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Element 25 Limited  
ABN 46 119 711 929

## Annual Report

for the year ended 30 June 2022

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**Directors**

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

**Company Secretary**

Michael Jordon

**Registered Office**

Level 1, Building B  
Garden Office Park  
355 Scarborough Beach Road  
OSBORNE PARK WA 6017

**Principal Place of Business**

Level 1, Building B  
Garden Office Park  
355 Scarborough Beach Road  
OSBORNE PARK WA 6017

E-mail: [admin@e25.com.au](mailto:admin@e25.com.au)

**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.

**Solicitors**

House Legal  
86 First Avenue  
MT LAWLEY WA 6050

**Bankers**

National Australia Bank Limited  
1232 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 Audit & Assurance Pty Ltd  
Level 1, Lincoln Building  
4 Ventnor Avenue  
WEST PERTH WA 6005

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Dear shareholders,

It is with great pleasure that I provide you with Element 25 Limited annual report for fiscal year 2022.

Notwithstanding a series of unforeseen processing and weather-related challenges, E25 demonstrated its capacity to execute on core objectives within our export business, while also making significant progress towards our staged High Purity Manganese Sulphate Project (**HPMSM**) expansion strategy.

At our flagship Butcherbird Manganese Project in WA, our team was able to deliver a series of processing improvements which culminated in the Company recording its **first operating cashflow neutral quarter** in the June 2022 quarter. Additional processing plant modifications are planned over the coming months, and we anticipate these improvements will be reflected in a steadier production profile.

A key milestone during the year was E25's maiden shipment of manganese concentrate, which was followed by a further four manganese concentrate shipments totalling 174,425t Mn, solidifying the Company's position as a trusted supplier of manganese concentrate to global markets.

Our team also delivered a positive HPMSM plant scoping study in January 2022 which outlined a low operating cost, long-life High Purity Manganese Sulphate Project with compelling economics over a 20-year project life.

This study is an important foundational piece of our HPMSM strategy, and the company is currently finalising a Definitive Feasibility Study (DFS) to demonstrate the commercial potential of this opportunity more clearly.

With an eye to the future, E25 has continued to build and foster key relationships highlighted by a collaborative partnership with Circolor Ltd to establish full manganese traceability and dynamic tracking of CO<sub>2</sub>, environmental, social and governance (ESG) standards for products produced from Butcherbird.

We are also pleased to report the Malaysian city of Sarawak has been identified as a potential site for the company's first HPMSM processing facility. Positive discussions were held with MIDA and the Sarawak State Government in relation to the construction of a new conversion plant in Sarawak to produce high purity manganese for lithium-ion batteries.

I would also like to take this opportunity to thank my fellow Board members, our entire staff and our contractors for their ongoing commitment and dedication towards advancing the business during this important period.

We enter the new financial year well capitalised and with considerable momentum and with a series of important catalysts on the horizon, we look forward to creating value for our shareholders over the next 12 months.

**Seamus Cornelius**

**Chairman**

## 1. The Butcherbird Project

### 1.1. Introduction

Element 25 Limited (**E25** or **the Company**) is the operator of the Butcherbird Manganese Project (**Butcherbird** or **Project**) which hosts the Australia's largest onshore manganese resource with current JORC resources of more than **260Mt of manganese ore<sup>1</sup>**.

Butcherbird is located 1,050 km north of Perth and 130km south of Newman in the Pilbara region of Western Australia. The Company plans to integrate renewable energy into the power solution over time to target a zero-carbon footprint for the Project, which is expected to also reduce energy costs.

E25's goal is to become an industry leading, world class, low-carbon battery materials manufacturer, producing **high quality manganese concentrate** and battery grade **high purity manganese sulphate monohydrate (HPMSM)** products for **traditional and new energy markets**.

