner at that firm from 1996 to 2005 before forming Franklyn Legal, a boutique mergers and acquisitions corporate law firm.

Mr Franklyn holds a B Juris, LLB from the University of Western Australia and is a Member of the Australian Institute of Company Directors, the Law Council of Australia Business Law Committee as well as an ASIC and ASX Liaison committee member.

Interest in shares and options	Nil
Directorships held in other entities	Nil
Former directorships of listed companies in last three years	Nil

John Sanders
Executive Director
(resigned 17 December 2012)

John Sanders is an exploration and mining geologist with 28 years of experience in both greenfield exploration and mining. Mr Sanders was the former vice president, exploration for UraMin and was part of the management team of UraMin. UraMin advanced several uranium projects from exploration to a bankable feasibility study, which resulted in the takeover by Areva in mid-2007. Mr Sanders was also CEO of Niger Uranium Limited and prior to that, the former east and west African regional exploration manager at AngloGold Ashanti Limited.

Interest in shares and options	3,300,000 Shares 1,500,000 Options exercisable at $1.07 each expiring 16 February 2015
Directorships held in other entities	Nil
Former directorships of listed companies in last three years	Niger Uranium

Jan Alex Castro
Non-Executive Director
(resigned 25 April 2012)
Juris Doctor and BA

Jan Castro is the chief executive officer of Pala Investments AG, which he founded in July 2006. He is currently a director of Alacer Gold Corporation (TSX:ASR, ASX:AQG), Nevada Copper Corporation (TSX:NCU), Churchill Mining PLC (AIM:CHL), and Sierra Rutile Limited (AIM:SRX), where he is the chairman of the board of directors. He is also a director of Gemcom Software International Inc., a private company.

Prior to establishing Pala, Mr Castro was senior vice president, investments and corporate affairs for Mechel OAO, a major Russian mining and metals company listed on the New York Stock Exchange (NYSE: MTL), where his primary responsibilities covered mergers and acquisitions, non-core asset disposals, and investor and public relations. He also managed Mechel's IPO on the NYSE.

Before joining Mechel, Mr Castro worked for Latham & Watkins LLP where he specialised in securities and merger and acquisition transactions. In total, Mr Castro led the IPOs of three out of the four IPOs of Russian companies on the NYSE, as well as worked on numerous mergers and acquisitions and private equity transactions, including some of the largest deals in Russia and Ukraine. Prior to Latham & Watkins, Mr Castro was at Chadbourne & Park and White & Case, working primarily on project financings.

Mr Castro received his JD and BA from Columbia University.

Interest in shares and options	Nil

Directorships held in other entities	Alacer Gold Corporation, Nevada Copper Corporation, Churchill Mining PLC and Sierra Rutile Limited
Former directorships of listed companies in last three years	Coalcorp Mining Inc, Crowflight Minerals Inc, Capstone Mining Corporation and Dioro Resources Limited

Company Secretary

Lawrence Davidson
B.Comm, Finance

Lawrence Davidson graduated from the University of the Witwatersrand in Johannesburg, South Africa in 1991, and has held senior financial management roles for the past 20 years. He recently occupied the position of managing director of DF2 Consulting (Pty) Ltd, a South African financial and management consulting company, a position he has held for the past five years. Prior to this Mr Davidson was a management consultant to Barclays Bank plc, as part of their Barclays Africa integration team.

Mr Davidson spent the early part of his career within the investment banking field, holding various financial management positions at Gensec Bank Limited, a specialist South African investment bank. He was part of a group of employees to successfully set up and manage Gensec Bank's Irish domiciled operation, Gensec Ireland Limited, in Dublin, Ireland from 1999 to 2001.

Leonard Math
BBus, CA

Leonard Math graduated from Edith Cowan University in 2003, majoring in Accounting and Information Systems. He also a member of the Institute of Chartered Accountants. In 2005, Mr Math worked in the audit division at Deloitte before joining GDA Corporate. He is currently the manager for corporate services at GDA Corporate.

His public company responsibilities include corporate compliance roles, including extensive liaison with ASX and ASIC, control and implementation of corporate governance, completion of annual financial reports and auditor liaison, and shareholder relations with registry and shareholders – both retail and institutional.

He is the company secretary of Mako Hydrocarbons Limited, Ishine International Resources Limited, Padbury Mining Limited and RMA Energy Limited.

Meetings of directors

The number of meetings of the Company's directors and the number of meetings attended by each director during the year ending 31 December 2012 are:

Director	Directors Meetings		Audit Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
S Middlemas	17	17	2	2
I Macpherson	17	17	-	-
I Stalker	17	16	2	2
M Barton	15	15	1	1
R Franklyn	10	8	-	-
J Sanders (resigned on 17 December 2012)	17	15	-	-
J Castro (resigned on 25 April 2012)	2	2	1	1

There were 17 directors' meetings and two audit committee meetings held during the year.

Non-audit services

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the non-audit services detailed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES:110 Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board

Indemnifying officers and auditor

The Company has agreed to indemnify the directors of the Company against all liabilities to another person that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company agreed to pay an annual insurance premium of $58,304 in respect of directors' and officers' liability and legal expenses' insurance contracts, for directors, officers and employees of the Company. The insurance premium relates to:

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Elemental Minerals Limited's key management personnel for the financial year ended 31 December 2012. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel
- Remuneration policy
- Relationship between the remuneration policy and company performance
- Remuneration of key management personnel

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 31 December 2012:

There were no dividends paid or payable in the last five years.

Remuneration policy

	12 months 31 Dec 2012 USD$	6 months 31 Dec 2011 AUD$	12 months 30 June 2011 AUD$	12 months 30 June 2010 AUD$	12 months 30 June 2009 AUD$
Other income	463,278	850,897	321,931	150,051	50,761
Net loss before tax	10,671,818	6,821,698	13,729,651	9,133,387	4,692,059
Net loss after tax	10,671,818	6,821,698	13,729,651	9,133,387	4,692,059

	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008
Share price at start of year	A$1.04	A$1.25	A$0.38	A$0.06	A$0.12
Share price at end of year	A$1.03	A$1.04	A$1.27	A$0.38	A$0.05
Basic loss per share (cents)	USD$4.34	A$3.25	A$9.48	A$9.45	A$7.95
Diluted loss per share (cents)	USD$4.34	A$3.25	A$9.48	A$9.45	A$7.95

- Costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever the outcome.
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty

Remuneration report: audited

Key management personnel of the Company

This report details the nature and amount of remuneration for each director of Elemental Minerals Limited and for the executives receiving the highest remuneration.

The remuneration policy of Elemental Minerals Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results.

The board of Elemental Minerals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain high calibre executives and directors to run and manage the Group.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth. Executives are also entitled to participate in the employee share and option arrangements.

Executive directors and senior management receive a superannuation guarantee contribution required by the government, which is currently nine percent (9%), and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

The board policy is to remunerate non-executive directors at market rates against comparable companies for time, commitment and responsibilities. The board determines
payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in employee option plans.

Key terms of employment contracts

Effective 1 January 2013, the following base salary applies:

Name	Base salary	Term of agreement	Notice period
John (Iain) Macpherson: Managing Director	USD275,000	No Fixed Term	3 months notice period
Lawrence Davidson: CFO and company secretary	USD180,000	No Fixed Term	3 months notice period
Werner Swanepoel: Project Manager	ZAR1,800,000	No Fixed Term	3 months notice period

Key management personnel remuneration
The remuneration for each director and the key executives of the Company receiving the highest remuneration during the year ended 31 December 2012 was as follows:

1 January 2012 to 31 December 2012

	Short term employee benefits			Post-employment benefits			
	Salary and fees USD$	Bonus USD$	Non-monetary USD$	Superannuation USD$	Share-based payments: options USD$	Total USD$	Performance related %
Directors							
S. Middlemas	103,060	-	-	-	157,603	260,663	-
I. Macpherson	277,671	-	-	-	945,608	1,223,279	-
J. Sanders (i)	273,909	-	-	-	945,608	1,219,517	-
J.I. Stalker	108,882	-	-	-	788,010	896,892	-
M. Barton (ii)	41,203	-	-	-	37,881	79,084	-
R. Franklyn (iii)	27,620	-	-	2,364	-	29,984	-
J. Castro (iv)	20,936	-	-	-	-	20,936	-
	853,281	-	-	2,364	2,874,710	2,833,463	-
Executives							
L. Davidson (v)	181,791	-	-	-	-	181,791	
G. Anderson (vi)	107,390	-	-	-	-	107,390	-
L. Math (vi)	-	-	-	-	-	-	-
W. Swanepoel (vii)	225,311	-	-	-	-	225,311	-
	1,367,774	-	-	2,364	2,874,710	3,347,955	-

(i) Resigned on 17 December 2012.
(ii) Appointed 25 April 2012.
(iii) Appointed 17 July 2012.
(iv) Resigned 25 April 2012.
(v) Chief Financial Officer. Appointed as joint company secretary on 7 August 2012.
(vi) Mr Leonard Math, joint company secretary with Mr Graham Anderson is an employee of GDA Corporate (GDA). GDA has been engaged to provide accounting, administrative and company secretarial services on commercial terms. Mr Graham Anderson is a director of and has a beneficial interest in GDA. Mr Graham Anderson resigned as Company Secretary on 7 August 2012.
(vii) Mr Werner Swanepoel was not a key management personnel remuneration as at 31 December 2011.

1 July 2011 to 31 December 2011

	Short term employee benefits			Post-employment benefits			
	Salary and fees USD$	Bonus USD$	Non-monetary USD$	Superannuation USD$	Share-based payments: options USD$	Total USD$	Performance related %
Directors							
S. Middlemas	40,026	-	-	-	154,232	194,258	-
I. Macpherson	111,513	-	-	-	925,387	1,036,900	-
J. Sanders	111,513	-	-	-	925,387	1,036,900	-
J.I. Stalker	91,595	-	-	-	771,155	862,750	-
J. Castro (i)	20,642	-	-	-		20,642	-
M. Jones (ii)	29,410	-	-	2,646	-	32,056	
	404,699	-	-	2,646	2,776,161	3,183,596	-
Executives							
G. Anderson (iii)	63,718	-	-	-	-	63,718	-
L. Math (iii)	-	-	-	-	-	-	-
	468,417	-	-	2,646	2,776,161	3,247,224	-

(i) Appointment 1 September 2011
(ii) Resigned 13 October 2011
(iii) Mr Leonard Math, joint company secretary with Mr Graham Anderson is an employee of GDA Corporate (GDA). GDA has been engaged to provide accounting, administrative and company secretarial services on commercial terms. Mr Graham Anderson is a director of and has a beneficial interest in GDA.

Share-based payments granted as compensation for the current financial year

Employee share option plan

Elemental Minerals Limited operates an ownership-based scheme for executives and senior employees of the consolidated entity. In accordance with the provisions of the plan, as approved by shareholders at a previous general meeting, executives and senior employees may be granted options to purchase parcels of ordinary shares at an exercise price determined by the Remuneration Committee.

Each employee share option converts into one ordinary share of Elemental Minerals Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The options granted expire within four (4) years of their issue, or two months of the resignation of the executive or senior employee, whichever is the earlier.

