

# Annual Report 2020

A Year of Transformational Change

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## Letter from the Chairman

Dear Fellow Shareholders,

Thank you once again for your continued interest and support of Element 25 Limited. 2020 has been an extraordinary year in many ways and is not likely to be forgotten. While I don't want to dwell on the challenges we have all faced to one degree or another, I think it is important to acknowledge that many people across the World have suffered and continue to suffer in extremely difficult circumstances.

Fortunately, as shareholders of E25 we can reflect on 2020 and see it as a transformational year for our company. Our Managing Director, Justin Brown and his team have done an outstanding job in difficult circumstances and this is reflected in share price appreciation, market capitalisation and positive profile for the Company.

Justin and his team are well aware that there is more work to be done in order to bring the Butcherbird Project into production on budget, on time and safely. They are focussed on continuing to deliver superior outcomes for shareholders and the wider stakeholder community while maintaining the highest standards for safety, environmental, stewardship and governance.

I am sure all shareholders will join me in thanking Justin and his entire team for their efforts to date and the results they have delivered this year and wish them every success for the next stages of the Butcherbird development.

Yours sincerely

Seamus Cornelius

**Chairman**

**Element 25 Limited**

## 1. The Butcherbird Project

### 1.1. Introduction

Element 25 Limited (E25 or Company) is currently developing the Butcherbird Manganese Project (Project) via a staged development strategy with a low capital cost start up Stage 1 development., exporting manganese lump ore to smelters for use in silicomanganese alloy production.

Significant progress has also been made on delivering a processing solution to undertake downstream processing to produce high purity manganese products including Electrolytic Manganese Metal (EMM) and battery grade manganese sulphate (HPMSM).

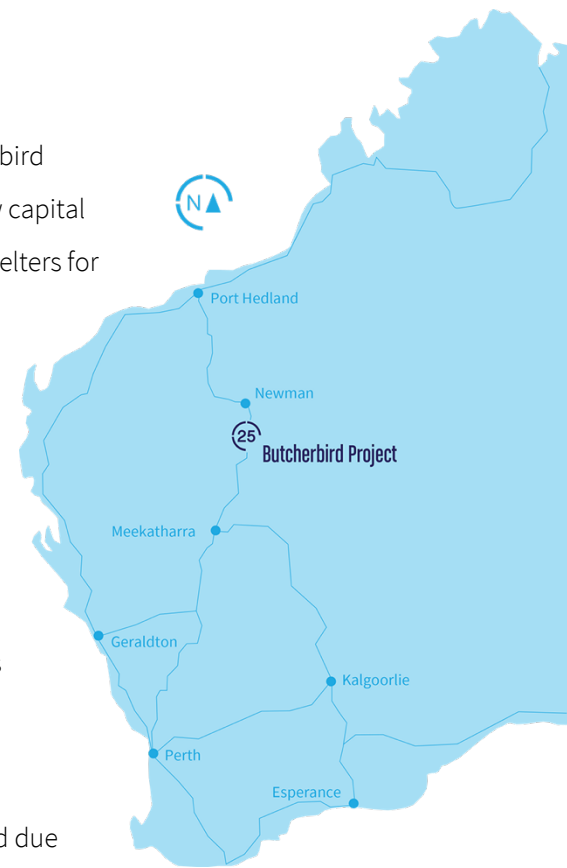
The Project is located 1,050 km north of Perth and 130km south of Newman in the Pilbara region of Western Australia. The Project comprises several defined resource areas, the largest of which is the Yanneri Ridge deposit.

Yanneri Ridge is the planned start up location for first production, selected due to a higher resource grade and its location adjacent to both the Great North Highway and the Goldfields Gas Pipeline (GGP). The Yanneri Ridge mineralisation also has minimal overburden, allowing simple and low-cost free-dig mining, requiring no drill and blast.

The deposit was discovered by E25 and subsequently drilled out, with a mineral resource estimate confirming the very large scale of the deposit as outlined in **Error! Reference source not found.** which details a global mineral resource of 263Mt grading 10% Mn. A Pre-Feasibility Study (PFS) was completed in May 2020 demonstrating compelling economics around a manganese lump ore export business with a very modest capital requirement of A\$14.5M.

### 1.2. Simple Geology

The mineralisation at the Project forms a flat-lying, stratiform ore body. The very simple geology ensures continuity of mineralisation, which simplifies mining. The ore zone starts at surface and is laterally continuous and no selective mining is required. The life of mine strip ratio is estimated at 0.36:1. The ore zone is above the water table and is expected to be a primarily free-dig operation with localised ripping.



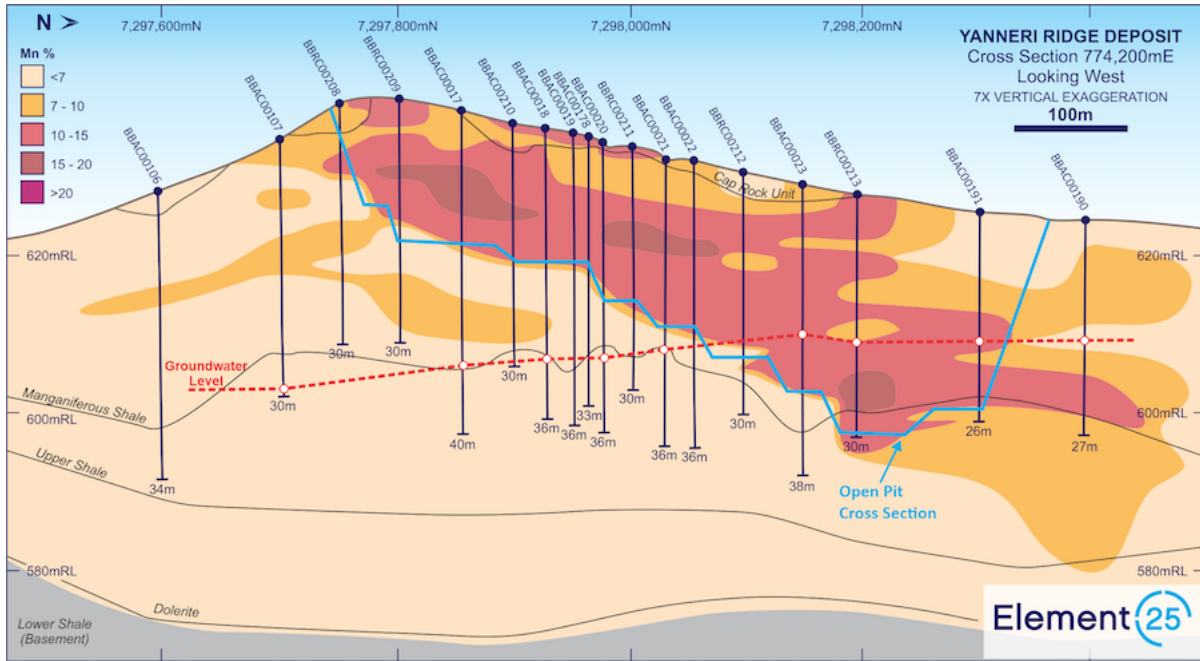


Figure 1: Geological cross section looking west through the Yanneri Ridge manganese deposit.

### 1.3. Manganese Lump Ore Pre-Feasibility Study

#### Highlights:

- Start-up manganese concentrate export scenario has been developed for the Project as part of a staged development strategy.
- Maiden Proved and Probable Ore Reserve of 50.55Mt at 10.3% Mn containing 5.22Mt Mn.
- Pre-tax Net Present Value (8% DCF) (NPV<sub>8</sub>) of Real A\$283M and IRR of Real 223%.
- Low capital requirement of \$14.5M.
- Average annual operating cashflow of \$32.1M for years 1-5.
- Simple payback period 6 months from start of operations.
- Medium grade manganese market is the fastest growing section of the manganese market.
- Base case assumes annual production and sale of 312,000tpa of medium grade lump manganese ore grading 30-35% Mn.

Beneficiation test work completed during the first quarter of calendar 2020 highlighted a compelling opportunity to fast track the development of the Project by implementing a low capital cost start up stage exporting manganese lump ore. The Company subsequently published a PFS and Maiden Reserve for the Project<sup>1</sup>, which confirmed outstanding economics and a low capital requirement. The PFS confirmed the potential for the Project to be Australia’s next significant manganese mine.

<sup>1</sup> Reference: Company ASX releases dated 19 May 2020

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1.3.1. Key outcomes and Assumptions

Table 1: Butcherbird Financial Summary

Measure	Unit	Life of Mine	Years 1-5
Ore Mined	ktpa	1,200	1,200
Manganese Concentrate Produced	ktpa	311	357
Manganese Concentrate Grade	Mn%	33	33
Manganese Price (base) (LOM)	US\$/dmtu 33% Mn FOB Port Hedland	4.87	4.79
Undiscounted Cashflow	A\$M pa	24.4	32.1
Mine Life	Years	42	
NPV <sub>8</sub> Real (pre-tax)	A\$M	283	
IRR <sub>Real</sub> (pre-tax)	%	223	
Operating Cost (AISC)	A\$/dmtu 33% FOB Port Hedland	4.43	4.06
	US\$/dmtu 33% FOB Port Hedland	3.09	2.80
Capital Cost	Project Capital A\$M	12.6	
	Contingency A\$M	1.9	
	Working Capital A\$M	9.3	
	<b>Total capital A\$M</b>	<b>23.8</b>	

Table 2: Financial summary under various manganese price scenarios.

Manganese Price CIF China	U\$/dmtu	4.00	4.76	5.00	6.00
Manganese Price FOB Port Hedland	U\$/dmtu	3.57	4.33	4.57	5.57
Capital Cost (incl. working capital)	A\$M	23.8	23.8	23.8	23.8
All in Sustaining Cost (AISC)					
Years 1-5	U\$/dmtu	2.75	2.80	2.81	2.88
Life of Mine	U\$/dmtu	3.10	3.15	3.16	3.23
Mine Life	Years	42	42	42	42
Project Payback Period	Months	9	6	5	4
NPV <sub>8</sub> Pre-Tax Real	A\$M	148.1	283.0	316.7	485.2
IRR Pre-Tax Real	%	109%	223%	257%	474%
IRR Post-Tax Real	%	83%	163%	186%	330%

Operating costs are summarised below.