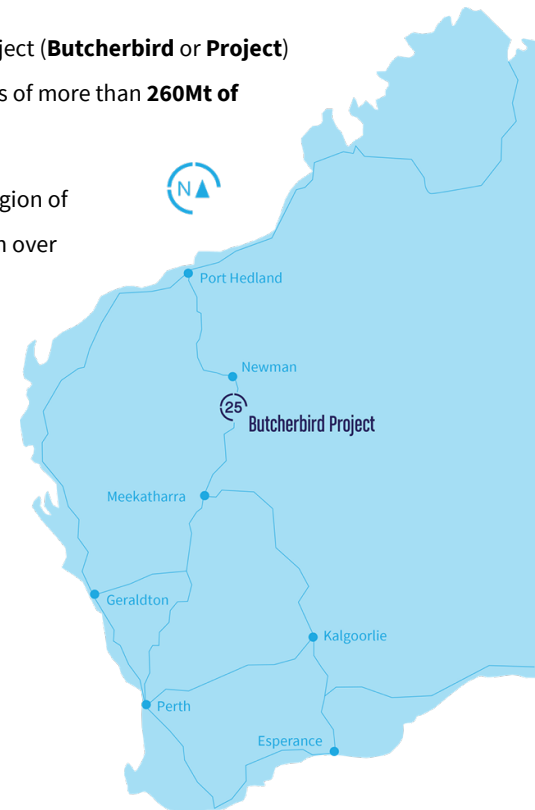
The Company's strategic vision can be summarised in four key stages:

Stage 1	365Kt per annum:	In production and optimising processes
Stage 2	1 Mt per annum:	Engineering optimisation in progress
Stage 3	Battery grade MnSO <sub>4</sub> :	Feasibility study scheduled for completion in late 2022
Stage 4	MnSO <sub>4</sub> Expansion:	Long term – multiple HPMSM modules globally

E25's export business continues to demonstrate the company's reliability as a trusted supplier of manganese concentrate to global markets, at a time when commodity producers are facing extensive disruptions from a complex array of factors.

#### Key operational milestones achieved during the 12 months in focus include:

- Successful maiden shipment of manganese concentrate, which was followed by four further manganese concentrate shipments totalling 174,425t Mn.
- Delivery of a positive **HPMSM plant scoping study in January** which outlined a low operating cost, long-life High Purity Manganese Sulphate Project with **compelling economics over a 20-year project life**.
- Entered a collaborative partnership with **Circulor Ltd** to establish full manganese traceability and dynamic tracking of CO<sub>2</sub>, environmental, social and governance (ESG) standards for products produced from Butcherbird.
- Advanced **positive discussions with MIDA and the Sarawak State Government** in relation to the construction of a new conversion plant in Sarawak to produce high purity manganese for lithium-ion batteries.



<sup>1</sup> Refer ASX Announcement 17 April 2019

## 1.2. Operations Summary

- During FY2022, E25 shipped its maiden shipment of manganese concentrate, which was followed by 4 further manganese concentrate shipments totalling **174,425** tonnes Mn.
- The Company took delivery of a new scalping screen and radial stacker conveyor units (see Figures 1.3.1 and 1.3.2) – a key initiative to alleviate material handling bottlenecks caused by high clay content feed.
- E25 is targeting larger shipments to achieve more competitive shipping tariffs and has established a laydown area in Port Hedland to build stockpiles to optimise mine haulage and port charges.
- Butcherbird is ramping up to steady state manganese concentrate production as key processing plant improvements take effect.
- Production operating at off-taker product specification and focus is now on reaching nameplate rated throughput.
- Further improvements targeted in throughput and grade from on-going process improvements.
- Handling properties of E25 concentrate continues to receive positive feedback from customers across the supply chain.
- Inclement weather impacted production and delayed installation of the scalping screen and radial stacker conveyor units in the fourth quarter which will now be installed in late 2022 to improve clay handling and increase throughput and production volumes.
- 34-hole, 904m Reverse Circulation (RC) drill program completed during the March 2022 quarter confirmed multiple extensions to known manganese mineralisation outside the current resource boundary(ies).

Production Summary	September 2021 Qtr	December 2021 Qtr	March 2022 Qtr	June 2022 Qtr	Total 21-22 Yr
Mined Ore Tonnes	330,315	208,157	224,490	184,175	<b>947,137</b>
Product Tonnes	42,149	32,348	51,288	48,640	<b>174,425</b>
Closing Stockpiles	7,213	8,973	26,164	40,458	

**Table (1.2.1): Butcherbird Production Summary**

## 1.3. Operations Report

### Safety

No Lost Time Injuries (LTI's) or Medical Treatment Injuries (MTI's) were sustained during the year. The 12 Month LTI and MTI rates were noted as zero.

## Operations

The 2021-2022 financial year provided the sale of E25's maiden manganese concentrate shipment in July 2021. This was followed by a further four shipments during the year for a total of 174,425t shipped. Concentrate stockpiles at the end of the year totalled 40,458 with the next shipment due in Q3 2022.

Mining progressed throughout the year keeping in front of plant requirements and pre-stripping new mining areas where mining capacity allowed. A new Geology manager was added to the team to boost geological input into the process. The mining contractor was changed from Iron Mine Contracting to ReGroup, formerly AK Evans in late 2021. The orebody performed generally in line with expectations.