During the financial year, the following share-based payment arrangements were in existence:

Option series	Grant date	Exercise price	Expiry date	Vesting date	Fair value at grant date AUD$
Issued on 18/05/2011	18/05/2011	A$1.07	16/02/2015	16/02/2012	$1.4925
Issued on 18/05/2011	18/05/2011	A$1.07	16/02/2015	16/02/2013	$1.6481
Issued on 18/05/2011	18/05/2011	A$1.07	16/02/2015	16/02/2014	$1.7321
Issued on 20/05/2011	18/05/2011	A$1.07	19/05/2015	19/05/2012	$1.5472
Issued on 20/05/2011	18/05/2011	A$1.07	19/05/2015	19/05/2013	$1.6811
Issued on 20/05/2011	18/05/2011	A$1.07	19/05/2015	19/05/2014	$1.7566
Issued on 20/05/2011	18/05/2011	A$1.07	19/05/2015	19/05/2011	$1.2246
Issued on 12/03/2012	12/03/2012	A$1.09	09/01/ 2016	09/01/2013	$0.6948
Issued on 12/03/2012	12/03/2012	A$1.09	09/01/ 2016	09/01/2014	$0.7647
Issued on 12/03/2012	12/03/2012	A$1.09	09/01/ 2016	09/01/2015	$0.8086
Issued on 12/03/2012	12/03/2012	A$1.29	13/02 2016	09/01/2013	$0.6748
Issued on 12/03/2012	12/03/2012	A$1.29	13/02 2016	09/01/2014	$0.7406
Issued on 12/03/2012	12/03/2012	A$1.29	13/02 2016	09/01/2015	$0.7847
Issued on 31/05/2012	31/03/2012	A$1.12	23/04/2016	23/4/2014	$0.3569
Issued on 31/05/2012	31/03/2012	A$1.12	23/04/2016	23/4/2015	$0.3897
Issued on 31/05/2012	31/03/2012	A$1.12	23/04/2016	23/4/2016	$0.4149
Issued on 11/10/2012	30/03/2012	A$1.18	01/04 2016	01/04/2013	$0.8324
Issued on 11/10/2012	30/03/2012	A$1.18	01/04 2016	01/04/2014	$0.8324
Issued on 11/10/2012	30/03/2012	A$1.18	01/04 2016	01/04/2015	$0.8324

There are no performance criteria that need to be met in relation to options granted above before the beneficial interest vests in the recipient. However, the executives and senior employees receiving the options meet the vesting conditions only if they continue to be employed with the company at that time of the vesting date.

The following grants of share-based payment compensation to directors and key management personnel relate to the current financial year:

Name	Option series	During the financial year				% of compensation of the year consisting of options
		No. Granted	No. Vested	% Granted Vested	% Granted Forfeited	
M. Barton	Issued on 31/05/2012	250,000	-	-	-	47.89

There was no exercise of options that were granted to directors and key management personnel as part of their compensation during the year.

The following table summarises the value of options to key management personnel granted, exercised or lapsed during the year:

	Value of options granted at grant date (i) USD$	Value of options exercised at the exercise date USD $	Value of options lapsed at the date of lapsed (ii) USD $
M. Barton	99,937	-	-

(i) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.
(ii) The value of options lapsing during the period due to the failure to satisfy a vesting condition is determined assuming the vesting condition had been satisfied.

Proposed issue of options
During the year, the Board has proposed to issue 250,000 incentive options to its recently-appointed non-executive director, Mr Robert Franklyn, at an exercise price of $0.90, expiring four (4) years from the date of issue. The options will be subject to shareholders' approval at the Company's next shareholder meeting, and will vest equally over a three-year (3) period, with all options vesting automatically on a change of control event.

Shares issued on exercise of options
During the year ended 31 December 2012, the Company issued 8,527,028 shares through the exercise of listed options exercisable at $0.20, expiring 31 January 2012. 5,073 Listed options exercisable at $0.20 expiring 31 January 2012 have lapsed. The Company also further issued 2,500,000 shares through the exercise of unlisted options exercisable at A$0.20, expiring 31 January 2012.

Proceedings on behalf of company
No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Auditor's independence declaration
The auditor's independence declaration for the year ended 31 December 2012 has been received and can be found on page 23 of the directors' report.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

Sam Middlemas

Robert Samuel Middlemas
Interim Chairman
Date: 28 March 2013

DIRECTORS' DECLARATION

The directors of the company declare that:

a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3.1 to the financial statements;
c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
d) the directors have been given the declarations required by s.295A of the Corporations Act 2001

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors

Sam Middlemas

Robert Samuel Middlemas
Interim Chairman
Date: 28 March 2013

Deloitte.

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The Board of Directors
Elemental Minerals Limited
14 Emerald Terrance
West Perth WA 6005

28 March 2013

Dear Board of Directors

Elemental Minerals Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Elemental Minerals Limited.

As lead audit partner for the audit of the consolidated financial statements of Elemental Minerals Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Chris Nicoloff
Chris Nicoloff
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the members of Elemental Minerals Limited

Report on the Financial Report

We have audited the accompanying financial report of Elemental Minerals Limited which comprises the statement of financial position as at 31 December 2012, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 23 to 61.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Elemental Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

In our opinion:

(a) the financial report of Elemental Minerals Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 22 of the directors' report for the year ended 31 December 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Elemental Minerals Limited for the year ended 31 December 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants
Perth, 28 March 2013

CONSOLIDATED STATEMENT

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTE	12 Months Dec 2012 USD$	Restated[1] 6 Months Dec 2011 USD$
Other income	2	463,278	878,211
Directors remuneration		(397,695)	(200,296)
Equity compensation benefits	3	(6,851,579)	(5,318,542)
Depreciation and amortisation expense		(2,374)	(2,010)
Salaries, employee benefits and consultancy expense		(838,531)	(268,973)
Administration expenses		(2,930,723)	(1,126,871)
Net realised foreign exchange losses		(114,194)	(363,969)
Forward contract losses on foreign exchange		-	(638,225)
Loss before income tax expense		(10,671,818)	(7,040,675)
Income tax expense	4	-	-
Loss for the year		(10,671,818)	(7,040,675)
Other comprehensive income			
Exchange differences on translating foreign operations		(3,246,268)	(49,822)
Other comprehensive income for the year, net of tax		(3,246,268)	(49,822)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(13,918,086)	(7,090,497)
Loss attributable to:			
Owners of the Company		(13,918,086)	(7,040,675)
Non-controlling interest		-	-
		(13,918,086)	(7,040,675)
Total comprehensive income attributable to:			
Owners of the Company		(13,914,350)	(7,086,913)
Non-controlling interest		(3,736)	3,584
		(13,918,086)	(7,090,497)
Basic loss per share (cents per share)	23	(4.34)	(3.36)
Diluted loss per share (cents per share)	23	(4.34)	(3.36)

The accompanying notes form part of these financial statements.

[1] With effect from 1 January 2012, the directors of Elemental Minerals Limited determined that the functional currency of the company is US Dollars. Consistent with the changes in functional currency, Elemental Minerals Limited has elected to change presentation currency from Australian Dollars to US Dollars. Refer to Note 1 (c) for further details.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	NOTE	Dec 2012 USD$	Restated[1] Dec 2011 USD$	Restated[1] June 2011 USD$
CURRENT ASSETS				
Cash and cash equivalents	5	20,339,081	42,682,537	6,079,414
Trade and other receivables	6	129,213	1,120,492	125,282
TOTAL CURRENT ASSETS		20,468,294	43,803,029	6,204,696
NON CURRENT ASSETS				
Property, plant and equipment	8	1,242,936	1,527,270	1,082,871
Exploration and evaluation expenditure	9	87,519,929	52,050,105	30,126,808
TOTAL NON CURRENT ASSETS		88,762,865	53,577,375	31,209,679
TOTAL ASSETS		109,231,159	97,380,404	37,414,375
CURRENT LIABILITIES				
Trade and other payables	10	4,524,374	5,667,560	3,216,900
TOTAL CURRENT LIABILITIES		4,524,374	5,667,560	3,216,900
TOTAL LIABILITIES		4,524,374	5,667,560	3,216,900
NET ASSETS		104,706,785	91,712,844	34,197,475
EQUITY				
Contributed equity	11	137,520,208	117,456,024	59,684,014
Reserves	12	22,390,645	18,785,334	12,004,885
Accumulated losses		(55,205,477)	(44,533,659)	(37,492,985)
Equity attributable to owners of the Company		104,705,376	91,707,699	34,195,914
Non-controlling interests		1,409	5,145	1,561
TOTAL EQUITY		104,706,785	91,712,844	34,197,475

The accompanying notes form part of these financial statements.

[1] With effect from 1 January 2012, the directors of Elemental Minerals Limited determined that the functional currency of the company is US Dollars. Consistent with the changes in functional currency, Elemental Minerals Limited has elected to change presentation currency from Australian Dollars to US Dollars. Refer to Note 1 (c) for further details.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	Contributed equity	Accumulated losses	Option reserve	Foreign currency translation reserve	Non-controlling interest	TOTAL EQUITY
	USD$	USD$	USD$	USD$	USD$	USD$
Balance at 1 July 2011 (restated[1])	59,684,014	(37,492,985)	9,319,602	2,685,283	1,561	34,197,475
Loss for the year	-	(7,040,675)	-	-	-	(7,040,675)
Other comprehensive loss for the year	-	-	-	(49,822)	3,584	(46,238)
Total comprehensive loss for the year	-	(7,040,675)	-	(49,822)	3,584	(7,086,913)
Share issue (net)	57,772,010	-	-	-	-	57,772,010
Share based payments	-	-	6,830,271	-	-	6,830,271
Balance at 31 December 2011 (restated[1])	117,456,024	(44,533,659)	16,149,873	2,635,461	5,145	91,712,844
Loss for the period	-	(10,671,818)	-	-	-	(10,671,818)
Other comprehensive income for the period	-	-	-	(3,246,268)	(3,736)	(3,250,004)
Total comprehensive income for the period	-	(10,671,818)	-	(3,246,268)	(3,736)	(13,921,822)
Share issue (net)	20,064,184	-	-	-	-	20,064,184
Share based payments	-	-	6,851,579	-	-	6,851,579
Non-controlling interest in subsidiary	-	-	-	-	-	-
Balance at 31 December 2012	137,520,208	(55,205,477)	23,001,452	(610,807)	1,409	104,706,785

The accompanying notes form part of these financial statements.

[1] With effect from 1 January 2012, the directors of Elemental Minerals Limited determined that the functional currency of the company is US Dollars. Consistent with the changes in functional currency, Elemental Minerals Limited has elected to change presentation currency for Australian Dollars to US Dollars. Refer to Note 1 (c) for further details.

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTE	12 Months Dec 2012 USD$	Restated[1] 6 Months Dec 2011 USD$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers		(4,048,235)	(1,596,139)
Interest received		501,836	842,521
Net cash used in operating activities	14	(3,546,399)	(753,618)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration activities		(36,394,731)	(19,235,919)
Payments for property, plant and equipment		4,880	(837,439)
Net cash used in investing activities		(36,394,731)	(20,073,357)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		21,214,795	64,040,737
Cost of capital raising		(890,698)	(6,268,725)
Proceeds from unallotted listed options			
Net cash provided by financing activities		20,324,097	57,772,012
Net (decrease)/increase in cash and cash equivalents held		(19,612,153)	36,945,037
Cash and cash equivalents at beginning of financial year		42,682,537	6,079,414
Foreign currency differences		(2,731,303)	(341,914)
Cash and cash equivalents at end of financial year	5	20,339,081	42,682,537

The accompanying notes form part of these financial statements.