Table 3: LOM Operating Costs Summary

Operational Area	A\$/dt Product	A\$/dmtu produced
Site Cost (including mining, processing and administration)	69	2.09
Logistics (including haulage and port charges)	54	1.63
Marketing	3	0.09
Royalties	13	0.39
<b>FOB Cost</b>	<b>139</b>	<b>4.20</b>
Corporate	8	0.25
<b>Total Operating Cost</b>	<b>147</b>	<b>4.45</b>

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Capital costs for the Project are summarised below:

Table 4: Capital Cost Estimate Summary

Project Section	A\$M
Major plant and equipment	5.0
Power Generation	0.4
Water Supply	1.2
TSF & Fresh/Dirty Water Ponds	2.3
Buildings & Infrastructure, Site prep, SMP, Elec	2.6
Project Management, Engineering & Consultants	1.1
<b>Subtotal</b>	<b>12.6</b>
Contingency	1.9
<b>Total Plant &amp; Contingency Capital</b>	<b>14.5</b>
Working capital allowance	9.3
<b>Total Capital</b>	<b>23.8</b>

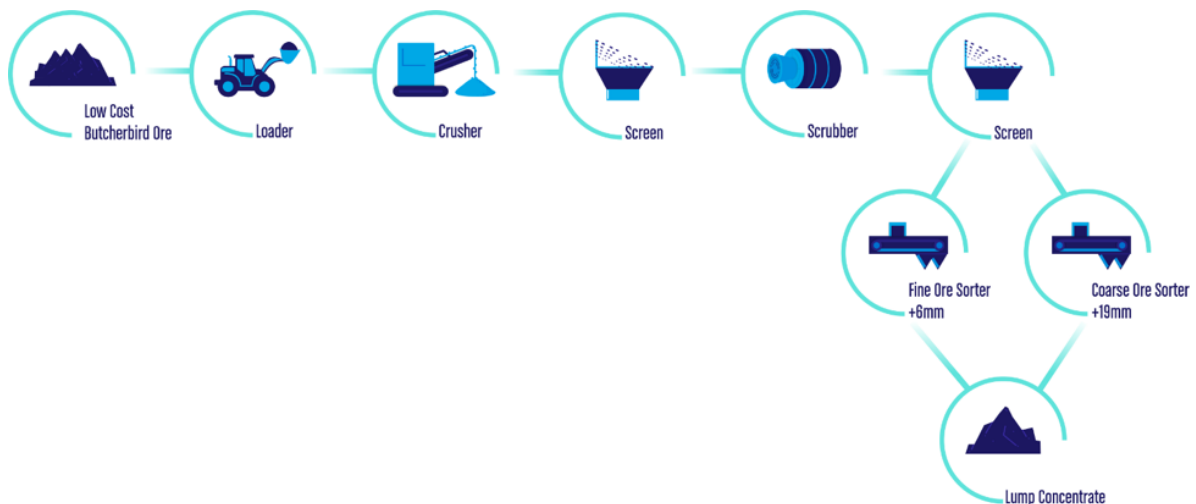
1.3.2. Process Plant Design

The beneficiation process plant and other infrastructure have been designed in accordance with normal industry practice and the unit operations included in the flowsheet are well established within the resources and other industries.

The design philosophy has utilised predominantly mobile or semi-mobile equipment such that operating installation maintains a degree of flexibility for management of the advancing mining face, whilst minimising civils, structure and set-up investment costs.

The proposed processing facility is shown schematically in Figure 2: below:

Figure 2: Butcherbird manganese lump ore schematic flowsheet.



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## Ore Sorting

During the flowsheet design process, ore sorting was identified as a potential technology that could be implemented to further upgrade the ore. Sorting tests were undertaken by Steinert Australia, utilising a production-scale 1m wide multiple sensor Steinert KSS sorter, on the two size fractions generated from the scrubbing/screening process. The sorting tests confirmed the ability of the ore sorter to upgrade the manganese ore on a repeatable basis to a marketable specification within the range 30-35% Mn.

**Table 5:** Manganese Grade, Recovery and Yield by Size

	Mn Grade	Mn Recovery	Mass Yield
Ore Sorter Feed	27.3%		
+19mm Product	34.0%	97%	83%
-19mm Product	30.4%	86%	67%
Total Product	33.1%	94%	79%
Total Reject	8.0%	6%	21%

The ore sorter delivered a 30-35% Mn grade product which was the result of an upgrade of approximately 6% whilst maintaining a manganese recovery of 94%. This combined size fraction concentrate has the grade, composition and size distribution characteristics of commercial lump ores presently used in the steel industry.

Impurity levels across all main elements of concern are acceptable and certain key impurities may provide some marketing opportunities which are being explored as a part of ongoing offtake negotiations.

### Testwork Product Quality

Component	Mn	Fe	SiO <sub>2</sub>	P	Al	Loss on ignition
Specification	33.1%	8.2%	21.8%	0.08%	2.97%	10.2%

**Table 6:** Sorted product composition.

### 1.3.3. Logistics and Ore Transport

Over the life of mine (LOM) the Project will produce approximately 312,000 tonnes of lump ore per annum. The lump ore will be trucked from the Project to the Utah Point bulk handling facility at Port Hedland where it will be loaded for export.

The proposed concentrate handling method is fully compliant with Class 9 transport requirements and no special bulk shipping restrictions currently apply for UN 3077 mineral concentrates.

The manganese ore is neither classified as a dangerous or as hazardous good in transit. It is a benign product and is not affected by typical atmospheric conditions (heat, cold, rain).

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**Port Operations and Shipping**

The Company is in negotiations with Pilbara Ports for the access to the Utah Point stockpile and port facilities at Port Hedland. The product will be in a lumpy form and is perfectly suited to existing handling infrastructure located at Utah Point.

E25 has also engaged with Qube Logistics (**Qube**), the current operator of the ship loading infrastructure on behalf of Pilbara Ports. Qube indicated that the product can be handled and loaded efficiently with the current infrastructure. Qube has extensive experience in loading manganese ores.

**1.3.4. Development Timeline**

A Project development timeline has been developed with key milestone and activities shown below.

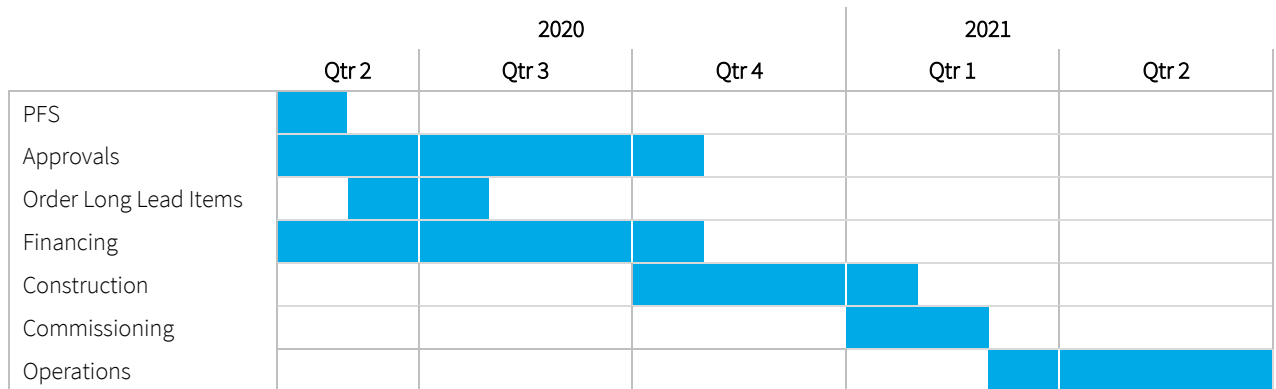


Figure 3: Project Development Timeline

**1.4. Post PFS Activities**

**1.4.1. Potential High-Grade Manganese Concentrate Zone**

Sub-sampling of diamond core from BBDD016 drilled into the Coodamudgi manganese resource at the Project has returned high grade manganese values of up to 42.3%Mn from surface with low impurity levels. Importantly the Coodamudgi resource is located entirely within granted mining lease M52/1074.

The ore at Coodamudgi is geologically similar to Yanneri Ridge, in that the manganese mineralisation comprises interlayered bands of siliceous manganese bands interlayered with non-manganese bearing clays and shales.

The sub-sampling methodology utilised was designed to emulate full scale processing via the proposed beneficiation flowsheet for the Project as outlined in the PFS. It should be noted that the work completed in this programme is preliminary and will need to be followed up with further test work to confirm these results, however the sampling reported herein is strongly suggestive that this material has the potential to deliver a high-grade manganese lump ore.

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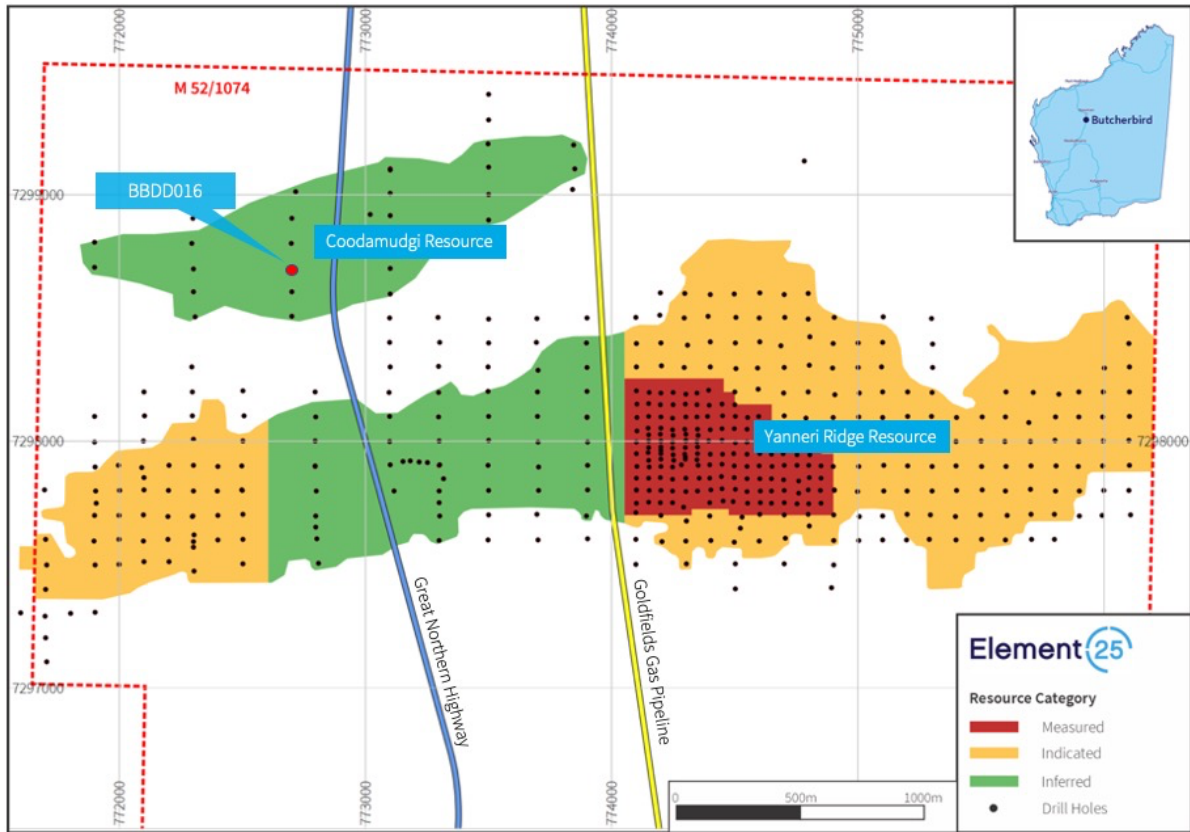


Figure 4: Granted mining lease M52/1074 showing resource categories and location of BBDD0016 relative to current mine plan areas.

