

14 February 2020

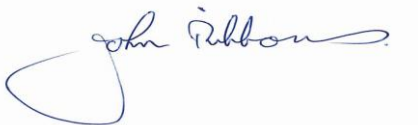
Company Announcements
Australian Securities Exchange
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sirs

Interim Financial Report

I attach a copy of Element 25 Limited's Interim Financial Report for the Half-Year Ended 31 December 2019 for release to the market.

Authorised for lodgement by:



John Ribbons
Company Secretary

Att

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ELEMENT 25 LIMITED

ABN 46 119 711 929

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2019

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2019 and any public announcements made by Element 25 Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

ELEMENT 25 LIMITED

31 DECEMBER 2019

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ELEMENT 25 LIMITED

31 DECEMBER 2019

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity (referred to hereafter as the "Group") consisting of Element 25 Limited ("E25" or "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

Seamus Cornelius

Justin Brown

John Ribbons

REVIEW AND RESULTS OF OPERATIONS

A summary of revenues and loss after tax for the half-year is set out below:

	2019	
	Revenues	Results
	\$	\$
Consolidated entity	2,273,543	(352,757)

During the half-year ended 31 December 2019, the Company continued to progress the Pre-Feasibility Study (PFS) of the Butcherbird High Purity Manganese Project (Project), where the Company intends to produce high purity manganese including manganese sulphate for lithium ion batteries and Electrolytic Manganese Metal.

The Company anticipates providing a robust base case for the commercialisation of the Company's world class manganese resource. The work to date has identified a number of potential modifications to the flowsheet implementation strategy which are expected to have a positive impact on capital and operating costs and the decision was made by the Company to undertake this additional work prior to finalising the PFS. Work continues to complete the PFS as soon as practicable.

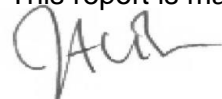
Project financing discussions have continued during the half-year. The Company announced that the Northern Australia Infrastructure Facility (NAIF) determined it would further investigate the potential to provide debt financing for the Project and the NAIF consented to progress the Project to the Due Diligence stage for assessment. A Strategic Assessment Paper has been noted by the NAIF Board and represents the first milestone in the Company's engagement. E25 will submit a formal Investment Proposal for consideration and notes that no decision to offer finance has been made or commitment to provide financial assistance.

In addition, the Company was awarded funding under the seventh round of the Cooperative Research Centres Project (CRC-P) grant program during the half-year. Government funding of \$1,342,223 has been approved for the pilot plant test programme for the Project. The funding is provided by the Department of Industry, Innovation and Science to support the Project's pilot testing programme.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of directors.



Justin Brown

Managing Director

Perth, 14 February 2020

*R*OTHSA Y

Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
Element 25 Ltd
45 Richardson St
West Perth WA 6005

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2019 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Graham Swan FCA (Lead auditor)

Rothsay Auditing

Dated 14 February 2020



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AUSTRALIA • NEW ZEALAND

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ELEMENT 25 LIMITED

31 DECEMBER 2019

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Half-year	
	2019	2018
	\$	\$
REVENUE AND OTHER INCOME		
Interest received	7,230	22,150
Net gain on sale of mining interests	1,120,000	1,000,000
Fair value gains on financial assets	-	12,371
Government grants received	1,105,388	-
Royalties received	40,925	-
EXPENDITURE		
Administration expenses	(251,052)	(248,916)
Depreciation expense	(2,778)	(2,070)
Exploration and pre-feasibility expenditure	(2,002,838)	(1,536,818)
Salaries and employee benefits expense	(125,990)	(236,155)
Secretarial and share registry expenses	(92,015)	(111,082)
Fair value losses on financial assets	(31,227)	-
Share-based payments expense	(120,400)	(145,400)
LOSS BEFORE INCOME TAX	(352,757)	(1,245,920)
Income tax expense	-	-
LOSS FOR THE HALF-YEAR AFTER TAX	(352,757)	(1,245,920)
OTHER COMPREHENSIVE INCOME		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	(7,369)	(10,600)
Other comprehensive income for the period, net of tax	(7,369)	(10,600)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF ELEMENT 25 LIMITED	(360,126)	(1,256,520)
Basic and diluted loss per share (cents)	(0.4)	(1.5)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