[1] With effect from 1 January 2012, the directors of Elemental Minerals Limited determined that the functional currency of the company is US Dollars. Consistent with the changes in functional currency, Elemental Minerals Limited has elected to change presentation currency for Australian Dollars to US Dollars. Refer to Note 1 (c) for further details.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Elemental Minerals Limited is a public company incorporated and domiciled in Australia and dual listed on the Australian Securities Exchange and the Toronto Stock Exchange. The consolidated financial statements of the company as at and for the year ended 31 December 2012 comprise the company and its subsidiaries (together referred to as the 'Group'). The Group is involved in mining and exploration activity in central Africa.

The Company has amended the closing date of its financial year from 30 June to 31 December in the previous reporting period. This report represents the twelve month period ended 31 December 2012. Consequently, the Financial Statements for the current financial period represent the twelve month movement through to the end of 31 December 2012, whilst the prior year comparative financial data represents the six month movement through to the end of 31 December 2011.

Basis of preparation

(a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 28 March 2013.

(b) Basis of measurement

The financial report has also been prepared on a historical cost basis, which have been measured at fair value. Cost is based on the fair value of the considerations given in exchange for assets.

(c) Functional and presentation currency

An entity's functional currency is the currency of the primary economic environment in which the entity operates.

Elemental Minerals Limited has experienced a period of sustained growth in US dollar expense streams. During the period, Elemental's cash is mostly kept in US dollar. The Group is currently completing its pre-feasibility study and it is prepared in US dollars. In addition, the world trade on Potash is in US dollar. Consequently, the directors have determined that the functional currency of the company is US dollars. The change in functional currency has been applied prospectively with effect from 1 January 2012 in accordance with the requirements of the Accounting Standards.

Following the change in functional currency, Elemental Minerals Limited has elected to change its presentation currency from Australian dollars to US dollars. The directors believe that changing the presentation currency to US dollars will enhance comparability with its industry peer group, the majority of which report in US dollars. The change in presentation currency represents a voluntary change in accounting policy, which has been applied retrospectively.

To give effect to the change in functional currency, the assets and liabilities of Elemental Minerals Limited at 31 December 2011 and 30 June 2011 were converted into US dollars at spot exchange rate on 1 January 2012 and the contributed equity, reserves and retained earnings were converted at applicable historical rates. In order to derive US dollar comparatives (presentation currency), the Australian dollar functional currency assets and liabilities at 31 December 2011 and 30 June 2011 were converted at the spot rate on the reporting date; revenue and expenses for the year ended 31 December 2011 were converted at the average exchange rate for the reporting period, or at the exchange rates ruling at the date of the transaction to the extent practicable, and equity balances were converted at applicable historical rates.

The above stated procedures resulted in a foreign currency translation reserve of US$2.6-million on 1 January 2012.

Earnings per share for 2011 have also been restated in US dollars to reflect the change in the presentation currency.

Translation of the financial results of foreign operations for the comparative period

Prior to 1 January 2012, Elemental Minerals Limited had a functional currency of Australian dollars as a result of the economic environment in which they were operating. For the 2011 comparative balances, assets and liabilities have been translated into the presentation currency of the Group (US dollars) at the rate of exchange ruling at the reporting date. The income statements were translated at the average exchange rates for the reporting period, or at the exchange rates ruling at the date of transactions. Exchange differences arising on translation were taken to the foreign currency translation reserve in equity.

On disposal of a foreign operation, the proportionate share of exchange differences recognised in the foreign currency translation reserve relating to that particular foreign operation is recognised in the income statement.

(d) Basis of consolidation

Subsidiaries are entities controlled by the Group. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent ounting policies. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated Statement of Comprehensive Income and within equity in the consolidated Statement of Financial Position.

In the company's financial statements, investments in subsidiaries are carried at cost. A list of controlled entities is contained in Note 7 to the financial statements.

(e) Income tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled.

Deferred tax is credited in the profit or loss in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(f) Property, Plant and Equipment

Property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their estimated useful lives to the Group, commencing from the time the asset is held ready for use.

The depreciation rates used for the plant and equipment is in the range of 20% to 40%. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit or loss in the Statement of Comprehensive Income.

When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(g) Impairment of assets

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Group financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised either in the profit or loss in the Statement of Comprehensive Income or revaluation reserves in the period in which the impairment arises.

(i) Exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount at the reporting date.

Exploration and evaluation assets are tested for impairment in respect of cash generating units, which are no larger than the area of interest to which the assets relate.

(ii) Non-financial assets other than exploration and evaluation assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss in the Statement of Comprehensive Income. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exits. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

(h) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Interest income is recognised as it accrues.

(i) Trade and other receivables

All trade receivables are recognised when invoiced as they are due for settlement in the short term.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exits.

(j) Trade and other payables

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Cash and cash equivalents

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which is readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(l) Financial Instruments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Purchases and sales of investments are recognised on trade-date being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit or loss in the Statement of Comprehensive Income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale investments revaluation reserve are recognised in equity in the "available for sale revaluation reserve". When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Statement of Comprehensive Income as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis and option pricing methods refined to reflect the issuer's specific circumstances.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss, is removed from equity and recognised in the Statement of Comprehensive Income. Impairment losses recognised in the Statement of Comprehensive Income on equity instruments are not reversed through the Statement of Comprehensive Income.

(iv) Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the profit or loss in the statement of comprehensive income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income. The Group has nominated not to apply the hedge accounting principles.

(m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flow on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Capitalisation of exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

b) exploration and evaluation activities in the

area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining or petroleum permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(p) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

(q) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

(r) Employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Superannuation

Contributions are made by the company to superannuation funds as stipulated by statutory requirements and are charged as expenses when incurred.

(iii) Employee benefit on costs

Employee benefit on costs, including payroll tax, are recognised and included in employee benefits liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(iv) Options

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date.

The fair value at grant rate is independently determined using the Binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Upon the exercise of options, the balance of the share-based payments relating to those options is transferred to share capital.

(s) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(u) Critical accounting estimates and judgements

(i) Significant accounting judgements include:

Exploration and evaluation costs

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active Group operations in or relating to the area of interest are continuing.

(ii) Significant accounting estimates and assumptions include:

Share-based payment transactions

The Group measures the cost of equity-settled transactions with management personnel and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Binomial option pricing model, with the assumptions detailed in note 23. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period, but may impact expenses and equity.

The Group measures the cost of cash-settled, share-based payments at fair value at the grant date using the Binomial option pricing formula, taking into account the terms and conditions under which the instruments were granted.

Impairment of exploration and evaluation assets and investments in and loans to subsidiaries

The ultimate recoupment of the value of exploration and evaluation assets, the company's investment in subsidiaries, and loans to subsidiaries is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation assets.

Impairment tests are carried out on a regular basis to identify whether the asset-carrying values exceed their recoverable amounts. There is Group estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of judgement and estimation include:

- Recent exploration and evaluation results and resource estimates
- Environmental issues that may impact on the underlying tenements
- Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities

Income tax expenses

Judgement is required in assessing whether deferred tax assets and liabilities are recognised on the Statement of Financial Position. Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and turnover policies (for motor vehicles). In addition, the condition of assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation policy is included in note 1(f).

(v) Foreign currency transactions and balances

The functional and presentation currency of the Company is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All differences in the consolidated financial report are taken to the Statement of Comprehensive Income with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of a net investment, at which time they are recognised in the profit or loss in the Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date the fair value was determined.

The functional currency of the overseas subsidiary is CFA Franc BEAC (XAF).

As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the reporting currency of the company at the rate of exchange ruling at the reporting date and the profit or loss in the Statement of Comprehensive Income are translated at the weighted average exchange rates for the period.

The exchange differences on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity is recognised in the profit or loss in the Statement of Comprehensive Income.

(w) Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of directors, which is responsible for allocating resources and assessing performance of the operating segments.

(x) New standards and interpretations not yet adopted

The AASB has issued the following new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards, and has not yet determined the potential impact on the financial statements from the adoption of these standards and interpretations.

Standards and interpretations affecting amounts reported in the current period (and/or prior periods)
The following new and revised standards and interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

Amendments to AASB 7 'Financial Instruments: Disclosure'	The amendments (part of AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project) clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 Further Amendments to Australian Accounting Standards, arising from the Annual Improvements Project) clarify that an entity may choose to present the required analysis of items of other comprehensive income either in statements of changes in equity or in the notes to the financial statements.
AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'	AASB 1054 sets out the Australian-specific disclosures for entities that adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss). AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs. The application of AASB 1054 and AASB 2011-1 in the current year has resulted in the simplification of disclosures in regards to audit fees, franking credits and capital and other expenditure commitments as well as an additional disclosure on whether the Group is a for-profit or not-for-profit entity.
AASB 124 'Related Party Disclosures' (revised December 2009)	AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 has changed the definition of a related party and (b) AASB 124 introduces a partial exemption from the disclosure requirements for government-related entities. The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in AASB 124 (revised December 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous standard. Specifically, associates of the ultimate holding company of the Company are treated as related parties of the Group under the revised standard whilst such entities were not treated as related parties of the Group under the previous standard. The related party disclosures set out in Note 45 to the consolidated financial statements have been changed to reflect the application of the revised standard. Changes have been applied retrospectively.

Standards and interpretations adopted with no effect on financial statements

The following new and revised standards and interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2009-14 'Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement'	Interpretation 114 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 11: how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments to Interpretation 114 has not had material effect on the Group's consolidated financial statements.
AASB 2009-12 'Amendments to Australian Accounting Standards'	The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009). The amendment to ASSB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The standard also makes numerous editorial amendments to a range of Australian accounting standards and interpretations. The application of AASB 2009-12 has not had any material effect on amounts reported in the Group's consolidated financial statements.
AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Group's consolidated financial statements.
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments-Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset. To date, the Group has not entered into any transfer arrangements of financial assets that are derecognised but with some level of continuing exposure in the asset. Therefore, the application of the amendments has not had any material effect on the disclosures made in the consolidated financial statements.