Sample ID	Mn(%)	Fe(%)	P(%)	SiO <sub>2</sub>	Al(%)	LOI (%)
BBDD016 0-1 m	42.3	4.78	0.04	15.57	2.17	10.99
BBDD016 1-2 m	41.4	5.67	0.04	16.25	2.20	11.15
BBDD016 2-3 m	38.2	7.53	0.04	17.62	2.33	10.75
BBDD016 3-4 m	33.8	10.6	0.08	18.52	2.67	10.54
BBDD016 4-5 m	38.3	6.58	0.10	17.90	2.36	11.07
BBDD016 5-6 m	31.7	14.5	0.13	16.81	2.55	9.70

Table 7: Subsampling results for manganese bands in diamond drillhole BBDD016.

Drillhole BBDD016 was completed as part of a metallurgical programme completed in 2013<sup>2</sup>, however only a single 2cm section of the core was sampled, which returned a manganese grade of 42.2%. This programme was a more comprehensive sampling exercise structured around the revised processing flowsheet and followed up the previous work. The results have confirmed the potential of this area to produce a high-grade manganese concentrate through beneficiation.

<sup>2</sup> Company's ASX release dated 30 January 2014.

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#### 1.4.2. Sales and Marketing

Following the completion of the PFS, the Company engaged with a number of potential offtake counterparties to negotiate terms for the sale of the planned production volumes. As part of the process, the Company entered into a non-binding memorandum of understanding (MOU) with OM Materials (S) Pte Ltd (OMS), a wholly owned subsidiary of OM Holdings Limited (OMH) (ASX:OMH) to supply manganese lump products.

This represents the first formal milestone in E25's engagement with OMH and follows a number of positive discussions between the parties. Under the MOU, E25 and OMH will negotiate a formal offtake agreement as part of the development of the Project. The final terms of the offtake agreement are subject to further negotiations, however the MOU provides a framework for discussions around the following key parameters:

- Binding offtake of between 50% and 100% of the concentrate produced from the Project.
- Pricing mechanisms based on agreed published benchmark pricing.
- An initial term of up to 5 years.
- Optimising the logistics solution for the Project.

#### About OM Holdings Limited

OM Holdings Limited (OMH) is an integrated manganese and silicon company. It is engaged in the business of mining and trading raw ores, as well as the smelting and marketing of processed ferroalloys. OMH has an established history of over 25 years in the industry, is listed on the ASX and captures value across the entire process chain through operations in Australia, China, Japan, Malaysia, Singapore, and South Africa. Its latest project is a smelter complex in Sarawak, Malaysia, which successfully commenced production in 2014.

#### 1.4.3. Water Bore Drilling

A water bore drilling programme was completed in the June 2020 quarter to follow up on previously announced water exploration drilling completed earlier in the year. The programme comprised two production bores drilled for the purposes of conducting pump tests to confirm the potential of the selected area to provide sufficient process water for the beneficiation plant at the Project.

The programme targeted two aquifers were, a shallow aquifer in near surface calcretes and a deep aquifer in palaeochannel sands. The programme was successful and the two aquifers, based on hydrogeological modelling, are expected to yield sufficient process water for the current development plans at the Project.



#### 1.4.4. Access Agreement/Mining Lease Application

All access related matters have been resolved, allowing for the grant of mining lease application M52/1074 for the Project. The mining lease has been granted for a period of 21 years. The lease covers the planned mining and infrastructure areas for the current proposed development.

## 2. Corporate

### 2.1. Placement and Share Purchase Plan

Subsequent to the end of the financial year, the Company undertook a placement to sophisticated, professional and institutional investors to raise \$3,500,000 (before costs) through a placement of 8,750,000 fully paid ordinary shares (Shares) at an issue price of \$0.40 per Share (Placement). Euroz was Lead Manager and Sole Bookrunner to the Placement, which settled on 14 July 2020.

In addition to the Placement the Company completed a Share Purchase Plan to existing eligible shareholders to raise approximately \$3.2M at the same issue price per Share of \$0.40.

### 2.2. Cummins Range

RareX Pty Ltd (**RareX**) exercised its option to purchase the Cummins Range Rare Earths Project comprising Exploration Licence E80/5092 (**Cummins Range**). Pursuant to the option agreement announced 19 July 2019, RareX paid \$500,000 in cash and parent company Sagon Resources Limited (**Sagon**) (**ASX:SG1**) issued 13,338,261 ordinary shares at a deemed price of \$0.0375 per share for total consideration of \$1,000,000. These shares have subsequently been sold on market, providing additional funding for the Company.

The sale agreement also includes a number of future payments as follows:

- Within twelve months of settlement of the acquisition, RareX/Sagon must pay \$500,000 in cash and issue \$500,000 in shares in Sagon or pay \$1,000,000 in cash (**Deferred Consideration**).
- Within 36 months of settlement, and subject to the completion of a positive Bankable Feasibility Study (**BFS**) on the Cummins Range project, RareX/Sagon must pay or issue \$1,000,000 in cash or Sagon shares or a combination thereof to a total value of \$1,000,000 (**Further Deferred Consideration**).

- If a BFS is unable to be completed within 36 months of the date of settlement, the further Deferred Consideration is not payable and RareX will, in lieu, grant E25 a 1% Net Smelter Return Royalty on future production from the Cummins Range project capped at \$1,000,000.

### 2.3. Acuity Capital Controlled Placement Facility

During May 2020, the Company utilised the Controlled Placement Agreement (CPA) with Acuity Capital to raise \$555,000 (inclusive of costs) by agreeing to issue 1,530,000 Shares to Acuity Capital at an issue price of \$0.363.

### 2.4. \$500K Royalty Sale Agreement Complete

The royalty sale agreement with Vox Royalty Corp. (VOX) (TSXV:VOX) announced on 26 February 2020 has completed.

In consideration for the sale of the royalty portfolio, E25 was issued 151,700 shares in VOX at a deemed valuation of CAD\$3.00 for total consideration of A\$500,000. The shares were not subject to escrow conditions and have since been sold in market. The royalties included in the agreement are the Green Dam, Holleton and Yamarna gold royalties and the Yalbra graphite royalty.

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### 3. Mineral Resources and Ore Reserves

#### 3.1. Mineral Resource Estimate as at 30 June 2020

**Table 8:** Butcherbird Manganese project Mineral Resource Classification as first reported on 17 April 2019 and are unchanged as at 30 June 2019 and 30 June 2020.

Category	Tonnes (Mt)	Mn (%)	Si (%)	Fe (%)	Al (%)
Measured	16	11.6	20.6	11.7	5.7
Indicated	41	10.0	20.9	11.0	5.8
Inferred	206	9.8	20.8	11.4	5.9
<b>Total</b>	<b>263</b>	<b>10.0</b>	<b>20.8</b>	<b>11.4</b>	<b>5.9</b>

Notes:

- Reported at a 7% Mn cut-off for the Measured and Indicated categories and an 8% Mn cut-off for the Inferred categories.
- All figures rounded to reflect the appropriate level of confidence (apparent differences may occur due to rounding).

#### 3.2. Mining Reserve as at 30 June 2020

Based on the results of the Pre-Feasibility Study completed in May 2020, E25 published a Maiden Ore Reserve for the Project of 50.55Mt in the Proved and Probable categories<sup>3</sup>.

**Table 9:** Butcherbird Manganese project Mineral Reserve Classification as first reported on 19 May 2020 and are unchanged as at 30 June 2020.

Classification	Tonnes (Mt)	Grade (Mn%)	Contained Mn (Mt)	Recovered Mn (Mt)
Proved	14.4	11.5	1.65	1.35
Probable	36.2	9.8	3.56	2.92
<b>Total</b>	<b>50.6</b>	<b>10.3</b>	<b>5.21</b>	<b>4.27</b>

#### 3.3. Review of Material Changes

The Company updated its Mineral Resource estimates for the Butcherbird Project on 17 April 2019. Total reported Measured, Indicated and Inferred Mineral Resource estimates are 263 million tonnes at 10.0% per cent manganese for 26 million tonnes of contained manganese.

E25 announced a Maiden Reserve for the Project on 19 May 2020. Total Proved and Probable Reserves are 50.6 million tonnes at 10.3% Mn for 5.21 million tonnes of contained manganese.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcements dated 17 April 2019 and 19 May 2020 and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

<sup>3</sup> Reference: Element 25 Limited Reserve Statement lodged with ASX 19 May 2020.

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### 3.4. Governance controls

E25 reports its Mineral Resources and Ore Reserves on an annual basis, with Mineral Resources inclusive of Ore Reserves. Reporting is in accordance with the 2012 Edition of the Australasian Code for Report of Exploration Results, Mineral Resources and Ore Reserves and the ASX Listing Rules. All Competent Persons named by E25 are suitably qualified and experienced as defined in the JORC Code 2012 Edition.

### 3.5. Competent Persons Statement

The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves listed in the table below is based on, and fairly represents, information and supporting documentation prepared by the Competent Person whose name appears in the same row. Each person named in the table below has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he/she has undertaken to qualify as a Competent Person as defined in the JORC Code 2012. Each person identified in the list below consents to the inclusion in this announcement of the material compiled by them in the form and context in which it appears.