The second quarter saw the unexpected failure of a log washer shaft. Activity at the plant was halted for approximately four weeks during which time, scheduled plant improvement and maintenance activities were undertaken to maximise the use of this downtime. The initial modification works completed included a range of tasks designed to improve and optimise the following aspects of the plant, including:

- improved access for maintenance;
- improved management of material flow through the plant;
- reduction to wear on key components; and
- improvements in noise and dust control and adjustment to the overall site layout to increase operational and maintenance scheduling flexibility.

Production resumed following the log washer repair and a new record daily production of 1,209 tonnes of concentrate produced was recorded in January 2022. During the March 2022 quarter, The Company continued to undertake rectification works around the primary comminution circuit to alleviate throughput bottlenecks caused by material handling challenges due to high clay content feed. The first stage of this work saw the mobilisation to site of a scalping screen and radial stacker conveyors to allow clay rich ore feed to be better managed through the front end of the plant and eliminate one of the biggest challenges in achieving nameplate throughput volumes. Installation of the additional equipment was delayed by the high rainfall experienced and is expected to be completed as soon as is practicable.



Figures (1.3.1) & (1.3.2): Scalper and Radial Stacker Conveyor Units mobilising to Butcherbird

During the June 2022 quarter, E25 encountered further plant reliability issues, which impacted throughput. As a result, the Company moved swiftly to employ a full-time Maintenance Manager and Maintenance Planner to support the processing team, and a major shutdown was planned to follow the first shipment in FY2023. Abnormally high rainfall in the June 2022 quarter resulted in a decrease in mining and process volumes due to wet clayey ore clogging the plant.

**Drilling Extends Butcherbird Mineralisation**

A reverse circulation drilling programme comprising 34 holes for 904m was completed in the first quarter of 2022, targeting areas where there was no historical drilling. The programme was designed to test for extensions to the known manganese resource areas. The drilling primarily targeted the areas to the west and south of the Ilgarari Ridge deposit.

Manganese mineralisation was logged in multiple drillholes and assays confirmed commercially significant grades and widths of manganese in multiple holes.

Several holes were drilled to sterilise potential infrastructure locations as part of the planning for the proposed expanded production at Butcherbird, however a number these holes also intersected significant manganese mineralisation forcing a re-evaluation of the proposed layout.

E52/2350	
No Holes	22
Total m Drilled	610
Metres Sampled	600
E52/3606	
No Holes	12
Total m Drilled	294
Metres Sampled	288
Total	
No Holes	34
Total m Drilled	904
Metres Sampled	888

**Table 1.3.1: Exploration Drilling Summary**



**Figure (1.3.3): Lateritic manganese mineralisation intercepted in exploration drilling at the Butcherbird Project**

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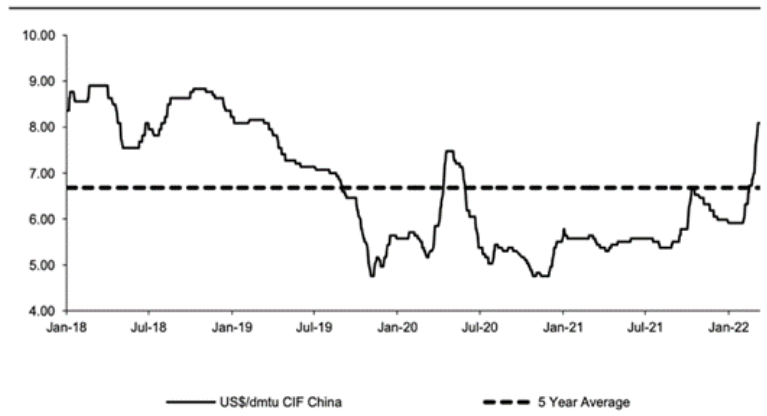


### Manganese Prices

Global supply chain and other disruptions have resulted in cost pressures on all manganese ore producers with customers markets in China and this has put upward pressure on ore prices.

According to recent data from Asia Metal and Petra Capital, recent benchmark pricing for 44% manganese grade material cif China has exceeded \$8/dmtu, a cyclical high.

Under the terms of the offtake agreement with OM Materials (S) Pte Ltd (OMS), subsidiary of ASX-listed company OM Holdings Limited (ASX:OMH) (OMH) pricing is set by a formula referenced to the 44% CIF China price.