Standards and interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective:

Standard or interpretation	Effective for annual reporting periods beginning on or after:	Expected to be initially applied in the financial year ending:
AASB 9: Financial Instruments', AASB 200911 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2015	31 December 2015
AASB 10 'Consolidated Financial Statements'	1 January 2013	31 December 2013
AASB 11 'Joint Arrangements'	1 January 2013	31 December 2013
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	31 December 2013
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	31 December 2013
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	31 December 2013
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	31 December 2013
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	31 December 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	31 December 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	31 December 2013
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	31 December 2013
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'	1 January 2013	31 December 2014
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – AASB 2012-3	1 January 2014	31 December 2015
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – AASB 2012-2	1 January 2013	31 December 2014

At the date of authorisation of the financial statements, the following IASB Standards and IFRS Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard or interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	31 December 2015
Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013	31 December 2014
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	31 December 2016

	12 Months Dec 2012 USD$	Restated[1] 6 Months Dec 2011 USD$
NOTE 2: OTHER INCOME		
Interest	463,278	878,211
Total income	463,278	878,211
NOTE 3: LOSS FOR THE YEAR		
Expenses		
Individually significant items included in loss		
- Equity-based payments – directors and key management personnel	6,851,579	5,318,542
	6,851,579	5,318,542
NOTE 4: INCOME TAX EXPENSE		
The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-

The prima facie income tax expense/(benefit) on pre-tax accounting profit/(loss) from operations reconciles to the income tax expense/(benefit) in the financial statements as follows:

	12 Months Dec 2012 USD$	Restated[1] 6 Months Dec 2011 USD$
Prima facie income tax expense/(benefit) at 30% (2011: 30%)	(3,201,545)	(2,112,203)
Add:		
Tax effect of:		
Provisions and accruals		195,211
Other non-allowable items	2,055,474	1,596,441
Revenue losses not brought to account	1,351,814	335,363
	3,407,288	2,127,015
Less:		
Tax effect of:		
Capital raising costs	29,625	14,812
Provisions and accruals	176,118	
	205,743	14,812
Income tax expense/(benefit)	-	-

	12 Months Dec 2012 USD$	Restated[1] 6 Months Dec 2011 USD$
The following deferred tax balances have not been recognised:		
Deferred tax assets at 30%:		
Carry forward revenue losses	2,953,342	1,601,528
Carry forward capital losses	108,319	111,801
Capital raising costs	44,437	74,062
Provision and accruals	16,010	12,386
	3,122,109	1,799,777

The tax benefits of the above deferred tax assets will only be obtained if:

a) The company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised
b) The company continues to comply with the conditions for deductibility imposed by law; and
c) No changes in income tax legislation adversely affect the company in utilising the benefits.

Deferred tax liabilities at 30%:		
Accrued interest	-	11,735
	-	11,735

The above deferred tax liabilities have not been recognised as they have given rise to the carry forward of revenue losses for which the deferred tax asset has not been recognised.

	Dec 2012 USD$	Restated[1] Dec 2011 USD$	Restated[1] June 2011 USD$
NOTE 5: CASH AND CASH EQUIVALENTS			
Cash at bank	20,339,081	42,682,537	6,079,414
	20,339,081	42,682,537	6,079,414
NOTE 6: TRADE AND OTHER RECEIVABLES			
Current			
Other debtors	-	134,502	48,055
GST recoverable	49,214	20,990	77,228
Prepayments	79,999	965,000	-
	129,213	1,120,492	125,283

Trade and other receivables are settled within 30 days.

NOTE 7: CONTROLLED ENTITIES

Controlled entities consolidated	Country of Incorporation	Percentage owned 31 Dec 2012 %	Investment 31 Dec 2012 USD$	Percentage owned 31 Dec 2011 %	Investment Restated[1] 31 Dec 2011 USD$
Subsidiaries					
Sirocco Resources Limited*	Australia	-	-	100	2
Sintoukola Potash S.A.	Republic of Congo	93	7,734,000	93	7,868,881

*Sirocco Resources Limited was de-registered on the 13 October 2012.

	Dec 2012 USD$	Restated[1] Dec 2011 USD$	Restated[1] June 2011 USD$
NOTE 8: PROPERTY, PLANT AND EQUIPMENT			
Plant and equipment – at cost	1,816,575	1,872,692	1,090,443
Less accumulated depreciation	(573,639)	(345,422)	(7,572)
	1,242,936	**1,527,270**	**1,082,871**
Reconciliation:			
Opening balance	1,527,270	1,082,871	188,674
Additions (net of exchange differences)	-	787,422	896,602
Depreciation capitalised under exploration and evaluation	(281,960)	(341,011)	-
Depreciation	(2,374)	(2,010)	(2,405)
Closing balance at period end	**1,242,936**	**1,527,270**	**1,082,871**
NOTE 9: EXPLORATION AND EVALUATION EXPENDITURE			
Opening balance	52,050,105	30,126,808	10,875,900
Exploration and evaluation expenditure capitalised during the year (net of exchange differences)	35,469,824	21,923,297	19,255,860
Exploration expenditure written off	-	-	(4,952)
Closing balance at period end	87,519,929	**52,050,105**	**30,126,808**
NOTE 10: TRADE AND OTHER PAYABLES			
Trade and other creditors and accruals	4,524,373	5,667,560	3,216,900
	4,524,373	**5,667,560**	**3,216,900**

Trade and other creditors are non-interest bearing and are normally settled on 30 day terms.

	Dec 2012 USD$	Restated[1] Dec 2011 USD$	Restated[1] June 2011 USD$
NOTE 11: ISSUED CAPITAL			
288,587,228 Fully-paid ordinary shares (31 December 2011: 228,787,236) (30 June 2011: 171,466,851)	137,520,208	117,156,721	59,384,711
Listed options exercisable at AUD$0.20 expiring 31 Jan 2012 (31 December 2011: 12,332,117) (30 June 2011: 20,712,002)	-	299,303	299,303
Issued capital	137,520,208	117,456,024	59,684,014

(a) Movements in fully paid ordinary shares

	Number	USD$
On issue at 1 July 2011	171,466,851	59,384,711
Exercise of options at AUD$0.20 each during fiscal 2011	8,379,885	1,717,976
Exercise of options at AUD$0.46 each during fiscal 2011	100,000	43,599
Share placement at CAD$1.26 each August 2011	48,840,500	62,279,162
Less capital raising costs	-	(6,268,727)
On issue at 31 December 2011	228,787,236	117,156,721
Exercise of options at AUD$0.20 each during fiscal 2012	14,827,044	3,066,756
Share purchase plan at AUD$0.385 each during fiscal 2012	8,430,806	3,418,639
Share placement at AUD$0.385 each November 2012	36,542,142	14,729,400
Less capital raising costs	-	(1,150,611)
Conversion of listed options	-	299,303
On issue at 31 December 2012	288,587,228	137,520,208
(b) Movements in listed options		
On issue at 1 July 2011	20,712,002	299,303
Exercise of listed options	(8,379,885)	-
On issue at 31 December 2011	12,332,117	299,303
Exercise of listed options AUD$0.20 each	(12,327,044)	(299,303)
Lapsing of listed options AUD$0.20 each	(5,073)	-
On issue at 31 December 2012	-	-

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the process on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have on vote.

Options

The option holders do not hold any voting rights or to participate in dividends unless the options were converted to fully paid ordinary shares.

(a) Movements in options

31 December 2012					
Exercise period	Exercise price AUD$	Balance 1 Jan 2012	Options issued	Options exercised/ lapsed	Balance 31 Dec 2012
		Number	*Number*	*Number*	*Number*
On or before 31 January 2012	$0.20	12,332,117	-	(12,332,117)	-
On or before 31 January 2012	$0.20	2,500,000	-	(2,500,000)	-
On or before 20 December 2012	$0.46	200,000	-	(200,000)	-
On or before 19 February 2015	$1.07	4,500,000	-	-	4,500,000
On or before 19 May 2015	$1.07	5,250,000	-	(800,000)	4,450,000
On or before 16 August 2013	CAD$1.26	1,953,620	-	-	1,953,620
On or before 9 January 2016	$1.09	-	500,000	-	500,000
On or before 13 February 2016	$1.29	-	300,000	-	300,000
On or before 23 April 2016	$1.12	-	250,000	-	250,000
On or before 1 April 2016	$1.18	-	500,000	-	500,000
		26,735,737	1,550,000	(15,832,117)	12,453,620

31 December 2011					
Exercise period	Exercise price AUD$	Balance 1 July 2011	Options issued	Options exercised/ lapsed	Balance 31 Dec 2011
		Number	*Number*	*Number*	*Number*
On or before 31 January 2012	$0.20	20,712,002	-	(8,379,885)	12,332,117
On or before 31 January 2012	$0.20	2,500,000	-	-	2,500,000
On or before 20 December 2012	$0.46	300,000	-	(100,000)	200,000
On or before 19 February 2015	$1.07	4,500,000	-	-	4,500,000
On or before 19 May 2015	$1.07	5,250,000	-	-	5,250,000
On or before 16 August 2013	CAD$1.26	-	1,953,620	-	1,953,620
		33,262,002	1,953,620	(8,400,000)	26,735,737

Capital management

The directors' primary objective is to maintain a capital structure that ensures the lowest cost of capital to the Group. At reporting date the Group has no external borrowings. The Group is not subject to any externally imposed capital requirements.

	Dec 2012 USD$	Restated[1] Dec 2011 USD$	Restated[1] June 2011 USD$
NOTE 12: RESERVES			
a) Option reserve			
Movements during the period			
Opening balance	16,149,873	9,319,602	7,217,382
Fair value of options issued (i)	6,851,579	6,830,271	2,102,215
Closing balance	23,001,452	16,149,873	9,319,602

(i) For parameters used in the valuation of these options see Note 21.

	Dec 2012 USD$	Restated[1] Dec 2011 USD$	Restated[1] June 2011 USD$
b) Foreign currency translation reserve			
Movements during the period			
Opening balance	2,635,461	2,685,283	1,828,578
Currency translation differences arising during the year	(3,246,268)	(49,822)	856,705
Closing balance	(610,807)	2,635,461	2,685,283
Total reserves	22,390,645	18,785,334	12,004,885

Option premium reserve:

The option premium reserve is used to accumulate proceeds received from the issuing of options and accumulate the value of options issued in consideration for services rendered and to record the fair value of options issued but not exercised. The reserve is transferred to accumulated losses upon expiry or recognised as share capital if exercised.

Foreign currency translation reserve

The foreign currency translation reserve is used to record currency differences arising from the translation of the financial statements of the foreign subsidiary.

NOTE 13: DIVIDENDS

No dividends have been proposed or paid during the year.

	Dec 2012 USD$	Restated[1] Dec 2011 USD$
NOTE 14: NOTES TO STATEMENT OF CASH FLOWS		
Reconciliation of cash flows from operating activities:		
Loss for the year	(10,671,818)	(7,090,497)
Adjustments for:		
Equity compensation benefits	6,851,579	5,318,542
Net realised foreign exchange losses	114,194	363,969
Depreciation	2,374	2,010
Operating loss before changes in working capital		
Decrease/(increase) in receivables	38,558	(35,183)
Increase/(decrease) in payables	118,714	687,541
Net cash used in operating activities	(3,546,399)	(753,618)

NOTE 15: FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Overview
The Group has exposure to the following risks from their use of financial instruments:

- market risk,
- credit risk, and
- liquidity risk

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the business. The Group will use different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

(a) Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Foreign currency risk
The Group undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

As a result of the operating activities in Congo and the ongoing funding of overseas operations from Australia and/or Canada, the Group's balance sheet can be affected by movements in the Congolese dollar (CFA)/Australian Dollar (AUD) and US Dollar (USD)/Australian Dollar (AUD) exchange rates. The Group seeks to mitigate the effect of its foreign currency exposure by timing its purchase and payment to coincide with highs in the CFA/AUD and USD/AUD exchange rate cycle.

95% of the Group's transactions are denominated in USD, with the majority of costs relating to drilling costs also denominated in the unit's functional currency.

Presently, each operating entity's profits and surplus cash flows are reinvested back into the operating entity to fund and facilitate ongoing growth, thus eliminating the need for measures to mitigate currency exposure.

(ii) Interest rate risk

The Group is exposed to movements in market interest rates on short term deposits.