Activity	Competent Person	Membership Institution
Exploration Results	Justin Brown	Australasian Institute of Mining and Metallurgy
Yanneri Ridge, Coodamudgi, Mundawindi and Ritchies Mineral Resource Estimates	Greg Jones	Australasian Institute of Mining and Metallurgy
Bindi, Ilgarrari, and Cadgies Mineral Resource Estimates	Mark Glassock	Australasian Institute of Mining and Metallurgy
Mining, Metallurgy and Financial Modelling in relation to Mineral Reserves	Ian Huitson	Australasian Institute of Mining and Metallurgy

At the time that the Exploration Results and Exploration Targets were compiled, Mr Brown was an employee of Element 25 Limited. Mr. Greg Jones, who acts as Consultant Geologist for E25 is a full time employee of IHC Robbins. At the time that the Mineral Resources were compiled, Mr Glassock was a consultant to Element 25 Limited. Ian Huitson is employed by Mining Solutions Pty Ltd. Mr Huitson is a shareholder of Element 25 Limited. Mr Huitson has visited site on a number of occasions as part of the ongoing studies of the Project.

Please note with regard to exploration targets, the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

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# **Element 25 Limited**

**ABN 46 119 711 929**

## **Annual Report**

**for the year ended 30 June 2020**



## Corporate Information

ABN 46 119 711 929

### Directors

Seamus Cornelius (Non-Executive Chairman)  
Justin Brown (Managing Director)  
John Ribbons (Non-Executive Director)

### Company Secretary

John Ribbons

### Registered Office

Suite 2, 11 Ventnor Avenue  
WEST PERTH WA 6005

### Principal Place of Business

Level 2, 45 Richardson Street  
WEST PERTH WA 6005  
Telephone: +61 8 6315 1400  
Facsimile: +61 8 9486 7093

### Solicitors

House Legal  
86 First Avenue  
MT LAWLEY WA 6050

### Bankers

National Australia Bank Limited  
1232 Hay Street  
WEST PERTH WA 6005

ANZ Banking Corporation  
Level 1, 1275 Hay Street  
WEST PERTH WA 6005

### Share Register

Automic Pty Ltd  
Level 2, 267 St Georges Terrace  
PERTH WA 6000  
Telephone: 1300 288 664  
Web: [www.automicgroup.com.au](http://www.automicgroup.com.au)

### Auditors

Rothsay Auditing  
Level 1, Lincoln Building  
4 Ventnor Avenue  
WEST PERTH WA 6005

### Internet Address

[www.element25.com.au](http://www.element25.com.au)

### Stock Exchange Listing

Element 25 Limited shares (Code: E25) are listed on the Australian Securities Exchange.

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## Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Element 25 Limited and the entities it controlled at the end of, or during, the year ended 30 June 2020.

### DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Where applicable, all current and former directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

#### Names, qualifications, experience and special responsibilities

**Seamus Cornelius**, (Non-Executive Chairman, Chairman of remuneration committee, audit committee member)

Mr Cornelius is an experienced international corporate lawyer and company director. He was a partner with a major international law firm from 2000 to 2010 and resided in China from 1993 until 2017. In 2010, Mr Cornelius commenced his public company career as company director and is currently a director and non-executive chairman of Buxton Resources Limited, Duketon Mining Limited and Danakali Limited. Mr Cornelius has not held any former directorships in the last 3 years.

**Justin Brown**, B.Sc. (Hon), (Managing Director, audit committee member)

Mr Brown is a geologist with over 20 years of experience in global mineral exploration and mining. He has been involved in the full spectrum of mineral exploration through to mining in a range of commodities.

Mr Brown has also held a number of board positions, including an executive role with Element 25 Limited since 2006. He has a strong track record of closing successful commercial transactions and brings a well-rounded set of skills to the management of the Company's activities. Mr Brown was the founding Managing Director of the Company.

Mr Brown was most recently a non-executive director of Exterra Resources Ltd (ceased 20 September 2017), which merged with Anova Metals Ltd via a Scheme of Arrangement.

**John Ribbons**, B.Bus., CPA, ACIS (Non-Executive Director, Chairman of audit committee, remuneration committee member)

Mr Ribbons is an accountant who has worked within the resources industry for over twenty years in the capacity of group financial controller, chief financial officer or company secretary.

Mr Ribbons has extensive knowledge and experience with ASX listed production and exploration companies. He has considerable site based experience with operating mines and has also been involved with the listing of several exploration companies on ASX. Mr Ribbons has experience in capital raising, ASX and TSX compliance and regulatory requirements. Mr Ribbons has not held any former directorships in the last 3 years.

### COMPANY SECRETARY

**John Ribbons**

#### Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Element 25 Limited were:

	Ordinary Shares	Options over Ordinary Shares
Seamus Cornelius	5,255,177	2,300,000
Justin Brown	5,405,360	4,600,000
John Ribbons	660,715	2,300,000

### PRINCIPAL ACTIVITIES

During the year the Group carried out exploration on its tenements and applied for or acquired additional tenements with the objective of identifying economic mineral deposits.

There was no significant change in the nature of the Group's activities during the year.

### DIVIDENDS

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

## Directors' Report continued

### REVIEW OF OPERATIONS

The year ended 30 June 2020 has seen excellent progress for Element 25 Limited, including the publication of the Pre-Feasibility Study (PFS) which looked at the potential for a low capital cost early cashflow operation exporting manganese concentrate from the Butcherbird Manganese Project (Project). The PFS returned outstanding economics and the Company is currently working to deliver the Project as soon as practicable.

In addition, the Company published a PFS and Maiden Reserve for the Project, which highlighted outstanding economics and a low capital requirement. The PFS contemplates the export and sale of manganese concentrate from the Project over a long mine life confirming the potential for the Project to be Australia's next significant manganese mine.

The Company is currently working towards delivering the Project as outlined in the PFS. This is an exciting time in the development of the Company as it continues to work hard for its shareholders with the view to creating shareholder value.

### Finance Review

The Group began the financial year with a cash reserve of \$2,552,400. During the year the Company raised \$581,875 via a controlled placement facility and the exercise of 125,000 unlisted options, issuing a total of 1,655,000 fully paid ordinary shares. Funds were used to advance the Group's 100% owned Butcherbird Manganese Project located in Australia.

During the year total tenement acquisition and exploration expenditure incurred by the Group amounted to \$3,491,939 (2019: \$3,745,629). In line with the Group's accounting policies, all exploration expenditure was expenses as incurred. The Group recognised a net fair value loss on financial assets of \$919,553 (2019: \$506,400 fair value loss), and income of \$2,635,000 (2019: \$1,700,000) on the sale of mineral properties. The Group also received a research and development tax incentive of \$615,465 (2019: \$208,653) and other government grants totalling \$539,922 (2019: Nil). Net administration expenditure incurred amounted to \$1,200,166 (2019: \$1,081,958). This has resulted in an operating loss after income tax for the year ended 30 June 2020 of \$1,821,271 (2019: \$3,633,987).

At 30 June 2020 surplus funds available totalled \$2,697,175.

### Operating Results for the Year

Summarised operating results are as follows:

	2020	
	Revenues	Results
	\$	\$
Consolidated entity revenues and profit from ordinary activities before income tax expense	<u>3,844,030</u>	<u>(1,821,271)</u>

### Shareholder Returns

	2020	2019
Basic and diluted loss per share (cents)	(1.9)	(4.3)

### Risk Management

The board is responsible for ensuring that risks, and opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The Group believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in this Annual Report, no significant changes in the state of affairs of the Group occurred during the financial year.

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 21, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the Group's operations.

## Directors' Report continued

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

### COVID-19 IMPACT

The impact of the COVID-19 pandemic is ongoing and whilst it has had no financial impact for the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

### REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

#### Principles used to determine the nature and amount of remuneration

##### *Remuneration Policy*

The remuneration policy of Element 25 Limited has been designed to align key management personnel 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 Element 25 Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group.

The board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives (if any), 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.

The executive directors and executives (if any) receive a superannuation guarantee contribution required by the government, which was 9.5% for the 2020 financial year, and do not receive any other retirement benefits. Some individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for 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 (currently \$200,000). 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.

##### *Performance based remuneration*

The Group currently has no performance based remuneration component built into key management personnel remuneration packages.

##### *Group performance, shareholder wealth and key management personnel remuneration*

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and key management personnel performance. Currently, this is facilitated through the issue of options to the majority of key management personnel to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth. At commencement of production, performance based bonuses based on key performance indicators are expected to be introduced.

##### *Use of remuneration consultants*

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2020.

##### *Voting and comments made at the Company's 2019 Annual General Meeting*

The Company received approximately 82.0% of "yes" votes on its remuneration report for the 2019 financial year. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

### Details of remuneration

Details of the remuneration of the key management personnel of the Group are set out in the following table.

The key management personnel of the Group include only the directors as per page 3.

## Directors' Report continued

### Key management personnel of the Group

	Short-Term		Post-Employment	Long-Term	Share-based Payments	Total
	Salary & Fees	Non-Monetary	Superannuation	Long Service Leave	Options	
	\$	\$	\$	\$	\$	\$
<b>Directors</b>						
Seamus Cornelius						
2020	56,573	-	1,902	-	30,100	88,575
2019	60,000	-	-	-	36,350	96,350
Justin Brown						
2020	220,000	5,714	20,900	4,015	60,200	310,829
2019	220,000	4,883	20,900	48,182	72,700	366,665
John Ribbons						
2020	42,000	-	-	-	30,100	72,100
2019	42,000	-	-	-	36,350	78,350
<b>Total key management personnel compensation</b>						
2020	318,573	5,714	22,802	4,015	120,400	471,504
2019	322,000	4,883	20,900	48,182	145,400	541,365

### Service agreements

The details of service agreements of the key management personnel of the Group are as follows:

Justin Brown, Managing Director:

- Term of agreement – until terminated in accordance with the agreement. The Company may terminate without cause at any time by giving six months' written notice, whilst the executive must provide three months' written notice of termination (unless breach or agreement by the Company). The agreement contains standard clauses on immediate termination for breach of contract or misconduct.
- Annual salary of \$220,000 (plus 9.5% statutory superannuation), plus the provision of income protection insurance. Mr Brown's salary is reviewed on an annual basis.
- In the event the Managing Director is terminated as a result of one of the following circumstances the Company will make a six calendar months termination payment at the base salary and any unvested incentive options will vest immediately:
  - The executive is demoted from his position as executive director of the Company;
  - The executive is terminated by reason of the liquidation of the Company for the purpose of reconstruction or amalgamation;
  - The executive is requested to assume responsibilities or perform tasks not reasonably consistent with his position as executive director of the Company; or
  - The Company is subject to a change of control event as described by the Corporations Act including but not limited to a takeover, merger or a resolution is passed at a general meeting of the Company which results in a change to the majority of the board of directors.