Source: Asia Metal, Petra Capital

Figure 1.3.4: Pricing for 44% Mn cif China

### Expansion Studies

The Company is considering the Stage 2 expansion of Butcherbird including the potential installation of a dense media separation (DMS) facility to enhance recoveries and product grades as well as opportunities to produce value added products including the production of battery grade HPMSM for electric vehicle (EV) batteries to power the global transition away from fossil fuel powered mobility.

Manganese is emerging as an increasingly important ingredient for EV batteries, with potential supply constraints for nickel and cobalt forcing battery manufacturers to look to high manganese cathodes to produce the vast amount of cathode material required by the EV industry in coming years.

The Project is ideally placed to feed this potential demand, with advanced flowsheet development work undertaken in 2019 and 2020 confirming a simple, proprietary leach process for E25 ores which, when combined with offsets, will target the world's first Zero Carbon Manganese for EV cathode manufacture<sup>2</sup>. Flowsheet optimisation for inclusion in upcoming feasibility studies is ongoing.

<sup>2</sup> Refer ASX Announcement 12 February 2019

## 2. Mineral Resources and Ore Reserves

### 2.1. Mineral Resource Estimate as at 30 June 2022

Butcherbird Manganese project Mineral Resource Classification as first reported on 17 April 2019<sup>2</sup>. Movements in mineral resource estimate in the year ended 30 June 2022 is as follows:

Category	Tonnes (Mt)	Mn (%)	Si (%)	Fe (%)	Al (%)
<b>30-Jun-21</b>					
Measured	16	11.6	20.6	11.7	5.7
Indicated	41	10.0	20.9	11	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>
<b>Less mining</b>					
Measured	1.2	12.8	20.6	11.7	5.7
Indicated	0.1	10.0	123.4	69.5	5.8
Inferred	0	0	0	0	0
<b>Total</b>	<b>1.3</b>	<b>12.6</b>	<b>28.5</b>	<b>16.1</b>	<b>5.7</b>
<b>Plus ROM Stocks</b>					
Measured	0.5	11.5	20.5	11.7	5.6
<b>Total</b>	<b>0.5</b>	<b>11.5</b>	<b>20.5</b>	<b>11.7</b>	<b>5.6</b>
<b>30-Jun-22</b>					
Measured	15.3	11.5	20.6	11.7	5.7
Indicated	40.9	10.0	20.9	11.00	5.8
Inferred	206.0	9.8	20.8	11.4	5.9
<b>Total</b>	<b>262.2</b>	<b>9.9</b>	<b>20.8</b>	<b>11.4</b>	<b>5.9</b>

Notes:

<sup>1</sup> Closing ROM stocks as at 30 June 2022 included in production figure

- Reported at a 7% Mn cutoff for the Measured and Indicated categories and an 8% Mn cut-off for the Inferred category

- 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 2022

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>

Butcherbird Manganese project Mineral Reserve Classification as first reported on 19 May 2020. Movements in mineral reserves in the year ended 30 June 2022 is as follows:

<sup>3</sup> Refer ASX Announcement 19 May 2020

Classification	Tonnes (Mt)	Grade (Mn%)	Contained Mn (Mt)	Recovered Mn (Mt)
<b>30-Jun-21</b>				
Proved	14.2	11.2	1.6	1.3
Probable	36.2	9.79	3.5	2.9
<b>Total</b>	<b>50.4</b>	<b>10.2</b>	<b>5.1</b>	<b>4.2</b>
<b>less mining</b>				
Proved	1.2	12.8	0.2	0.1
Probable	0.1	10.0	0.0	0.0
<b>Total</b>	<b>1.3</b>	<b>12.6</b>	<b>16.4</b>	<b>13.4</b>
<b>plus ROM Stocks<sup>1</sup></b>				
Proved	0.5	11.5	0.06	0.05
<b>Total</b>	<b>0.5</b>	<b>11.5</b>	<b>0.06</b>	<b>0.05</b>
<b>30-Jun-22</b>				
Proved	13.5	11.1	1.5	1.2
Probable	36.1	10.0	3.6	3.0
<b>Total</b>	<b>49.6</b>	<b>10.1</b>	<b>5.0</b>	<b>4.1</b>

Notes:

<sup>1</sup> Closing ROM stocks at 30 June 2022 included in production figure

The Company's ore reserve and mineral resource estimates for the Butcherbird Operations in accordance with the JORC code, involve elements of estimation and judgement. The preparation of these estimates involves application of significant judgement and no guarantee or assurance of mineral recovery levels, or the commercial viability of deposits can be provided. The actual quality and characteristics of mineral deposits cannot be known until mining takes place and will almost always differ from the assumptions used to develop resources. Further, ore reserves are valued based on assumed future costs and future commodity prices and, consequently, the value of actual ore reserves including their economic extraction, and mineral resources may differ from those estimated, which may result in either a negative or positive effect on operations. E25 takes a medium-term view to these inputs in the formulation of ore reserves and then monitors operating conditions to allow the Company to respond accordingly should negative variances occur.