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

	Weighted average effective interest rate		Floating interest rate		Non interest-bearing	
	Dec 2012 %	Dec 2011 %	Dec 2012 USD$	Dec 2011 USD$	Dec 2012 USD$	Dec 2011 USD$
FINANCIAL ASSETS						
Cash at bank	4.5	5.6	20,339,081	42,682,537	-	-
Receivables	-	-	-	-	129,213	1,120,492
Total financial assets			20,339,081	42,682,537	129,213	1,120,492
FINANCIAL LIABILITIES						
Non-derivative						
Payables			-	-	4,524,373	5,667,560
Total financial liabilities			-	-	4,524,373	5,667,560

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity or profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed the same basis for the consolidated entity for 2011.

	Profit or loss		Equity	
	100bp Increase USD$	100bp Decrease USD$	100bp Increase USD$	100bp Decrease USD$
31 December 2012				
Variable rate instrument	203,391	(203,391)	-	-
31 December 2011				
Variable rate instrument	426,825	(426,825)	-	-

Financial assets

Trade receivables from other entities are carried at cost less any allowance for doubtful debts. Other receivables are carried at cost. Interest is recorded as income on an accruals basis.

Financial liabilities

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the group.

Net fair value of financial assets and liabilities

The carrying amount of financial assets and liabilities at 31 December 2012 is equivalent to the fair value.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and investment deposits. The Group has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk.

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The management does not expect any counterparty to fail to meet its obligations.

(c) Liquidity and capital risk

The Group's total capital is defined as the shareholders' net equity plus any net debt. The objectives when managing the Group's capital is to safeguard the business as a going concern, to maximise returns to shareholders and to maintain an optimal capital structure in order to reduce the cost of capital.

The Group does not have a target debt/equity ratio, but has a policy of maintaining a flexible financing structure so as to be able to take advantage of investment opportunities when they arise. There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

The table below analyses the Group's financial liabilities into maturity groupings based on the remaining period from the balance date to the contractual maturity date.

31 Dec 2012	Within one year USD$	Between one and five years USD$	After five years USD$
Non-derivatives			
Non-interest bearing			
Trade and other payables	4,524,373	-	-
Total financial liabilities	4,524,373	-	-

31 Dec 2011	Within one year USD$	Between one and five years USD$	After five years USD$
Non-derivatives			
Non-interest bearing			
Trade and other payables	5,667,560	-	-
Total financial liabilities	5,667,560	-	-

Liquidity risk is the risk that the Group will be unable to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk through maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

If the company anticipates a need to raise additional capital in the next six (6) months to meet forecasted operational activities, then the decision on how the company will raise future capital will depend on market conditions existing at that time.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(d) Fair value of financial instruments

The following tables detail the Group's fair value of financial instruments categorised by the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Consolidated	Level 1 $	Level 2 $	Level 3 $	Total $
2011				
Forward exchange contracts	618,375	-	-	618,375
Total liabilities	618,375	-	-	618,375

There were no transfers between levels during the financial year.

2012
Directors consider carrying amounts at financial assets and financial liabilities recognised in the consolidated financial statements, approximate to their fair value.

NOTE 16: SEGMENT INFORMATION

Management has determined that the Company has one reporting segment, being mineral exploration in central Africa.

As the Company is focused on mineral exploration, management make resource allocation decisions by reviewing the working capital balance, comparing cash balances to committed exploration expenditure and reviewing the current results of exploration work performed. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date and capital available to the Company.

NOTE 17: EVENTS SUBSEQUENT TO REPORTING DATE

There are no significant events that have occurred since reporting date requiring separate disclosure.

NOTE 18: COMMITMENTS FOR EXPENDITURE

In order to maintain current rights of tenure to exploration licences, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements.

	Dec 2012 USD$	Dec 2011 USD$	June 2011 USD$
Within one year	-	-	-
Longer than one year, not longer than five (5) years	-	-	-
Longer than five (5) years	-	-	-

The Group has satisfied the minimum exploration expenditure requirements to maintain its rights to tenure in relation to the Sintoukola project. If the Company decides to relinquish certain licences and/or does not meet these obligations, assets recognised in the statement of financial position may require review to determine the appropriateness of the carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

	12 Months Dec 2012 USD$	6 Months Dec 2011 USD$
NOTE 19: AUDITORS' REMUNERATION		
Audit services:		
Deloitte: Year-end audit	52,000	-
Deloitte: Half-year audit	37,898	-
PKF Mack & Co: Year-end audit	-	41,284
Deloitte: Subsidiary auditor	-	46,445
Other professional services:		
PKF Mack & Co	-	72,184
	89,898	**159,913**

NOTE 20: RELATED PARTY TRANSACTIONS

Loans to key management personnel and their related parties

There were no loans outstanding at the reporting date to key management personnel and their related parties.

Other transactions with the company

No director has entered into a material contract (apart from employment) with the company since the incorporation of the company and there were no material contracts involving directors' interests subsisting at year end.

Director and key management personnel-related entities

The company paid USD$103,060 (31 December 2011 (six months): USD$40,026) to Sparkling Investments Pty Ltd for Mr Sam Middlemas director's fees. Mr Sam Middlemas is a director of and has a beneficial interest in Sparkling Investments Pty Ltd.

The company paid USD$108,882 (31 December 2011 (six months): USD$91,595) to Promaco Limited for Mr Ian Stalker director's fees and consultancy fees. Mr Ian Stalker is a director of and has a beneficial interest in Promaco Limited.

GDA Corporate (GDA) has been engaged to provide accounting, administrative and company secretarial services on commercial terms. Total amounts paid to GDA were USD$107,390 during the reporting period (31 December 2011 (6 months): USD $63,718). Mr Graham Anderson is a director of and has a beneficial interest in GDA and Mr Leonard Math is an employee of GDA Corporate.

The Company paid USD$146,315 (31 December 2011 (6 months): Nil) to Corrs Chambers Westgrath for legal services provided. Mr Robert Franklyn is a director and has a beneficial interest in Corrs Chambers Westgrath.

NOTE 21: KEY MANAGEMENT PERSONNEL DISCLOSURES

The following were key management personnel of the company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Robert Samuel Middlemas	Interim Chairman
John (Iain) Macpherson	Managing Director
John Ian Stalker	Non-Executive Director
Michael Barton	Non-Executive Director (appointed 25 April 2012)
Robert Geoffrey Franklyn	Non-Executive Director (appointed 17 July 2012)
John Sanders	Executive Director (resigned 17 December 2012)
Jan Alex Castro	Non-Executive Director (resigned 25 April 2012)

Joint company secretary

Mr Lawrence Davidson	CFO and joint company secretary (appointed 7 August 2012)
Mr Leonard Math	

Mr Graham Anderson resigned as company secretary on 7 August 2012.

Key management personnel compensation

The key management personnel compensation included in **employee and consultant expenses** and **exploration expenditure** is as follows:

	12 Months Dec 2012 USD$	Six Months Dec 2011 USD$
Short-term employee benefits	1,367,774	468,417
Post-employment benefits	2,364	2,646
Equity compensation benefits	2,874,710	2,776,161
	3,347,955	3,247,224

Individual directors and executives compensation disclosures

Information regarding individual directors and executives' compensation and some equity instruments disclosures is provided in the Remuneration Report section of the directors' report. Apart from the details disclosed in this note, no director has entered into a material contract with the company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Shareholdings

The numbers of shares in the company held during the financial year by directors and the key executive, including shares held by entities they control, are set out below.

31 December 2012	Balance at 1 Jan 2012	Received as remuneration	Options exercised	Other movements	Balance at 31 Dec 2012
Directors					
Robert Samuel Middlemas	250,000	-	-	-	250,000
Iain Macpherson	4,000,000	-	-	10,000	4,010,000
John Sanders (i)	3,300,000	-	-	-	3,300,000
John Ian Stalker	1,750,000	-	-	-	1,750,000
Michael Barton (ii)	-	-	-	-	-
Robert Franklyn (iii)	-	-	-	-	-
Jan Castro (iv)	-	-	-	-	-
Executives					
Graham Anderson (v)	100,000	-	-	-	100,000
Lawrence Davidson (vi)	-	-	-	50,000	50,000
Leonard Math	-	-	-	-	-
Werner Swanepoel		-	-	50,000	50,000

(i) Mr Sanders held his shares in the Company at the date of his resignation: 17 December 2012.
(ii) Appointed on 25 April 2012
(iii) Appointed on 17 July 2012
(iv) Resigned on 25 April 2012
(v) Mr Anderson held his shares in the Company at the date of his resignation: 7 August 2012.
(vi) Mr Davidson held his shares in the Company at the date of his appointment: 7 August 2012

31 December 2011	Balance at 1 July 2011	Received as remuneration	Options exercised	Other movements	Balance at 31 Dec 2011
Directors					
Robert Samuel Middlemas	250,000	-	-	-	250,000
Iain Macpherson	4,000,000	-	-	-	4,000,000
John Sanders	3,000,000	-	-	300,000	3,300,000
John Ian Stalker	1,750,000	-	-	-	1,750,000
Jan Castro	-	-	-	-	-
Mark Jones *(Resigned 13 October 2011)*	8,450,000	-	-	-	8,450,000(i)
Executives					
Graham Anderson	100,000	-	-	-	100,000
Leonard Math	-	-	-	-	-

(i) Mr Mark Jones held his shares in the company at the date of his resignation.

Options and rights over equity instruments granted as compensation

The numbers of options over ordinary shares in the company held during the financial year by directors and the key executive, including options held by entities they control, are set out below.

31 December 2012	Balance at 1 Jan 2012	Received as remuneration	Options exercised/ (expired)	Other movements	Balance at 31 Dec 2012	Vested and exercisable at year end
Directors						
Robert Samuel Middlemas	250,000	-	-	-	250,000	-
Iain Macpherson	1,500,000	-	-	-	1,500,000	-
John Sanders (i)	1,500,000	-	-	-	1,500,000	1,500,000
John Ian Stalker	1,250,000	-	-	-	1,250,000	-
Michael Barton (ii)	-	250,000	-	-	250,000	-
Robert Franklyn (iii)	-	-	-	-	-	-
Jan Castro (iv)	-	-	-	-	-	-
Executives						
Graham Anderson (v)	266,667	-	-	-	266,667	266,667
Lawrence Davidson (vi)	-	-	-	1,200,000	1,200,000	400,000
Leonard Math	-	-	-	-	-	-
Werner Swanepoel	-	-	-	1,200,000	1,200,000	400,000

(i) Mr Sanders held his options in the Company at the date of his resignation: 17 December 2012.
(ii) Appointed on 25 April 2012
(iii) Appointed on 17 July 2012
(iv) Resigned on 25 April 2012
(v) Mr Anderson held his options in the Company at the date of his resignation: 7 August 2012
(vi) Mr Davidson held his options in the Company at the date of his appointment: 7 August 2012

31 December 2011	Balance at 1 July 2011	Received as remuneration	Options exercised/ (expired)	Other movements	Balance at 31 Dec 2011	Vested and exercisable at year end
Directors						
Robert Samuel Middlemas	250,000	-	-	-	250,000	-
Iain Macpherson	1,500,000	-	-	-	1,500,000	-
John Sanders	1,500,000	-	-	-	1,500,000	-
John Ian Stalker	1,250,000	-	-	-	1,250,000	-
Jan Castro	-	-	-	-	-	-
Mark Jones *(Resigned 13 October 2011)*	925,000	-	-	-	925,000	925,000
Executives						
Graham Anderson	266,667	-	-	-	266,667	266,667
Leonard Math	-	-	-	-	-	-

All options refer to options over ordinary shares of Elemental Minerals Limited, which are exercisable on a one-for-one basis.