### Share-based compensation

#### Options

Options are issued to key management personnel as part of their remuneration. The options are not issued based on performance criteria but are issued to the majority of key management personnel of Element 25 Limited to increase goal congruence between key management personnel and shareholders. The following options were granted to or vesting with key management personnel during the year:

	Grant Date	Granted Number	Vesting Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents) <sup>(1)</sup>	Exercised Number	% of Remuneration
<b>Directors</b>								
Seamus Cornelius	29/11/2019	500,000	22/11/2019	20/11/2024	27.3	6.0	Nil	34.0
Justin Brown	29/11/2019	1,000,000	22/11/2019	20/11/2024	27.3	6.0	Nil	19.4
John Ribbons	29/11/2019	500,000	22/11/2019	20/11/2024	27.3	6.0	Nil	41.7

- (1) The value at grant date in accordance with AASB 2: Share Based Payments of options granted during the year as part of remuneration. For options granted during the current year, the valuation inputs for the Black-Scholes option pricing model were as follows:

	Underlying Share Price (cents)	Exercise Price (cents)	Volatility	Risk Free Interest Rate	Valuation Date	Expiry Date
Directors	18.5	27.3	50.0%	0.8%	22/11/2019	20/11/2024

## Directors' Report continued

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to key management personnel of the Group are set out below:

	Number of ordinary shares issued on exercise of options during the year	Amount paid per ordinary share (cents)	Value exercised (\$) <sup>(1)</sup>
<b>Directors</b>			
Seamus Cornelius	125,000	21.5	(4,375)

No amounts are unpaid on any shares issued on the exercise of options.

(1) The value at exercise date of the options that were granted as part of remuneration and were exercised during the year has been determined as the intrinsic value of the options at that date.

### Equity instruments held by key management personnel

#### Share holdings

The numbers of shares in the Company held during the financial year by each director of Element 25 Limited and other key management personnel of the Group, including their personally related parties, and any nominally held, are set out below. There were no shares granted during the reporting period as compensation.

2020	Balance at start of the year	Acquired during the year on the exercise of options	Other changes during the year	Balance at end of the year
<b>Directors of Element 25 Limited</b>				
<b>Ordinary shares</b>				
Seamus Cornelius	3,450,400	125,000	1,604,777	5,180,777
Justin Brown	5,255,360	-	-	5,255,360
John Ribbons	585,715	-	-	585,715

#### Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Element 25 Limited and other key management personnel of the Company, including their personally related parties, are set out below:

2020	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
<b>Directors of Element 25 Limited</b>							
Seamus Cornelius	2,550,000	500,000	(125,000)	(625,000)	2,300,000	2,300,000	-
Justin Brown	4,850,000	1,000,000	-	(1,250,000)	4,600,000	4,600,000	-
John Ribbons	2,550,000	500,000	-	(750,000)	2,300,000	2,300,000	-

All vested options are exercisable at the end of the year.

### Loans to key management personnel

There were no loans to key management personnel during the year.

### End of audited Remuneration Report

### DIRECTORS' MEETINGS

During the year the Company held ten meetings of directors. The attendance of directors at meetings of the board were:

	Directors Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Seamus Cornelius	10	10	2	2	-	-
Justin Brown	10	10	2	2	*	*
John Ribbons	10	10	2	2	-	-

#### Notes

A - Number of meetings attended.

B - Number of meetings held during the time the director held office during the year.

\* - Not a member of the Remuneration Committee

## Directors' Report continued

### SHARES UNDER OPTION

Unissued ordinary shares of Element 25 Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Exercise price (cents)	Number of options
26 June 2020	25 June 2025	50.0	500,000
7 April 2020	1 April 2025	20.0	500,000
22 November 2019	20 November 2024	27.3	2,000,000
22 February 2019 & 26 June 2020	22 February 2024	26.0	1,850,000
29 November 2018	28 November 2023	26.1	2,000,000
1 December 2017	28 November 2022	35.5	1,200,000
3 November 2017	3 November 2022	32.5	600,000
2 December 2016	24 November 2021	20.0	2,000,000
20 November 2015	20 November 2020	35.0	2,200,000
<b>Total number of options outstanding at the date of this report</b>			<b>12,850,000</b>

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

### INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Element 25 Limited paid a premium of \$16,951 to insure the directors of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

### NON-AUDIT SERVICES

There were no non-audit services provided by the entity's auditor, Rothsay Auditing, or associated entities, during the year.

### PROCEEDINGS ON BEHALF OF THE COMPANY

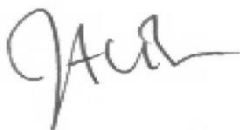
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

### 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 9.

Signed in accordance with a resolution of the directors.



Justin Brown  
 Managing Director  
 Perth, 18 September 2020



## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead auditor of the review of Element 25 Limited for the year ended 30 June 2020,  
I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Element 25 Limited and the entities it controlled during the year.

Rothsay Auditing



Daniel Dalla  
Partner  
18 September 2020

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## Consolidated Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2020

	Notes	Consolidated	
		2020 \$	2019 \$
<b>REVENUE</b>	4	<b>10,677</b>	35,669
Other income	5	<b>3,833,353</b>	1,908,653
<b>EXPENDITURE</b>			
Administration expenses		<b>(576,499)</b>	(511,161)
Depreciation expense		<b>(5,556)</b>	(4,251)
Exploration expenditure		<b>(3,491,939)</b>	(3,745,629)
Fair value losses on financial assets		<b>(919,553)</b>	(506,400)
Salaries and employee benefits expense		<b>(227,124)</b>	(378,517)
Secretarial and share registry expenses		<b>(152,799)</b>	(187,911)
Share based payment expense	24(b)	<b>(291,831)</b>	(244,440)
<b>LOSS BEFORE INCOME TAX</b>		<b>(1,821,271)</b>	(3,633,987)
<b>INCOME TAX EXPENSE</b>	7	-	-
<b>LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF ELEMENT 25 LIMITED</b>		<b>(1,821,271)</b>	(3,633,987)
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		<b>(5,803)</b>	(10,431)
Other comprehensive income for the year, net of tax		<b>(5,803)</b>	(10,431)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF ELEMENT 25 LIMITED</b>		<b>(1,827,074)</b>	(3,644,418)
<b>LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted loss per share (cents per share)	23	<b>(1.9)</b>	(4.3)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

## Consolidated Statement of Financial Position

AT 30 JUNE 2020

	Notes	Consolidated	
		2020 \$	2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	2,697,175	2,552,400
Trade and other receivables	9	1,184,417	75,573
Financial assets at fair value through profit or loss	10	4,302,502	6,200,565
<b>TOTAL CURRENT ASSETS</b>		<b>8,184,094</b>	<b>8,828,538</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	11	6,868	12,157
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,868</b>	<b>12,157</b>
<b>TOTAL ASSETS</b>		<b>8,190,962</b>	<b>8,840,695</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	1,106,194	808,639
Employee benefits obligations		235,443	209,922
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,341,637</b>	<b>1,018,561</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits obligations		808	249
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>808</b>	<b>249</b>
<b>TOTAL LIABILITIES</b>		<b>1,342,445</b>	<b>1,018,810</b>
<b>NET ASSETS</b>		<b>6,848,517</b>	<b>7,821,885</b>
<b>EQUITY</b>			
Issued capital	13	16,403,737	15,841,862
Reserves	14	4,098,267	3,812,239
Accumulated losses		(13,653,487)	(11,832,216)
<b>TOTAL EQUITY</b>		<b>6,848,517</b>	<b>7,821,885</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements.

## Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2020

	Notes	Contributed Equity \$	Share-Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
<b>Consolidated</b>						
<b>BALANCE AT 1 JULY 2018</b>		14,351,850	3,604,253	(26,023)	(8,198,229)	9,731,851
Loss for the year		-	-	-	(3,633,987)	(3,633,987)
<b>OTHER COMPREHENSIVE INCOME</b>						
Exchange differences on translation of foreign operations		-	-	(10,431)	-	(10,431)
<b>TOTAL COMPREHENSIVE LOSS</b>		-	-	(10,431)	(3,633,987)	(3,644,418)
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>						
Shares issued during the year		1,490,012	-	-	-	1,490,012
Employee and consultant share-based payments	24(b)	-	244,440	-	-	244,440
<b>BALANCE AT 30 JUNE 2019</b>		15,841,862	3,848,693	(36,454)	(11,832,216)	7,821,885
Loss for the year		-	-	-	(1,821,271)	(1,821,271)
<b>OTHER COMPREHENSIVE INCOME</b>						
Exchange differences on translation of foreign operations		-	-	(5,803)	-	(5,803)
<b>TOTAL COMPREHENSIVE LOSS</b>		-	-	(5,803)	(1,821,271)	(1,827,074)
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>						
Shares issued during the year		581,875	-	-	-	581,875
Share issue transaction costs		(20,000)	-	-	-	(20,000)
Employee and consultant share-based payments	24(b)	-	291,831	-	-	291,831
<b>BALANCE AT 30 JUNE 2020</b>		<b>16,403,737</b>	<b>4,140,524</b>	<b>(42,257)</b>	<b>(13,653,487)</b>	<b>6,848,517</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

## Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2020

	Notes	Consolidated	
		2020 \$	2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(829,374)	(917,567)
Interest received		11,445	37,121
Proceeds on sale of mining interests		635,000	1,700,000
Expenditure on mining interests		(3,266,215)	(3,131,449)
Proceeds from disposal of financial assets at fair value through profit or loss		1,893,754	1,024,105
Payments for financial assets at fair value through profit or loss		(60,000)	(62,500)
Research and development tax incentive received		615,465	208,653
Other government grants received		539,922	-
Royalties received		42,966	-
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	22	<b>(417,037)</b>	<b>(1,141,637)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for plant and equipment		(267)	8,410
<b>NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES</b>		<b>(267)</b>	<b>8,410</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of ordinary shares		581,875	1,490,012
Payment of share issue transaction costs		(20,000)	-
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b>561,875</b>	<b>1,490,012</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>144,571</b>	<b>356,785</b>
Cash and cash equivalents at the beginning of the financial year		2,552,400	2,194,663
Effects of exchange rate changes on cash and cash equivalents		204	952
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	8	<b>2,697,175</b>	<b>2,552,400</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

# Notes to the Consolidated Financial Statements

30 JUNE 2020

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Element 25 Limited and its subsidiaries. The financial statements are presented in the Australian currency. Element 25 Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 18 September 2020. The directors have the power to amend and reissue the financial statements.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Element 25 Limited is a for-profit entity for the purpose of preparing the financial statements.