### 3.3. Review of Material Changes

The Company updated its Mineral Resource estimates for the 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.

A Maiden Reserve for the Project was announced on 19 May 2020. Total Proved and Probable Reserves are 49.8 million tonnes at 10.2% Mn for 4.2 million tonnes of contained manganese.

Other than mining depletion, shown above, 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.

### 3.4. External Factors and Material Business Risks Affecting Company Results

The Company's Board and management identify, monitor and manage risks through its Risk Management Framework, and where possible, attempt to mitigate the risk of adverse outcomes through the adoption of controls and mitigation strategies.

The following factors are all capable of having a material adverse effect on the Company's business, affecting the Company results and impacting the Company's prospects for future financial years.

#### Commodity Prices

The Company generates revenue from the sale of Manganese concentrate through long-term customer offtake and sales agreements. The commodity price is determined by external markets which are outside the Company's control, making it susceptible to adverse price movements. The Company uses foreign exchange hedging to manage commodity price and currency exchange risk. Declining commodity prices can impact the financial returns from existing operations. The Company closely monitors Manganese concentrate pricing and where necessary, can modify operations to minimise exposure to adverse price movements and maximise upside during times of above average pricing.

#### Production, Operating and Capital Costs

The Company's current and future financial performance and position are dependent on production levels achieved, as well as operating and a lesser extent capital cost outcome. Production activities can be subject to variation due to several factors including the local mine strip ratio, changes in ore characteristics. The Company's main operating costs include contractor costs, materials and diesel, personnel costs, and ore haulage and shipping costs.

Operating costs are subject to external economic conditions (including inflationary pressures both domestically and globally) which can impact the availability, cost, and quality of procured items. Examples could include the availability of spare parts, changes to diesel fuel or diesel fuel rebate, ore haulage and shipping prices, the availability of suitably qualified and experienced labour and maintenance parts and equipment.

Changes in the operating costs of the Company's mining and processing operations costs could occur due to unforeseen events, international and local economic and political events, and could result in changes in manganese reserve estimates. Many of these factors are beyond the Company's control, therefore E25 may be faced with varied production and higher operating costs in the future compared to current costs. The Company manages risks associated with costs through a centralised contracts and procurement function.

#### Transport Services

The Company's operations depend on the delivery of finished product to port and the delivery of materials, supplies, services, and equipment to the Butcherbird mine site. E25 is dependent on third parties for the provision of ore haulage, port, shipping, and other transportation services. Contractual disputes, port capacity issues, availability of trucks or vessels, labour disruptions, COVID-19 related travel restrictions, weather problems or other factors could have a material adverse effect on E25's ability to transport product and materials to meet schedules, which may in turn impact E25's business, results of operations and financial performance.

### 3.5. Governance controls

The Company 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.

### 3.6. 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. Mr 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.

**DIRECTORS REPORT**

Your directors submit their report on the consolidated entity (the **Group**, the **Company** or **E25**) consisting of Element 25 Limited and the entities it controlled at the end of, or during, the year ended 30 June 2022.

**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 and Duketon Mining Limited and is executive chairman of Danakali Limited. Mr Cornelius has not held any former directorships in the last three 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.

**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 the 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 three years.

**COMPANY SECRETARY****Michael Jordon**

B.Bus, CPA

Mr Jordon has extensive experience across many industries with a focus on manufacturing and service delivery sectors. He has most recently held positions of Chief Financial Officer and Chief Operating Officer and has been responsible for business start up development, merger and acquisition and business financing activities across Australia and Europe.

**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:

	<b>Ordinary Shares</b>	<b>Options over Ordinary Shares</b>
Seamus Cornelius	6,255,177	1,550,000
Justin Brown	7,405,360	3,100,000
John Ribbons	1,500,000	1,550,000

**PRINCIPAL ACTIVITIES**

During the year the Group commissioned the Stage 1 manganese processing plant at the Group's 100% owned Butcherbird Manganese (Project) located in Australia. First ore exports were completed followed by regular shipments to the Company's offtake partners. Metallurgical test work and feasibility studies were ongoing to construct a processing facility to convert the Butcherbird manganese ore into high purity manganese sulphate monohydrate for use in lithium-ion battery manufacture.