ELEMENT 25 LIMITED

31 DECEMBER 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	31 December 2019 \$	30 June 2019 \$
CURRENT ASSETS			
Cash and cash equivalents		2,198,586	2,552,400
Trade and other receivables		221,682	75,573
Financial assets at fair value through profit or loss	3	5,991,257	6,200,565
TOTAL CURRENT ASSETS		8,411,525	8,828,538
NON-CURRENT ASSETS			
Plant and equipment		9,646	12,157
TOTAL NON-CURRENT ASSETS		9,646	12,157
TOTAL ASSETS		8,421,171	8,840,695
CURRENT LIABILITIES			
Trade and other payables		587,740	808,639
Employee benefit obligations		224,140	209,922
TOTAL CURRENT LIABILITIES		811,880	1,018,561
NON-CURRENT LIABILITIES			
Employee benefit obligations		257	249
TOTAL NON-CURRENT LIABILITIES		257	249
TOTAL LIABILITIES		812,137	1,018,810
NET ASSETS		7,609,034	7,821,885
EQUITY			
Issued capital	4	15,868,737	15,841,862
Reserves		3,925,270	3,812,239
Accumulated losses		(12,184,973)	(11,832,216)
TOTAL EQUITY		7,609,034	7,821,885

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

ELEMENT 25 LIMITED

31 DECEMBER 2019

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Contributed Equity	Share-based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2018	14,351,850	3,604,253	(26,023)	(8,198,229)	9,731,851
Loss for the period	-	-	-	(1,245,920)	(1,245,920)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	(10,600)	-	(10,600)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	-	(10,600)	(1,245,920)	(1,256,520)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	100,000	-	-	-	100,000
Employee and consultant share- based payments	-	145,400	-	-	145,400
BALANCE AT 31 DECEMBER 2018	14,451,850	3,749,653	(36,623)	(9,444,149)	8,720,731
BALANCE AT 1 JULY 2019	15,841,862	3,848,693	(36,454)	(11,832,216)	7,821,885
Loss for the period	-	-	-	(352,757)	(352,757)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	(7,369)	-	(7,369)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	-	(7,369)	(352,757)	(360,126)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	26,875	-	-	-	26,875
Employee and consultant share- based payments	-	120,400	-	-	120,400
BALANCE AT 31 DECEMBER 2019	15,868,737	3,969,093	(43,823)	(12,184,973)	7,609,034

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

ELEMENT 25 LIMITED

31 DECEMBER 2019

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Half-year	
	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenditure on mining interests	(2,197,528)	(1,369,345)
Payments to suppliers and employees	(492,968)	(538,700)
Proceeds on sale of mining interests	620,000	1,000,000
Interest received	7,725	21,899
Proceeds from sale of financial assets at fair value through profit or loss	738,081	784,915
Payments for financial assets at fair value through profit or loss	(60,000)	(62,500)
Royalties received	40,925	-
Research and development tax incentive received	615,465	-
Government grant funding received	348,382	-
Net cash outflow from operating activities	(379,918)	(163,731)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Payments)/reimbursement for plant and equipment	(267)	12,409
Net cash (outflow)/inflow from investing activities	(267)	12,409
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of ordinary shares	26,875	100,000
Net cash inflow from financing activities	26,875	100,000
Net decrease in cash and cash equivalents	(353,310)	(51,322)
Cash and cash equivalents at the beginning of the half-year	2,552,400	2,194,663
Effects of exchange rate changes on cash and cash equivalents	(504)	1,006
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	2,198,586	2,144,347

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Element 25 Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period unless otherwise stated.

New and amended standards adopted by the Group

In the half-year ended 31 December 2019, the Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2019.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 16 *Leases*; and
- Interpretation 23 *Uncertainty over Income Tax Treatments*.

AASB 16 Leases

The Group has adopted AASB 16 *Leases* from 1 July 2019 which has resulted in changes in the classification, measurement and recognition of leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (lease payments) and removes the former distinction between 'operating' and 'finance' leases. The exceptions are short-term leases and leases of low value assets.

In applying AASB 16 for the first time, as permitted by the standard, the Group has elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered before the transition date the Group relied on its assessment made applying AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

There was no material impact on adoption of the standard and no adjustment made to current or prior period amounts.

The Company is party to one lease agreement for the office premises for a fixed period of 12 months commencing 1 July 2019. Under AASB 16 this lease is classified as a short-term lease defined as a lease with a lease term of 12 months or less. Payments associated with this short-term lease are recognised on a straight-line basis as an expense in profit or loss.

Impact of standards issued but not yet applied by the Group

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2019. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

Critical accounting estimates and judgements

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. In preparing this half-year financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2019.

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ELEMENT 25 LIMITED

31 DECEMBER 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2: SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group is managed primarily based on geographic location of assets given that the type of work done in each location is of a similar nature. Operating segments are therefore determined on this basis, with two segments being identified: Australia; and France.