#### (i) Compliance with IFRS

The consolidated financial statements of the Element 25 Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### (ii) New and amended standards adopted by the Group

The Group has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

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 Group 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.

#### (iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is that they are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### (iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities measured at fair value.

### (b) Principles of consolidation

#### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Element 25 Limited.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

#### (c) Segment reporting

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

#### (d) Foreign currency translation

##### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Element 25 Limited's functional and presentation currency.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

##### (iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

#### (e) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

#### (f) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

#### (g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### (h) Leases

As explained in note 1(a)(ii) above, the Company has changed its accounting policy for leases where the Company is the lessee. The new policy and the impact of the change are described in note 1(a)(ii).

Until 30 June 2019, leases where a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases (note 18). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

#### (i) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### (j) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

#### (k) Investments and other financial assets

##### (i) Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

##### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.



## Notes to the Consolidated Financial Statements continued

30 JUNE 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income or expenses. Impairment losses are presented as a separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income or expenses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income or expenses and impairment losses are presented as a separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income or expenses in the period in which it arises.

#### Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payment is established.

Changes in the fair value of financial assets at FVPL are recognised in other income or expenses in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### (iv) Impairment

From 1 July 2019 the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology depends on whether there has been a significant increase in credit risk.

#### (l) Plant and equipment

All plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 20% and 40% per annum.

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 (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is Company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

#### (m) Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

#### (o) Employee benefits

##### (i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables 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) Other long-term employee benefit obligations

The Group also has liabilities for long service leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

##### (ii) Share-based payments

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 24.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

#### (p) 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 for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

#### (q) Earnings per share

##### (i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners 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.

# Notes to the Consolidated Financial Statements continued

30 JUNE 2020

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### (s) Critical accounting judgements, estimates and assumptions

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

#### *Share based payment transactions*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 24.

#### *Environmental Issues*

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Group's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

#### *Taxation*

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates consider both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, pending an assessment by the Australian Taxation Office.

## 2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full board of directors as the Group believes that it is crucial for all board members to be involved in this process. The managing director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

### (a) Market risk

#### *(i) Foreign exchange risk*

The Group operates internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure considering exchange rate movements.

The risk is not material and sensitivity analysis does not result in a material effect on Group results or financial position.

#### *(ii) Price risk*

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the statement of financial position as financial assets at fair value through profit or loss. Given the current level of operations, the Group is not currently exposed to commodity price risk.

To minimise the risk, the Group's investments are of high quality and are publicly traded on the ASX. The investments are managed on a day to day basis to pick up any significant adjustments to market prices.

#### *Sensitivity analysis*

At 30 June 2020, if the value of the equity instruments held had increased/decreased by 15% with all other variables held constant, post-tax loss for the Group would have been \$645,375 lower/higher, with no changes to other equity balances, as a result of gains/losses on equity securities classified as financial assets at fair value through profit or loss (2019: \$930,085 lower/higher post-tax loss).

## Notes to the Consolidated Financial Statements continued

30 JUNE 2020

### 2. FINANCIAL RISK MANAGEMENT (cont'd)

#### (iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group \$2,697,175 (2019: \$2,552,400) is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group was 0.5% (2019: 1.7%).

#### Sensitivity analysis

At 30 June 2020, if interest rates had changed by +/- 50 basis points from the weighted average rate for the year with all other variables held constant, post-tax profit for the Group would have been \$10,300 higher/lower (2019: \$10,560 lower/higher post-tax loss on +/- 50 basis points) as a result of higher/lower interest income from cash and cash equivalents.

#### (b) Credit risk

The maximum exposure to credit risk at reporting date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements. The only significant concentration of credit risk for the Group is the cash and cash equivalents held with financial institutions. All material deposits are held with the major Australian banks for which the Board evaluate credit risk to be minimal.

As the Group does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

#### (c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

#### (d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The equity investments held by the Group are classified at fair value through profit or loss. 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.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2020

### 2. FINANCIAL RISK MANAGEMENT (cont'd)

The carrying amounts and estimated fair values of financial assets and financial liabilities are as follows:

	Consolidated	
	2020	2019
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	2,697,175	2,552,400
Trade and other receivables	1,184,417	75,573
Financial assets at fair value through profit or loss	4,302,502	6,200,565
<b>Total Financial Assets</b>	<b>8,184,094</b>	<b>8,828,538</b>
<b>Financial Liabilities</b>		
Trade and other payables	1,106,194	808,639
<b>Total Financial Liabilities</b>	<b>1,106,194</b>	<b>808,639</b>

The methods and assumptions used to estimate the fair value of financial instruments are outlined below:

#### Cash

The carrying amount is fair value due to the liquid nature of these assets.

#### Receivables/Payables

Due to the short-term nature of these financial rights and obligations, their carrying amounts are estimated to represent their fair values.

#### Fair value measurements of financial assets

The carrying values of financial assets and liabilities of the Group approximate their fair values. Fair values of financial assets and liabilities have been determined for measurement and / or disclosure purposes.

#### Fair value hierarchy

The Group classifies assets and liabilities carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in determining that value. The following table analyses financial instruments carried at fair value by the valuation method. The different levels in the hierarchy have been defined as follows:

- 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); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>30 June 2020</b>				
Financial assets at fair value through profit or loss	4,302,502	-	-	4,302,502
<b>Total as at 30 June 2020</b>	<b>4,302,502</b>	<b>-</b>	<b>-</b>	<b>4,302,502</b>
<b>30 June 2019</b>				
Financial assets at fair value through profit or loss	6,200,565	-	-	6,200,565
<b>Total as at 30 June 2019</b>	<b>6,200,565</b>	<b>-</b>	<b>-</b>	<b>6,200,565</b>

### 3. 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 on the basis of 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.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2020

## 3. SEGMENT INFORMATION (cont'd)

	Australia		France		Total	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
Segment revenue	-	-	-	-	-	-
Reconciliation of segment revenue to total revenue before tax:						
Interest revenue					10,677	35,669
<b>Total revenue</b>					<b>10,677</b>	<b>35,669</b>
Segment results	(764,021)	(1,998,605)	(69,410)	(47,024)	(833,431)	(2,045,629)
Reconciliation of segment result to net loss before tax:						
Interest revenue					10,677	35,669
Other income					1,155,388	208,653
Other corporate and administration					(2,153,905)	(1,832,680)
<b>Net (loss)/profit before tax</b>					<b>(1,821,271)</b>	<b>(3,633,987)</b>
Segment operating assets	1,000,000	-	-	-	1,000,000	-
Reconciliation of segment operating assets to total assets:						
Other corporate and administration assets					7,190,962	8,840,695
<b>Total assets</b>					<b>8,190,962</b>	<b>8,840,695</b>

## 4. REVENUE

	Consolidated	
	2020	2019
	\$	\$
<b>From continuing operations</b>		
<i>Other revenue</i>		
Interest	10,677	35,669

## 5. OTHER INCOME

Net gain on sale of mining interests	2,635,000	1,700,000
Research and development tax incentive	615,465	208,653
Government grant funding	539,922	-
Royalties	42,966	-
	<b>3,833,353</b>	<b>1,908,653</b>

## 6. EXPENSES

Profit or loss before income tax includes the following specific expenses:

Expenses relating to short-term leases	90,692	122,841
Defined contribution superannuation expense	42,365	47,194
Net foreign exchange losses	5,213	2,573

## Notes to the Consolidated Financial Statements continued

30 JUNE 2020

Consolidated

2020	2019
\$	\$

**7. INCOME TAX****(a) Income tax benefit**

Current tax	-	-
Deferred tax	-	-
	-	-

**(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable**

(Loss)/profit from continuing operations before income tax expense	(1,821,271)	(3,633,987)
Prima facie tax (benefit)/expense at the Australian tax rate of 27.5% (2019: 27.5%)	(500,850)	(999,346)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	80,254	67,221
Other	468	2,872
	(420,128)	(929,253)
Movements in unrecognised temporary differences	381,720	165,489
Tax effect of current year tax losses for which no deferred tax asset has been recognised	38,408	763,764
Income tax expense/(benefit)	-	-

**(c) Unrecognised temporary differences****Deferred Tax Assets at 27.5% (2019: 27.5%)***On Income Tax Account*

Capital raising expenses	16,236	24,215
Accruals and provisions	88,265	69,897
Foreign carry forward tax losses	246,478	227,390
Australian carry forward tax losses	2,003,745	2,314,115
	2,354,724	2,635,617

**Deferred Tax Liabilities at 27.5% (2019: 27.5%)**

Financial assets at fair value through profit or loss	295,256	672,250
Accrued income	117	339
	295,373	672,589

Net deferred tax assets were not brought to account as it was not considered probable within the immediate future that tax profits would be available against which deductible temporary differences and tax losses could be utilised.

The Group's ability to use losses in the future is subject to each Group company satisfying the relevant tax authority's criteria for using these losses.

In April 2017, the Australian Government enacted legislation which reduces the corporate rate for small and medium business (base rate) entities from 30% to 25% over the next decade. For the 2017 financial year the corporate tax rate reduced to 27.5% for small business entities with turnover less than \$10 million. This turnover threshold will progressively increase until it reaches \$50 million in the 2020 financial year. For the 2021 financial year, the tax rate will decrease to 26% and then 25% for the 2022 and later financial years. Element 25 Limited satisfies the criteria to be a base rate entity.

**8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS**

Cash at bank and in hand	2,557,520	1,690,720
Short-term deposits	139,655	861,680
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	2,697,175	2,552,400

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2020

Consolidated

	Notes	Consolidated	
		2020	2019
		\$	\$
<b>9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES</b>			
Sundry receivables		173,770	66,223
Prepayments		10,647	9,350
Deferred consideration due on tenement sale	9(a)	1,000,000	-
		<b>1,184,417</b>	<b>75,573</b>

(a) Under the terms of the sale agreement with RareX Pty Ltd and its parent company Sagon Resources Ltd, since renamed RareX Ltd ("RareX", ASX code REE), to sell tenement E80/5092, RareX must pay \$500,000 cash and issue \$500,000 in shares or pay \$1,000,000 in cash (Deferred Consideration) within 12 months of settlement of the acquisition. The Deferred Consideration is due to be received by the Group in September 2020.

**10. CURRENT ASSETS - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

Australian listed equity securities		<b>4,302,502</b>	6,200,565
Changes in fair values of financial assets at fair value through profit or loss are recorded in other income for gains or directly on the face of the statement of comprehensive income for losses.			