NOTE 22: SHARE-BASED PAYMENTS

Recognised share-based payment expense

The expense recognised for employee and consultant services during the year is shown in the table below:

	Dec 2012 USD$	Dec 2011 USD$
Expense arising from equity-settled share-based payment transactions	6,851,579	5,318,542

The Group granted share options during the financial period ended 31 December 2012 to key management personnel as part of as an incentive for future services and as a reward for past services.

	Share-based payments: options USD$	Share-based payments: shares USD$	TOTAL USD$
31 December 2012			
Key management personnel			
Iain Macpherson	945,608	-	945,608
John Sanders	945,608	-	945,608
John Ian Stalker	788,010	-	788,010
Robert Samuel Middlemas	157,603	-	157,603
Michael Barton	37,881	-	37,881
	2,874,710		**2,874,710**
Other employees	**3,940,869**	**-**	**3,940,869**
Total	**6,851,579**	**-**	**6,851,579**
31 December 2011			
Directors			
Iain Macpherson	896,606	-	896,606
John Sanders	896,606	-	896,606
John Ian Stalker	747,171	-	747,171
Robert Samuel Middlemas	149,435	-	149,435
Jan Alex Castro	37,881		37,881
	2,727,699	**-**	**2,727,699**
Other employees	**2,542,381**	**-**	**2,542,381**
Total	**5,270,080**	**-**	**5,270,080**

Details of options and shares issued to the key management personnel

During the year, 250,000 options exercisable at $1.12 expiring 23 April 2016 were issued to key management personnel following shareholders approval at the Annual General Meeting held on 31 May 2012. The details of the options are produced below.

Options

The options discussed in the previous paragraph have been valued using the binomial option pricing model. The table below shows the fair value of the options and the inputs used in determining the fair value.

Inputs	Tranche 1	Tranche 2	Tranche 3
Grant date	31 May 2012	31 May 2012	31 May 2012
Share price at grant date	A$0.695	A$0.695	A$0.695
Exercise price	A$1.12	A$1.12	A$1.12
Expiry date	23 April 2016	23 April 2016	23 April 2016
Expected volatility	100%	100%	100%
Dividend yield	0%	0%	0%
Risk free rate	2.29%	2.29%	2.29%
Vesting date	23 April 2013	23 April 2014	23 April 2015
Vesting period (years)	0.90	1.90	2.90
Fair value per option calculated based on above inputs	A$0.3569	A$0.3897	A$0.4149
Number of options	83,333	83,333	83,334

During the year, 1,300,000 options were issued to various employees under the Company's Employee Share Option Plan. The details of the options are produced below.

Inputs	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6
Grant date	12/03/2012	12/03/2012	12/03/2012	12/03/2012	12/03/2012	12/03/2012
Share price at grant date	A$1.17	A$1.17	A$1.17	A$1.17	A$1.17	A$1.17
Exercise price	A$1.09	A$1.09	A$1.09	AUD$1.29	AUD$1.29	AUD$1.29
Expiry date	09/01/2016	09/01/2016	09/01/2016	09/01/2016	09/01/2016	09/01/2016
Expected volatility	100%	100%	100%	100%	100%	100%
Dividend yield	0%	0%	0%	0%	0%	0%
Risk free rate	3.63%	3.63%	3.63%	3.63%	3.63%	3.63%
Vesting date	09/01/2013	09/01/2014	09/01/2015	09/01/2013	09/01/2014	09/01/2015
Vesting period (years)	0.83	1.83	2.83	0.83	1.83	2.93
Fair value per option calculated based on above inputs	A$0.6948	A$0.7647	A$0.8086	A$0.6748	A$0.7406	A$0.7847
Number of options	166,666	166,666	166,668	100,000	100,000	100,000

The above options (Tranche 1 to Tranche 6) have been valued using the binomial option pricing model. The table below shows the fair value of the options and the inputs used in determining the fair value.

The below options (Tranche 7 to Tranche 9) have been valued using the Black Scholes pricing model. The table below shows the fair value of the options and the inputs used in determining the fair value.

Inputs	Tranche 7	Tranche 8	Tranche 9
Grant date	30/03/2012	30/03/2012	30/03/2012
Share price at grant date	A$1.175	A$1.175	A$1.175
Exercise price	A$1.18	A$1.18	A$1.18
Expiry date	01/04/2016	01/04/2016	01/04/2016
Expected volatility	100%	100%	100%
Dividend yield	0%	0%	0%
Risk free rate	4.25%	4.25%	4.25%
Vesting date	01/04/2013	01/04/2014	01/04/2016
Fair value per option calculated based on above inputs	A$0.8324	A$0.8324	A$0.8324
Number of options	166,666	166,667	166,667

The following share-based payment arrangements were in existence during the current and prior period:

	Grant date	Vesting date	Number of options	Expiry date	Fair value at grant date AUD$	Exercise price AUD$
Option Series 1	18/05/2011	16/02/2013	1,500,000	16/02/2015	$1.4925	$1.07
Option Series 2	18/05/2011	16/02/2014	1,500,000	16/02/2015	$1.6481	$1.07
Option Series 3	18/05/2011	16/02/2015	1,500,000	16/02/2015	$1.7321	$1.07
Option Series 4	18/05/2011	19/05/2012	1,650,000	19/05/2015	$1.5472	$1.07
Option Series 5	18/05/2011	19/05/2013	1,250,000	19/05/2015	$1.6811	$1.07
Option Series 6	18/05/2011	19/05/2014	1,250,000	19/05/2015	$1.7566	$1.07
Option Series 7	31/05/2012	23/04/2013	83,333	23/04/2016	$0.3569	$1.12
Option Series 8	31/05/2012	23/04/2014	83,333	23/04/2016	$0.3897	$1.12
Option Series 9	31/05/2012	23/04/2015	83,334	23/04/2016	$0.4149	$1.12
Option Series 10	12/03/2012	09/01/2013	166,666	09/01/2016	$0.6948	$1.09
Option Series 11	12/03/2012	09/01/2014	166,666	09/01/2016	$0.7647	$1.09
Option Series 12	12/03/2012	09/01/2015	166,668	09/01/2016	$0.8086	$1.09
Option Series 13	12/03/2012	09/01/2013	100,000	09/01/2016	$0.6748	$1.29
Option Series 14	12/03/2012	09/01/2014	100,000	09/01/2016	$0.7406	$1.29
Option Series 15	12/03/2012	09/01/2015	100,000	09/01/2016	$0.7847	$1.29
Option Series 16	30/03/2012	01/04/2013	166,666	01/04/2016	$0.8324	$1.18
Option Series 17	30/03/2012	01/04/2014	166,667	01/04/2016	$0.8324	$1.18
Option Series 18	30/03/2012	01/04/2015	166,667	01/04/2016	$0.8324	$1.18

Movement in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year:

Exercise period	Exercise price AUD$	Balance 1 Jan 2012	Options issued	Options exercised/ lapsed	Balance 31 Dec 2012
		Number	*Number*	*Number*	*Number*
On or before 31 January 2012	$0.20	12,332,117	-	(12,332,117)	-
On or before 31 January 2012	$0.20	2,500,000	-	(2,500,000)	-
On or before 20 December 2012	$0.46	200,000	-	(200,000)	-
On or before 19 February 2015	$1.07	4,500,000	-	-	4,500,000
On or before 19 May 2015	$1.07	5,250,000	-	(800,000)	4,450,000
On or before 16 August 2013	CAD$1.26	1,953,620	-	-	1,953,620
On or before 9 January 2016	$1.09	-	500,000	-	500,000
On or before 13 February 2016	$1.29	-	300,000	-	300,000
On or before 23 April 2016	$1.12	-	250,000	-	250,000
On or before 1 April 2016	$1.18	-	500,000	-	500,000
		26,735,737	1,550,000	(15,832,117)	12,453,620

Share options exercised during the year

The following share options were exercised during the year:

2012 Option series	Number exercised	Exercise date	Share price at exercise date
On or before 31 January 2012 at $0.20	250,000	06/01/2012	A$1.05
On or before 31 January 2012 at $0.20	5,510,404	19/01/2012	A$1.05
On or before 31 January 2012 at $0.20	2,321,404	27/01/2012	A$1.07
On or before 31 January 2012 at $0.20	445,220	03/02/2012	A$1.07
On or before 31 January 2012 at $0.20	2,500,000	14/12/2012	A$1.04
	11,027,028		

Share options outstanding at the end of the year

Exercise period	Exercise price AUD$	Number of options
On or before 19 February 2015	$1.07	4,500,000
On or before 19 May 2015	$1.07	4,450,000
On or before 16 August 2013	CAD$1.26	1,953,620
On or before 9 January 2016	$1.09	500,000
On or before 13 February 2016	$1.29	300,000
On or before 23 April 2016	$1.12	250,000
On or before 1 April 2016	$1.18	500,000
		12,453,620

Shares

There were no shares issued to directors and employees during the year ended 31 December 2012.

NOTE 23: LOSS PER SHARE

Classification of securities as ordinary shares

The company has only one category of ordinary shares included in basic earnings per share.

Classification of securities as potential ordinary shares – share options outstanding

The company has granted share options in respect of a total of 26,725,377 ordinary shares at 31 December 2011. Options are considered to be potential ordinary shares. However, as the company is in a loss position they are anti-dilutive in nature, as their exercise will not result in a diluted earnings per share that shows an inferior view of earnings performance of the company than is shown by basic earnings per share. The options have not been included in the determination of basic earnings per share.

Earnings reconciliation	31 Dec 2012 USD$	31 Dec 2011 USD$
Profit/(loss) attributable to ordinary shareholders	**(10,671,818)**	**(7,040,675)**
	Number	*Number*
Weighted average number of shares used as the denominator Weighted average number of ordinary shares at period end	246,022,332	209,936,503

NOTE 24: CONTINGENT LIABILITIES AND ASSETS

The Company and its subsidiaries in the Republic of Congo are engaged in on-going discussions with the financial administrations on indirect taxes and other fiscal administrative matters. These discussions may or may not lead to further costs being incurred by the Consolidated Entity.

NOTE 25: COMPANY DETAILS

The registered office and principal place of business of the company is 14 Emerald Terrace, West Perth WA 6005.

NOTE 26: PARENT INFORMATION

	Parent		
	Dec 2012 USD$	Restated[1] Dec 2011 USD$	Restated[1] Jun 2011 USD$
ASSETS			
Current assets	20,012,161	41,574,858	6,009,580
Non-current assets	91,409,387	50,993,289	33,722,881
TOTAL ASSETS	111,421,548	92,568,147	39,732,461
LIABILITIES			
Current liabilities	3,279,327	1,538,179	2,506,542
TOTAL LIABILITIES	3,279,327	1,538,179	2,506,542
NET ASSETS	108,142,221	91,799,058	37,225,919
EQUITY			
Contributed equity	137,520,208	117,456,025	59,684,013
Reserves	25,188,982	18,337,403	14,481,871
Retained earnings	(54,566,969)	(43,994,370)	(36,939,965)
	108,142,221	91,799,058	37,225,919
FINANCIAL PERFORMANCE			
Loss for the year	10,572,599	7,040,675	13,577,252
Other comprehensive income	-	-	-
Total comprehensive income	10,572,599	7,040,675	13,577,252

The Board of Directors of Elemental Minerals Limited is responsible for its corporate governance, that is, the system by which the Group is managed. This statement outlines the main corporate governance practices in place during the financial year, which comply with the ASX Corporate Governance recommendations unless otherwise stated.