The activities undertaken in each segment are those associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in the respective geographic location.

Segment performance is evaluated based on the operating profit and loss and cash flows and is measured in accordance with the Group's accounting policies.

	Australia		Europe		Total	
	Half-year		Half-year		Half-year	
	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$
Segment revenue	2,266,313	1,000,000	-	-	2,266,313	1,000,000
Reconciliation of segment revenue to total revenue:						
Interest revenue					7,230	22,150
Fair value gains on financial assets					-	12,371
Total revenue and other income					2,273,543	1,034,521
Segment results	283,921	(519,712)	(20,447)	(17,106)	263,474	(536,818)
Reconciliation of segment result to net loss before tax:						
Fair value losses on financial assets					(31,227)	-
Other corporate and administration					(585,004)	(709,102)
Net loss before tax					(352,757)	(1,245,920)
	31 Dec 2019	30 June 2019	31 Dec 2019	30 June 2019	31 Dec 2019	30 June 2019
	\$	\$	\$	\$	\$	\$
Segment operating assets	141,540	-	-	-	141,540	-
Reconciliation of segment operating assets to total assets:						
Other corporate and administration assets					8,279,631	8,840,695
Total assets					8,421,171	8,840,695

ELEMENT 25 LIMITED

31 DECEMBER 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2019 \$	30 June 2019 \$
Australian listed equity securities	<u>5,991,257</u>	<u>6,200,565</u>

The market value of all equity investments represents the fair value based on quoted prices on active markets (ASX) as at the reporting date without any deduction for transaction costs. These investments are classified as Level 1 financial instruments. There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of these financial instruments, or changes in its classification as a result of a change in the purpose or use of these assets.

Due to their short-term nature, the carrying amounts of current receivables and current payables is assumed to approximate their fair value.

NOTE 4: EQUITY SECURITIES ISSUED

	2019 Shares	2019 \$	2018 Shares	2018 \$
As at 1 July	91,907,274	15,841,862	83,464,350	14,351,850
Issues of ordinary shares during the half-year				
Issued upon exercise of options at \$0.215 per share	125,000	26,875	-	-
Issued upon exercise of options at \$0.20 per share	-	-	500,000	100,000
As at 31 December	<u>92,032,274</u>	<u>15,868,737</u>	83,964,350	14,451,850

	Number of options	
	2019	2018
As at 1 July	14,750,000	13,850,000
Movement of options during the half-year		
Issued, exercisable at 26.1 cents, on or before 28 November 2023 ⁽¹⁾	-	2,000,000
Issued, exercisable at 27.3 cents, on or before 20 November 2024 ⁽¹⁾	2,000,000	-
Expired on 22 October 2018, exercisable at 32 cents	-	(250,000)
Exercised/expired on 19 November 2018, exercisable at 20 cents	-	(2,000,000)
Expired on 20 November 2018, exercisable at 35 cents	-	(200,000)
Exercised/expired on 18 November 2019, exercisable at 21.5 cents	(2,750,000)	-
Expired on 2 December 2019, exercisable at 22 cents	(200,000)	-
Expired on 2 December 2019, exercisable at 30 cents	(200,000)	-
As at 31 December	<u>13,600,000</u>	<u>13,400,000</u>

ELEMENT 25 LIMITED

31 DECEMBER 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 4: EQUITY SECURITIES ISSUED (continued)

- (1) The weighted average fair value of employee and consultant options granted during the half-year was 6.0 cents (2018: 7.3 cents), for a total value of \$120,400 (2018: \$145,400) included within share-based payments expense. The fair values were calculated by using the Black-Scholes European Option Pricing Model applying the following weighted average inputs:

	2019	2018
Weighted average exercise price (cents)	27.3	26.1
Weighted average life of the option (years)	5.0	5.0
Weighted average underlying share price (cents)	18.5	19.5
Weighted average expected share price volatility	50.0%	50.0%
Weighted average risk free interest rate	0.8%	2.3%

NOTE 5: CONTINGENCIES

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

NOTE 6: SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2019, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

ELEMENT 25 LIMITED

31 DECEMBER 2019

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 5 to 13 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Element 25 Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Justin Brown
Managing Director
Perth, 14 February 2020

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Independent Review Report to the Members of Element 25 Ltd

The financial report and directors' responsibility

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Element 25 Ltd for the half-year ended 31 December 2019.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2019 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Element 25 Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Independence

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of Element 25 Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 31 December 2019 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Rothsay Auditing



Graham Swan FCA
Partner

Dated 14 February 2020