**11. NON-CURRENT ASSETS - PLANT AND EQUIPMENT****Plant and equipment**

Cost		92,370	92,103
Accumulated depreciation		(85,502)	(79,946)
Net book amount		<b>6,868</b>	12,157
<b>Movements:</b>			
Opening net book amount		12,157	16,660
Exchange differences		-	(4,251)
Additions		267	3,999
Depreciation charge		(5,556)	(4,251)
Closing net book amount		<b>6,868</b>	12,157

**12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES**

Trade payables		566,652	64,457
Other payables and accruals		539,542	744,182
		<b>1,106,194</b>	808,639

**13. ISSUED CAPITAL**

	Notes	2020		2019	
		Number of shares	\$	Number of shares	\$
<b>(a) Share capital</b>					
Ordinary shares fully paid	13(b), 13(d)	98,362,274	16,403,737	91,907,274	15,841,862
Total issued capital		<b>98,362,274</b>	<b>16,403,737</b>	91,907,274	15,841,862



## Notes to the Consolidated Financial Statements continued

30 JUNE 2020

## 13. ISSUED CAPITAL (cont'd)

Notes	2020		2019	
	Number of shares	\$	Number of shares	\$
<b>(b) Movements in ordinary share capital</b>				
Beginning of the financial year	91,907,274	15,841,862	83,464,350	14,351,850
Issued during the year:				
– Pursuant to controlled placement agreement at 36.3 cents per share	1,530,000	555,000	-	-
– Controlled placement agreement collateral shares <sup>(1)</sup>	4,800,000	-	-	-
– Upon exercise of 21.5 cent options	125,000	26,875	-	-
– Upon exercise of 20 cent options	-	-	500,000	100,000
– Pursuant to share purchase plan and shortfall placement at 17.5 cents per share	-	-	7,942,924	1,390,012
Transaction costs	-	(20,000)	-	-
End of the financial year	<b>98,362,274</b>	<b>16,403,737</b>	91,907,274	15,841,862

- (1) The 4,800,000 collateral shares were issued pursuant to a controlled placement agreement (CPA) with Acuity Capital that provides up to \$2 million of standby equity capital to 31 January 2022. Under the terms of the CPA, the Company retains full control of all aspects of the placement process: having sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any). As collateral for the CPA, the Company agreed to place 4,800,000 fully paid ordinary shares at nil consideration to Acuity Capital.

**(c) Movements in options on issue**

	Number of options	
	2020	2019
Beginning of the financial year	14,750,000	13,850,000
Issued during the year:		
– Exercisable at 20 cents, on or before 1 April 2025	500,000	-
– Exercisable at 26 cents, on or before 22 February 2024	750,000	1,600,000
– Exercisable at 26.1 cents, on or before 28 November 2023	-	2,000,000
– Exercisable at 27.3 cents, on or before 20 November 2024	2,000,000	-
– Exercisable at 50 cents, on or before 25 June 2025	500,000	-
Exercised during the year:		
– At 20 cents, on or before 19 November 2018	-	(500,000)
– At 21.5 cents, on or before 18 November 2019	(125,000)	-
Expired during the year:		
– On 19 November 2018, exercisable at 20 cents	-	(1,500,000)
– On 18 November 2019, exercisable at 21.5 cents	(2,625,000)	-
– On 2 December 2019, exercisable at 22 cents	(200,000)	-
– On 2 December 2019, exercisable at 30 cents	(200,000)	-
– On 17 June 2019, exercisable at 30 cents	-	(250,000)
– On 22 October 2018, exercisable at 32 cents	-	(250,000)
– On 20 November 2018, exercisable at 35 cents	-	(200,000)
End of the financial year	<b>15,350,000</b>	14,750,000

**(d) Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2020

Consolidated

2020  
\$

2019  
\$

### 13. ISSUED CAPITAL (cont'd)

#### (e) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required, including utilising the Acuity Capital CPA as described at note 13(b)(1). The working capital position of the Group at 30 June 2020 and 30 June 2019 are as follows:

Cash and cash equivalents	2,697,175	2,552,400
Trade and other receivables	1,184,417	75,573
Financial assets at fair value through profit or loss	4,302,502	6,200,565
Trade and other payables	(1,106,194)	(808,639)
Employee benefit obligations (current)	(235,443)	(209,922)
Working capital position	<u>6,842,457</u>	<u>7,809,977</u>

### 14. RESERVES AND RETAINED EARNINGS

#### (a) Reserves

Foreign currency translation reserve	(42,257)	(36,454)
Share-based payments reserve	4,140,524	3,848,693
	<u>4,098,267</u>	<u>3,812,239</u>

#### (b) Nature and purpose of reserves

##### (i) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d) and accumulated within a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

##### (ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options and performance rights granted.

### 15. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

### 16. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

#### Audit services

Rothsay Auditing - audit and review of financial reports	39,500	38,500
Total remuneration for audit services	<u>39,500</u>	<u>38,500</u>

### 17. CONTINGENCIES

There are no material contingent liabilities of the Company at balance date. The Company has contingent assets at balance date resulting from tenement sales as follows:

#### Mt Venn Cobalt-Nickel-Copper Project

Under the terms of the sale agreement with Magmatic Resources Ltd ("Magmatic", ASX code MAG), to sell tenement E38/2961 the following contingent consideration is outstanding:

- Should Magmatic define a JORC 2012 Mineral Resource of 20Mt @ >= 1% CuEq on the sale tenement, Magmatic will pay the Company \$350,000 in cash and \$350,000 in MAG shares; and
- Should Magmatic make a decision to mine at the sale tenement, Magmatic will pay the Company \$350,000 in cash and \$350,000 in MAG shares.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2020

### 17. CONTINGENCIES (cont'd)

#### *Cummins Range Rare Earths Project*

Under the terms of the sale agreement with RareX to sell tenement E80/5092 the following contingent consideration is outstanding:

- Within 36 months of settlement, and subject to the completion of a Bankable Feasibility Study ("BFS") on the Cummins Range project, RareX must pay or issue \$1,000,000 in cash or shares or a combination thereof (Further Deferred Consideration); and
- If a BFS is unable to be completed within 36 months of settlement, the Further Deferred Consideration is not payable and RareX will, in lieu, grant a 1% net smelter royalty on future production from the Cummins Range project capped at \$1,000,000.

### 18. COMMITMENTS

#### Consolidated

2020	2019
\$	\$

#### (a) Exploration commitments

The Company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

within one year	508,300	474,000
later than one year but not later than five years	1,162,700	915,000
later than five years	2,478,600	-
	<b>4,149,600</b>	<b>1,389,000</b>

#### (b) Lease commitments: Group as lessee

##### *Operating leases (non-cancellable):*

Minimum lease payments

within one year	-	115,200
later than one year but not later than five years	-	-

Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities

-	115,200
---	---------

The Group has a non-cancellable property lease with a one-year term, with rent payable monthly in advance. The lease allows for subletting of all lease areas subject to permission from the lessor. The Group has obtained permission from the lessor and entered into a sublet arrangement for the entire one-year term of the lease amounting to 50% of the commitment noted above.

From 1 July 2019, upon adoption AASB 16, the Group may recognise right-of-use assets for leases in the future, except for short-term and low-value leases, refer to note 1(a)(ii).

### 19. RELATED PARTY TRANSACTIONS

#### (a) Parent entity

The ultimate parent entity within the Group is Element 25 Limited.

#### (b) Subsidiaries

Interests in subsidiaries are set out in note 20.

#### (c) Key management personnel compensation

Short-term benefits	324,287	326,883
Post-employment benefits	22,802	20,900
Other long-term benefits	4,015	48,182
Share-based payments	120,400	145,400
	<b>471,504</b>	<b>541,365</b>

Detailed remuneration disclosures are provided in the remuneration report on pages 5 to 7.

#### (d) Loans to related parties

There were no loans to related parties, including key management personnel, during the year.

## Notes to the Consolidated Financial Statements continued

30 JUNE 2020

### 20. SUBSIDIARY

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of Incorporation	Class of Shares	Equity Holding <sup>(1)</sup>	
			2020 %	2019 %
Cordier Mines SAS	France	Ordinary	100	100
Element 25 Butcherbird Project Pty Ltd	Australia	Ordinary	100	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

### 21. EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

During July 2020 the Company raised a total of \$6,729,000 at \$0.40 per share from a placement of 8,750,000 ordinary shares to sophisticated, professional and institutional investors and the issue of 8,072,500 ordinary shares pursuant to a share purchase plan.

During July and August 2020, the Company issued a total of 2,500,000 ordinary shares upon exercise of unlisted options raising \$730,000.

No other matter or circumstance has arisen since 30 June 2020, 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.

### 22. CASH FLOW INFORMATION

	Consolidated	
	2020 \$	2019 \$
<b>Reconciliation of (loss)/profit after income tax to net cash outflow from operating activities</b>		
(Loss)/profit for the year	(1,821,271)	(3,633,987)
<b>Non-Cash Items</b>		
Depreciation of non-current assets	5,556	4,251
Employee and consultants share-based payments	291,831	244,440
Fair value of financial assets received on sale of mining interests	(1,000,000)	-
Fair value of financial assets disposed as consideration for expenses	30,000	-
Net exchange differences	(5,989)	(6,987)
<b>Change in operating assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	(108,834)	23,071
Decrease in financial assets at fair value through profit or loss	1,868,063	1,439,240
Increase in trade and other payables	297,527	699,655
Increase in employee benefit obligations	26,080	88,680
Net cash outflow from operating activities	<u>(417,037)</u>	<u>(1,141,637)</u>

### 23. LOSS PER SHARE

#### (a) Reconciliation of earnings used in calculating loss per share

Loss attributable to the owners of the Company used in calculating basic and diluted loss per share

(1,821,271) (3,633,987)

Number of shares  
2020                      Number of shares  
2019

#### (b) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share

93,481,823                      84,246,547

## Notes to the Consolidated Financial Statements continued

30 JUNE 2020

### 23. LOSS PER SHARE (cont'd)

#### (c) Information on the classification of options

As the Group made a loss for the year ended 30 June 2020, the options on issue were considered anti-dilutive and were not included in the calculation of diluted earnings per share. The options currently on issue could potentially dilute basic earnings per share in the future.