1. BOARD OF DIRECTORS

1.1 Role of the Board and Management: ASX Principle 1

The Board represents shareholders' interests in continuing a successful business, which seeks to optimise medium to long term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Group is managed in such a way to best achieve this desired result.

The Board is responsible for evaluating and setting the strategic directions for the Group, establishing goals for management and monitoring the achievement of these goals. The managing director is responsible to the Board for the day-to-day management of the Group.

Responsibilities of the Board include:

- Adopting a strategic plan for the Company, including general and specific goals and comparing actual results with the plan and ensuring that the strategic planning process is conducted on a regular basis
- Identifying risks and ensuring that procedures are in place for the management of those risks
- Selecting the chief executive officer (CEO) and, if necessary, replacing him/her, setting an appropriate remuneration package and ensuring adequate succession
- Adopting clearly defined delegations of authority from the Board to the CEO
- Agreeing performance indicators with management
- Taking all reasonable steps to satisfy itself of the integrity of the CEO and management and satisfy itself that the CEO and management create a culture of integrity throughout the organisation
- Taking steps designed to protect the Company's financial position and its ability to meet its debts and other obligations as they fall due
- Establishing and monitoring policies directed to ensuring that the Company complies with the law and conforms to the highest standards of financial and ethical behaviour
- Adopting an annual budget for the financial performance of the Company and monitoring results on a regular basis
- Determining that the Company has instituted adequate reporting systems and internal controls (both operational and financial) together with appropriate monitoring of compliance activities
- Determining that the Company financial statements are true and fair and are in conformity with Australian Accounting Standards
- Determining that satisfactory arrangements are in place for auditing the Company's financial affairs and that the scope of the external audit is adequate
- Selecting and recommending external auditors to shareholders at general meetings
- Adopting formal processes for the selection of new directors and recommending them for the consideration of shareholders at the general meetings – with adequate information to allow shareholders to make informed decisions
- Succession planning, including appointing, training and supervising management
- Adopting measures for receiving feedback from stakeholders
- Ensure that all corporate disclosure and communications comply with all applicable laws, rules and regulations and the rules and regulations of the stock exchanges upon which the Company's securities are listed
- Reviewing yearly its own processes and effectiveness, including assessing the adequacy of this Charter and the competencies and skills each director is expected to bring to the Board

The Board's role and the Group's corporate governance practices are being continually reviewed and improved as required.

1.2 Composition of the Board: ASX Principle 2

The board has an extensive range of relevant industry experience, financial and other skills and expertise to meet its objectives. The current board composition comprises four non-executive directors (including the interim chairman) and one executive director.

The Company currently has the following Board members:

Name	Position
S Middlemas	Interim Non-Executive Chairman
I Macpherson	Managing Director
I Stalker	Non-Executive Director
M Barton	Non-Executive Director
R Franklyn	Non-Executive Director

Details on each director's background including experience, knowledge and skills and their status as an independent director are set out in the directors' Report. The board considers that the non-executive directors collectively bring the range of skills, knowledge and experience necessary to direct the company.

The Board has assessed the independence status of the directors and has determined that there are four independent directors, namely Mr Middlemas, Mr Barton, Mr Franklyn and Mr Stalker.

The Board has followed the ASX Corporate Governance Principles and Recommendations when assessing the independence of the directors, which define an independent director to be a director who:

- Is non-executive
- Is not a substantial shareholder, in other words, holding greater than five (5) percent of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company
- Has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold such employment
- Within the last three years, has not been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member
- Is not a significant supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a significant supplier or customer
- Has no material contractual relationship with the Company or another Group member other than as a director of the Company
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the Company

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount greater than five (5) percent of either the net assets of the Company or an individual director's net worth is considered material for these purposes.

Based on the current board members, the Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

As the Group's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of directors required for the Board to properly perform its responsibilities and functions will be appointed.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Group's scope of activities, intellectual ability to contribute to the Board's duties and physical ability to undertake the Board's duties and responsibilities.

Directors are initially appointed by the full Board, subject to election by shareholders at the next annual general meeting. Under the Company's Constitution the tenure of directors (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders – not later than the third anniversary following his last appointment.

Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit. Subject to the terms of any agreement entered into, the Board may revoke any appointment.

1.3 Committees of the Board

The board has established three committees to assist in the discharge of its responsibilities. These are:

- Audit and Risk Committee
- Nomination and Remuneration Committee
- Health, Safety and Environmental Committee

The charters of all board committees detailing the roles and duties of each are available in the corporate governance section of Elemental's website. All board committee charters are reviewed at least annually.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters.

As the Group's activities increase in size, scope and nature, the formation of additional separate or special committees will be reviewed by the Board and implemented if appropriate. It is expected that additional committees will be required as the Company makes the transition from explorer to producer.

(a) Audit and Risk Committee: Principle 4 and Principle 7

The Audit and Risk Committee consists of the following non-executive directors:

- Robert Samuel Middlemas (chairman)
- John Ian Stalker
- Michael Barton

The role of the committee is to assist the Board in fulfilling its oversight responsibilities with respect to:

- Financial reporting and disclosure requirements
- Ensuring that an effective risk management and financial control framework has been implemented and tested by management of Elemental
- Assist the board in reviewing the effectiveness of the organisation's internal control environment covering:
    - effectiveness and efficiency of operations
    - reliability of financial reporting
    - compliance with applicable laws and regulations
- Recommend to the board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance
- Consider the independence and competence of the external auditor on an ongoing basis
- Review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence

The Company is committed to maintain a risk management framework that will comply with applicable laws and regulations, including the Standards Australia Risk Management Standard. This framework seeks to:

- Avoid the likelihood of unacceptable outcomes and costly surprises
- Provide greater openness and transparency in decision-making and ongoing management processes
- Provide for a better understanding of issues associated with the Company's activities
- Comprise an effective reporting framework for meeting corporate governance requirements; and
- Allow an appropriate assessment of innovative processes to identify risks before they occur and allow informed judgement.

The Company's board of directors encourages management to foster an open culture of risk awareness and development and monitoring of processes that enhance the management of risk.

(b) Nomination and Remuneration Committee: Principle 8

The Nomination and Remuneration Committee consists of the following directors:

- Robert Franklyn (chairman)
- Robert Samuel Middlemas
- John (Iain) Stalker

The objective of the Nomination and Remuneration Committee is to:

- Review and recommend appropriate remuneration policies which are designed to enhance Elemental Minerals Limited's Board of directors', individual directors' and executive officers' performances
- Maintain a Board that has an appropriate mix of skills and experience to be an effective decision-making body
- Ensure that the Board is comprised of directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance

The role of the Committee is to:

- Review and recommend to the Board remuneration policies and packages and terms of employment contracts for executives and directors
- Review and recommend proposals for share plans and incentive programmes
- Review and recommend policy on retirement and termination payments for directors
- Identify and recommend to the Board candidates to become new Board members after considering the necessary and desirable competencies of new Board members to ensure the appropriate mix of skills and experience and after assessing how the candidates can contribute to the strategic direction of the Company
- Approve and review induction procedures for new appointees of the Board to ensure that they can effectively discharge their responsibilities
- Assess and consider the time required to be committed by non-executive directors, to properly fulfil their duty to the Company and advise the Board
- Consider and recommend to the Board candidates for election or re-election to the Board at each annual shareholders' meeting
- Review directorships in other public companies held by or offered to directors and senior executives of the Company
- Review succession plans for the Board with a view to maintaining an appropriate balance of skills and experience on the Board
- Review any executive compensation disclosure before it is publicly disseminated

In carrying out its role, the Committee is to take cognisance of regulations regarding directors' and executives' appointments and remuneration, particularly the relevant provisions of Australian employment law and the Corporations Act (Australia).

The specific functions of the Committee are to:

- Ensure that remuneration policies and systems that support the Company's wider objectives and strategies are in place and are being adhered to
- Coordinate annual reviews of the Company's remuneration policies and practices to ensure they are:
    - relevant to the Company's wider objectives and strategies;
    - legal and defensible; and
    - in accordance with the human resource objectives of the Company;

- Review the performance of the chief executive officer on an annual basis and ensure there is a process for determining key performance indicators for the ensuing period
- Review executive and non-executive directors' and senior executives' remuneration in accordance with approved Board policies and processes

1.4 Conflicts of interest

In accordance with the Corporations Act and the Company's Constitution, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

1.5 Independent professional advice

The Board has determined that individual directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be unreasonably withheld. If appropriate, any advice so received will be made available to all Board members.

2. ETHICAL STANDARDS

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all directors and employees of the Group.

2.1 Code of conduct for directors: ASX Principle 3

The Board has adopted a **Code of Conduct for Directors** to promote ethical and responsible decision-making by the directors.

The principles of the code are:

- Directors will act honestly, and exercise reasonable care and diligence at all times in the performance of their functions
- A director or former director will not make improper use of information acquired by virtue of position
- A director will not make improper use of position to gain a direct or indirect advantage for self or any other person
- Directors have a fiduciary duty to the Company and a duty to act with loyalty and in good faith
- Directors will acquire a clear understanding of the role and purpose of the Board and the Company, including the statutory and regulatory requirements. They will develop an understanding of the Company's business and the environment in which it operates, and stay informed of all relevant activities affecting the Board. Directors will strive to attend all Board and relevant committee meetings and other scheduled activities. Where attendance is not possible, directors will as appropriate seek leave of absence or tender an apology.
- Directors will treat each other with professionalism, courtesy and respect. They will work cooperatively with fellow members towards agreed goals, whilst accepting the obligation to be independent in judgement and actions. Directors will not attempt to improperly influence other Board members.
- All directors will strive to achieve consensus within the Board, but if the final position reached is a majority decision, that will be the decision of the Board. A dissenting director may have his or her vote and/or a minority view recorded in the minutes.
- Directors who may communicate publicly (through lectures or papers) material related to the Company's affairs will in general convey views agreed by the Board. If material beyond this is made public, it should be clearly identified as the view of the individual. Any views attributed publicly to the Board or the Company should be cleared in advance – preferably with the full Board, but at least with the chairman of the Board
- Directors will comply with all laws and regulations and will actively promote compliance within the Company.
- Directors will encourage the reporting of unlawful/ unethical behaviour and will actively promote such ethical behaviour and protection for those who report violations in good faith

2.2 Code of Ethics and Conduct

The board has approved a Code of Conduct for directors and for employees, which describes the standards of ethical behaviour that directors and employees are required to maintain. The company promotes the open communication of unethical behaviour within the organisation.

Compliance with the Code of Conduct assists Elemental in effectively managing its operating risks and meeting its legal and compliance obligations.—as well as enhancing the company's corporate reputation.