### 24. SHARE-BASED PAYMENTS

#### (a) Employees and Contractors Options

The Company provides benefits to employees (including directors) and contractors of the Company in the form of share-based payment transactions, whereby employees render services in exchange for options to acquire ordinary shares. The exercise price of the options granted and on issue at 30 June 2020 range from 20 cents to 50 cents per option, with expiry dates ranging from 22 August 2020 to 25 June 2025.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

#### Fair value of options granted

The weighted average fair value of the options granted during the year was 9.7 cents (2019: 6.8 cents). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2020	2019
Weighted average exercise price (cents)	29.1	26.1
Weighted average life of the option (years)	4.7	5.0
Weighted average underlying share price (cents)	24.8	18.8
Expected share price volatility	50.0%	50.0%
Risk free interest rate	0.6%	2.0%

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

Set out below is a summary of the share-based payment options granted:

	2020		2019	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	14,750,000	27.3	13,850,000	26.8
Granted	3,750,000	29.1	3,600,000	26.1
Forfeited	-	-	-	-
Exercised	(125,000)	21.5	(500,000)	20.0
Expired	(3,025,000)	22.1	(2,200,000)	23.9
Outstanding at year-end	15,350,000	28.8	14,750,000	27.3
Exercisable at year-end	15,350,000	28.8	14,750,000	27.3

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 2.4 years (2019: 2.3 years), and the exercise prices range from 20 cents to 50 cents.

#### (b) Expenses arising from share-based payment transactions

	Consolidated	
	2020	2019
	\$	\$
Total expenses arising from share-based payment transactions recognised during the period were as follows:		
Options granted to employees and contractors expensed to profit or loss	291,831	244,440
	<u>291,831</u>	<u>244,440</u>

## Notes to the Consolidated Financial Statements continued

30 JUNE 2020

Parent Entity

2020	2019
\$	\$

**25. PARENT ENTITY INFORMATION**

The following information relates to the parent entity, Element 25 Limited, at 30 June 2020. The information presented here has been prepared using accounting policies consistent with those presented in note 1.

Current assets	<b>8,169,154</b>	8,793,753
Non-current assets	<b>6,868</b>	12,157
<b>Total assets</b>	<b>8,176,022</b>	8,805,910
Current liabilities	<b>1,330,880</b>	1,014,006
Non-current liabilities	<b>808</b>	249
<b>Total liabilities</b>	<b>1,331,688</b>	1,014,255
Issued capital	<b>16,403,737</b>	15,841,862
Share-based payments reserve	<b>4,140,524</b>	3,848,693
Accumulated losses	<b>(13,699,927)</b>	(11,898,900)
<b>Total equity</b>	<b>6,844,334</b>	7,791,655
Loss for the year	<b>(1,801,027)</b>	(3,639,311)
<b>Total comprehensive loss for the year</b>	<b>(1,801,027)</b>	(3,639,311)

## Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 10 to 30 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



Justin Brown  
Managing Director

Perth, 18 September 2020



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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
ELEMENT 25 LIMITED**

**Report on the Audit of the Financial Report**

**Opinion**

We have audited the financial report of Element 25 Limited ("the Company") and its controlled entities ("the Group") which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.







INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

ELEMENT 25 LIMITED (continued)

<b>Key Audit Matter - Impairment of Assets</b>	<b>How our Audit Addressed the Key Audit Matter</b>
<p>The Group's cash and financial assets at fair value make up 85% of total assets by value and are considered to be the key driver of the Group's operations.</p> <p>We do not consider cash and financial assets at fair value to be at a high risk of significant misstatement or to be subject to a significant level of judgement.</p> <p>However due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall strategy and allocation of resources in planning and completing our audit.</p>	<p>We considered the inputs into the determination of fair value at year end and compared our assessment with the written down value.</p> <p>We compared the fair value of the listed investments to externally quoted prices, which was the closing bid price at 30 June 2020;</p> <p>We compared cash and holdings in financial assets at fair value to independent third party documentation;</p> <p>We assessed whether the disclosures included in the financial report meet the requirements of Australian Accounting Standards.</p>

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**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 the 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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
ELEMENT 25 LIMITED (continued)

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

***Auditor's Responsibility for the Audit of the Financial Report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/Home.aspx](http://www.auasb.gov.au/Home.aspx).

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
ELEMENT 25 LIMITED (continued)

*Report on the Remuneration Report*

*Opinion on the Remuneration Report*

We have audited the remuneration report included in the directors' report for the year ended 30 June 2020.

In our opinion the remuneration report of Element 25 Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

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.

Rothsay Auditing

Dated 18 September 2020

Daniel Dalla  
Partner

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## ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 7 September 2020.

### (a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

		Ordinary shares	
		Number of holders	Number of shares
1	- 1,000	80	22,722
1,001	- 5,000	252	732,724
5,001	- 10,000	171	1,412,848
10,001	- 100,000	398	15,379,474
100,001	and over	139	100,137,006
		<b>1,040</b>	<b>117,684,774</b>
The number of equity security holders holding less than a marketable parcel of securities are:		67	9,867

### (b) Twenty largest shareholders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	11,285,093	9.59
2	RANGUTA LIMITED	7,255,440	6.17
3	ALPHA BOXER LIMITED	5,374,006	4.57
4	ACUITY CAPITAL INVESTMENT MANAGEMENT PTY LTD <ACUITY CAPITAL HOLDINGS A/C>	4,800,090	4.08
5	ARADIA VENTURES PTY LTD <J & A BROWN FAMILY A/C>	4,798,215	4.08
6	DUKETON MINING LIMITED	4,782,500	4.06
7	MR JACOBUS GERARDUS DE JONG	4,227,818	3.59
8	DUKETON CONSOLIDATED PTY LTD	3,090,715	2.63
9	AUSTRALIA HOLDINGS PTY LTD	2,750,000	2.34
10	SINO WEST ASSETS LIMITED	2,709,629	2.30
11	MR PAUL HARTLEY WATTS	2,500,000	2.12
12	DANE PASTORAL COMPANY PTY LIMITED	1,831,104	1.56
13	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,681,633	1.43
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,602,745	1.36
15	KAPT ENTERPRISES PTY LTD	1,419,063	1.21
16	MR SEAMUS IAN CORNELIUS	1,382,733	1.17
17	MR ROHAIN IAN CORNELIUS	1,351,500	1.15
18	OM MATERIALS (S) PTE LTD	1,250,000	1.06
19	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	1,204,282	1.02
20	MR SEAMUS CORNELIUS	1,162,815	0.99
		<b>66,459,381</b>	<b>56.47</b>

### (c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Shares
Marcel Mandanici	3,208,782

### (d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

## ASX Additional Information continued

### (e) Schedule of interests in mining tenements as at 7 September 2020

<b>Location</b>	<b>Tenement</b>	<b>Percentage held / earning</b>
Isle Bore	E09/2415	100%
Eelya Hill	E20/659	10%
Yallon Well	E20/948	100%
Sunday Well	E20/953	100%
Pinnacles Nickel	E28/2577	100%
Flanker South	E28/2761	100%
Pinnacles	E28/2908	100%
Mulga Tank	E39/2135	100%
Black Hill	E46/1352	100%
Mt Padbury	E52/1529	100% <sup>(1)</sup>
Butcher Bird Copper	E52/2350	100%
Yanneri Bore	E52/3606	100%
Yanneri Pool	E52/3706	100%
Millidie Creek	E52/3708	100%
Limestone Bore	E52/3735	100%
Mt Padbury	E52/3738	100%
Kumarina	E52/3769	100%
Beyondie Bluff	E52/3779	100%
Neds Gap	E52/3788	100%
Corner Bore	E52/3789	100%
Woolgatharra Pool	E52/3840	100%
Dead Camel	E52/3849	100%
Yanneri Well	E52/3858	100%
Victory Bore	E57/1060	20%
Twin Peaks	E59/2408	100%
Lake Johnston	E63/2027	100%
Eileen Bore	E80/5056	100%
Limestone Bore	L52/211	100%
Butcherbird East 1	L52/215	100%
Butcherbird East 2	L52/216	100%
Butcherbird East 3	L52/217	100%
Butcherbird East 4	L52/218	100%
Butcherbird East 5	L52/220	100%
Butcherbird East 6	L52/221	100%
Yanneri Ridge	M52/1074	100%

(1) 100% interest held in all minerals other than iron ore and manganese.

## ASX Additional Information continued

### (f) Unquoted Securities

At 7 September 2020, the Company had the following unlisted securities on issue:

Class	Number of Securities	Number of Holders	Holders of 20% or more of the class	
			Holder Name	Number of Securities
\$0.20 Options, Expiry 24 November 2021	2,000,000	3	Aradia Ventures Pty Ltd	1,000,000
			Seamus Cornelius	500,000
			Antoinette Janet Ribbons	500,000
\$0.20 Options, Expiry 1 April 2025	500,000	1	Andrea Gertrud Graham	500,000
\$0.26 Options, Expiry 22 February 2024	1,850,000	4	Duketon Consolidated Pty Ltd	1,000,000
			B R Smoothy & R M Burn	500,000
			Aradia Ventures Pty Ltd	1,000,000
\$0.261 Options, Expiry 28 November 2023	2,000,000	3	Seamus Cornelius	500,000
			John George Ribbons	500,000
			Aradia Ventures Pty Ltd	1,000,000
\$0.273 Options, Expiry 20 November 2024	2,000,000	3	Seamus Cornelius	500,000
			John George Ribbons	500,000
			Aradia Ventures Pty Ltd	1,000,000
\$0.325 Options, Expiry 3 November 2022	600,000	3	Liam Cornelius	300,000
			Pato Negro Pty Ltd <Negro Toro Investment A/C>	200,000
			Aradia Ventures Pty Ltd	1,000,000
\$0.35 Options, Expiry 20 November 2020	2,200,000	4	Seamus Cornelius	500,000
			Antoinette Janet Ribbons	500,000
			Aradia Ventures Pty Ltd	600,000
\$0.355 Options, Expiry 28 November 2022	1,200,000	3	Seamus Cornelius	300,000
			Antoinette Janet Ribbons	300,000
			Aradia Ventures Pty Ltd	600,000
\$0.50 Options, Expiry 25 June 2025	500,000	1	Zoetmelksvlei (Pty) Ltd	500,000

## Corporate Governance Statement

Element 25 Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Element 25 Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3<sup>rd</sup> edition) published by the ASX Corporate Governance Council.

The 2020 Corporate Governance Statement was approved by the Board on 17 September 2020 and is current as at the date of this Annual Report. A description of the Group's current corporate governance practices is set out in the Group's Corporate Governance Statement which can be viewed at [www.element25.com.au](http://www.element25.com.au).

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