The Code of Conduct describes the company's requirements on matters such as confidentiality, conflicts of interest, use of company information, sound employment practices, compliance with laws and regulations and the protection and safeguarding of company assets.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must report that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

2.3 Dealings with company securities

The Company's **Share Trading Policy** is binding on all directors and employees. The policy provides a brief summary of the law on insider trading and other relevant laws, sets out the restrictions on dealing in securities by people who work for, or are associated with Elemental, and is intended to assist in maintaining market confidence in the integrity of dealings in the company's securities.

The policy stipulates that the only appropriate time for a director or employee to deal in the company's securities is when he or she is not in possession of price sensitive information that is not generally available to the share market. A director wishing to deal in the company's securities may only do so after first having advised the chairman of his or her intention. A senior executive wishing to deal must first notify the company secretary. Confirmation of any dealing must also be given by the director or senior executive within two business days after the dealing.

Directors and senior executives' dealings in the company's securities are also subject to specified **closed periods** which are set out in the company's Share Trading Policy available on the Company's website, or as otherwise determined by the board from time to time.

2.4 Interests of other stakeholders: ASX Principle 6

The Group's objective is to leverage into resource projects to provide a solid base in the future from which the Group can build its resource business and create wealth for shareholders. The Group's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Group to achieve.

To assist in meeting its objective, the Group conducts its business within the Code of Ethics and Conduct, as outlined in 2.2 above.

3. DISCLOSURE INFORMATION

3.1 Continuous Disclosure to ASX: Principle 5

The objectives of the Continuous Disclosure Policy are to ensure that:

- Communications with the public by Elemental Minerals Limited are timely, factual and accurate and broadly disseminated in accordance with all applicable legal and regulatory requirements
- Non-publicly disclosed information remains confidential
- Trading of the Company's securities by directors, officers and employees of the Company and its subsidiaries remains in compliance with applicable securities laws

This policy provides advice to all directors, officers, employees and contractors of Elemental and its controlled subsidiaries of their responsibilities regarding their obligation to preserve the confidentiality of undisclosed material information while ensuring compliance with laws respecting timely, factual, complete and accurate continuous disclosure, price sensitive or material information, tipping and insider trading.

Elemental has obligations under corporate and securities laws and stock exchange rules to keep the market fully informed of information which may have a material effect on the price or value of Elemental's securities and to correct any material misrepresentation, mistake or misinformation in the market.

This policy covers disclosures in documents filed with the securities regulators and stock exchanges and written statements made in Elemental's annual and quarterly reports, news releases, letters to shareholders, presentations by senior management and information contained on Elemental's website and other electronic communications. It extends to oral statements made in meetings and telephone conversations with analysts and investors, interviews with the media as well as speeches, press conferences and conference calls.

Elemental takes continuous disclosure seriously and requires that all its directors, officers, employees and contractors observe and adhere to Elemental's procedures and policies governing compliance with all laws pertaining to continuous disclosure, tipping and insider trading.

If there is misuse of price sensitive or material information not yet disclosed to the market by trading or breach in confidentiality, extremely serious penalties may apply to the individual or individuals involved.

3.2 Communication with shareholders: ASX Principle 6

The Group places considerable importance on effective communications with shareholders.

The Group's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The strategy provides for the use of systems that ensure regular and timely release of information about the Group is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX
- ASX quarterly cash flow reports
- Half-yearly report
- Presentations at the Annual General Meeting and general meetings
- Annual Report

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Group's strategy and goals.

The Group also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

4. RISK MANAGEMENT AND INTERNAL CONTROL

4.1 Approach to risk management and internal control: ASX Principle 7
The Group will maintain a risk management framework that will comply with applicable laws and regulations, including the Standards Australia Risk Management Standard. This risk framework seeks to:

- Avoid the likelihood of unacceptable outcomes and costly surprises
- Provide greater openness and transparency in decision-making and ongoing management processes
- Provide for a better understanding of issues associated with the Company's activities
- Comprise an effective reporting framework for meeting corporate governance requirements
- Allow an appropriate assessment of innovative processes to identify risks before they occur and allow informed judgement

The Company's board of directors encourages management to foster an open culture of risk awareness and development and monitoring of processes that enhance the management of risk.

The Board has established an Audit and Risk Committee to address the Company's risk management. (Refer 1.3 (c)).

4.2 Risk management roles and responsibilities
The objectives of this risk management policy are to ensure a committee is formed to:

- Provide a structured risk management framework that will provide senior management and the Board with comfort that the risks confronting the organisation are identified and effectively managed
- Create an integrated risk management process owned and managed by Company personnel that is both continuous and effective
- Ensure that the management of risk is integrated into the development of strategic and business plans and the achievement of the Company's vision and values
- Ensure the Board is regularly updated with reports by the committee

Management is responsible for efficient and effective risk management across the activities of the Company and its subsidiaries and affiliates. This will include ensuring the implementation of policies and procedures that address risk identification and control, training and reporting.

The managing director will be responsible for ensuring the process for managing risks is integrated within business planning and management activities.

4.3 Integrity of financial reporting: ASX Principle 4
The CEO and CFO provide a formal statement to the Board at the end of each six monthly period, a formal statement (in accordance with section 295A of the Corporations Act) confirming that the company's financial reports present a true and fair view, in all material respects, and that the group's financial condition and operational results have been prepared in accordance with the relevant accounting standards. The statement also confirms the integrity of the company's financial statements and notes to the financial statements, is founded on a sound system of risk management and internal compliance and control which implements the policies approved by the board and that Elemental's risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.

4.4 Role of external auditor: ASX Principle 6
The Company and Audit and Risk Committee policy is to appoint external auditors who demonstrate experience and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

An analysis of fees paid to the external auditor, including a breakdown of fees for non-audit services, is provided in the Company's continuous disclosure documents. It is the policy of the external auditor to provide an annual declaration of their independence to the Audit Committee.

The external auditor will attend the annual general meeting of the shareholders of the Company and be available to answer shareholders' questions about the conduct of the audit and the preparation and content of the audit report.

5. PERFORMANCE REVIEW: ASX PRINCIPLE 8

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees (if any) during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- A review by the Board of the Group's financial performance
- Annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Group
- An analysis of the Group's prospects and projects
- A review of feedback obtained from third parties, including advisors

The Remuneration Report discloses the process for evaluating the performance of senior executives, including the managing director.

The broad remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide executive directors and executives with a remuneration package consisting of fixed components that reflect the person's responsibilities, duties and personal performance.

In addition to the above, the Group has developed a limited equity-based remuneration arrangement for key executives. The remuneration of non-executive directors is determined by the Board as a whole having regard to the level of fees paid to non-executive directors by other companies of similar size in the industry. The aggregate amount payable to the Company's non-executive directors must not exceed the maximum annual amount approved by the Company's shareholders.

Elemental is committed to an inclusive workplace that embraces and promotes diversity, while respecting international, sovereign and Australian laws.

6. DIVERSITY POLICY: ASX PRINCIPLE 3

Elemental recognises the value of a diverse work force and believes that diversity supports all employees reaching their full potential, improves business decisions, business results, increases stakeholder satisfaction and promotes realisation of the company vision.

Diversity may result from a range of factors including but not limited to gender, age, ethnicity and cultural backgrounds. We believe these differences between people add to the collective skills and experience of the organisation, ensuring we benefit by selecting from all available talent.

Company and individual expectations

- Ensure diversity is incorporated into the behaviours and practices of the Company
- Facilitate equal employment opportunities based on job requirements only using recruitment and selection processes which ensures we select from a diverse pool
- Engage professional search and recruitment firms when needed to enhance our selection pool
- Help to build a safe work environment by acting with care and respect at all times, ensuring there is no discrimination, harassment, bullying, victimisation, vilification or exploitation of individuals or groups
- Develop flexible work practices to meet the differing needs of our employees and potential employees
- Attract and retain a skilled and diverse workforce as an employer of choice
- Enhance customer service and market reputation through a workforce that respects and reflects the diversity of our stakeholders and communities that we operate in
- Make a contribution to the economic, social and educational well-being of all of the communities it serves
- Meet the relevant requirements of domestic and international legislation appropriate to Elemental's operations
- Create an inclusive workplace culture
- Establish measurable diversity objectives and monitor and report on the achievement of those objectives annually

It is the responsibility of all directors, officers, employees and contractors to comply with the **Company's Diversity Policy** and report violations or suspected violations in accordance with this policy.

Gender diversity

The board is responsible for establishing and monitoring, on an annual basis, the achievement against gender diversity objectives and strategies, including the representation of women at all levels of the organisation.

The proportion of women within the whole organisation at the date of this report is as follows:

Women employees in the whole organisation: 15.7%
Women in senior executive positions: 1.4%
Women on the board of directors: 0%

The board acknowledges the absence of female participation on the board of directors. However, as noted, the board has determined that the composition of the current board represents the best mix of directors with an appropriate range of qualification and expertise, to understand and competently deal with current and emerging business issues and can effectively review and challenge management performance.

The shareholder information set out below was applicable as at 27 March 2013.

Distribution of equity security holders

Size of holding	Holders	Units	Percentage (%)
1 to 1,000	539	336,766	0.12
1,001 to 5,000	992	2,899,447	1.00
5,001 to 10,000	419	3,377,871	1.17
10,001 to 100,000	685	22,014,277	7.63
100,001 and over	131	259,958,867	90.08
	2,766	288,587,228	100.00

The number of holdings comprising less than a marketable parcel was 726.

Restricted securities

The following shares have been voluntarily restricted:
200,000 until 19 May 2013

Voting rights

The voting rights attaching to ordinary shares are:

- On a show of hands, every member present in person or by proxy shall have one vote, and upon a poll, each share shall have one vote
- Options do not carry any voting rights

On-market buy-back

There is no current on-market buy-back.

Top 20 shareholders as at 27 March 2013	Number of shares	% Held
BNP PARIBAS NOMS PTY LTD <DRP>	49,330,106	17.09
CITICORP NOMINEES PTY LIMITED	43,428,485	15.05
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	33,222,277	11.51
NATIONAL NOMINEES LIMITED	28,583,439	9.90
J P MORGAN NOMINEES AUSTRALIA LIMITED	22,637,135	7.84
CANADIAN CONTROL A/C - ELM	10,477,138	3.63
MRS NANCY-LEE THOMAS <THOMAS FAMILY A/C>	6,000,000	2.08
DOG MEAT PTY LTD <DM A/C>	5,883,164	2.04
MR GARRY THOMAS	5,000,000	1.73
MR JEFFREY MAXWELL JONES <TZM A/C>	3,000,000	1.04
OAKAJEE CORPORATION LTD	2,460,000	0.85
NEFCO NOMINEES PTY LTD	2,208,961	0.77
TANAKA RESOURCES (PROPRIETARY) LTD	1,850,000	0.64
MR GARRY WILLIAM THOMAS + MRS NANCY-LEE THOMAS <THOMAS FAMILY SUPER A/C>	1,695,000	0.59
PERSHING AUSTRALIA NOMINEES PTY LTD <ARGONAUT ACCOUNT>	1,648,595	0.57
LES ESTABLISSEMENTS CONGOLAIS MGM	1,625,000	0.56
JOHN MACPHERSON	1,500,000	0.52
FIDUCS LIMITED	1,500,000	0.52
PICTET & CIE	1,500,000	0.52
MR RICHARD JOHN WATSON	1,499,097	0.52
TOTAL	**225,048,397**	**77.97**

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