**DIVIDENDS**

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

**RESULTS**

The Company recognised revenue of \$26,932,732 (2021: Nil) in respect to the first year of shipments of ore from the Group's Project located in Australia and other income of \$396,664 (2021: \$1,281,474) in respect to the sale of minerals, research and development tax incentives and interest income.

During the period the Group incurred cost of sales of \$38,320,512 (2021: \$1,516,261) in respect to direct material and production costs attributable to the extraction, processing, and transportation of manganese ore.

During the year tenement acquisition and exploration expenditure incurred by the Group amounted to \$1,009,110 (2021: \$1,654,747). The Group recognised a net fair value loss on financial assets of \$1,338,163 (2021: \$16,711 fair value loss) and administration expenditure incurred amounted to \$2,705,630 (2021: \$2,154,769). Share based payment expense was \$Nil (2021: \$2,105,900). This has resulted in an operating loss after income tax for the year ended 30 June 2022 of \$17,546,770 (2021: \$6,494,415).

The Group had a cash balance of \$14,927,576 at 30 June 2022.

Summarised operating results are as follows:

	<b>2022 Revenue</b>	<b>2022 Results</b>
	<b>\$</b>	<b>\$</b>
Consolidated entity revenues and profit from ordinary activities before income tax expense	26,968,742	(17,546,769)

**Shareholder Return**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Basic and diluted loss per share (cents)	(11.61)	(4.96)

**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.

**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 28, 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 continue the mining operations at the Project located in Australia as well as advancing the planned High Purity Manganese Sulphate Monohydrate Plant.

**ENVIRONMENTAL REGULATION AND PERFORMANCE**

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is compliant 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 COVID 19 pandemic stands as a risk to the operations of the Company. To date, the Company has deployed a comprehensive set of control measures to ensure the safety of its personnel, together with alignment to government directives to support the broader community response to COVID 19. However, it is possible that the Company will be required to implement further measures to manage COVID 19. These measures have the potential to cause disruption and delays to operations and could require a total shut down of operations for a period. Any such measures implemented could increase unit operating costs, impact revenue and/or affect the saleability of product.



**REMUNERATION REPORT (AUDITED)**

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 E25 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 E25 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 10.0% for the 2022 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 \$350,000). 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.

**Use of remuneration consultants**

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2022.

**Voting and comments made at the Company's 2021 Annual General Meeting**

The Company received approximately 94% of "yes" votes on its remuneration report for the 2021 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**

The key management personnel of the Group include only the directors as per page 15. Details of the remuneration of the key management personnel of the Group are set out in the following table:

	Short-Term		Post-	Long-Term	Share-based	Total
	Salary & Fees	Non-Monetary	Employment Superannuation	Long Service Leave	Payments Options	
	\$	\$	\$	\$	\$	\$
Seamus Cornelius						
2022	<b>54,794</b>	-	<b>5,479</b>	-	-	<b>60,273</b>
2021	56,410	-	5,359	-	140,225	201,994
Justin Brown						
2022	<b>242,916</b>	-	<b>24,292</b>	<b>16,118</b>	-	<b>283,326</b>
2021	220,000	6,487	21,516	4,378	280,450	532,831
John Ribbons						
2022	<b>42,000</b>	-	-	-	-	<b>42,000</b>
2021	42,000	-	-	-	140,225	182,225
Total key management personnel compensation						
2022	<b>339,710</b>	-	<b>29,771</b>	<b>16,118</b>	-	<b>385,599</b>
2021	318,410	6,487	26,875	4,378	560,900	917,050

**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 \$275,000 (plus statutory superannuation), plus the provision of income protection insurance. Mr Brown's salary is reviewed on an annual basis. In addition, the Company has provided the following bonus incentives to Justin Brown:
  - Cash bonus of \$27,500 upon the Company achieving steady state nameplate production at the Project for a continuous period of not less than three months; and
  - Cash bonus of \$27,500 upon the Company achieving a cashflow positive quarter as reported in the Company's Appendix 5B to the ASX.
- 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 E25 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	Value per option at grant date <sup>(1)</sup>	Exercised Number	% Of Remuneration
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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	Value exercised (\$) <sup>(1)</sup>
Seamus Cornelius	500,000	\$0.20	\$450,000
Justin Brown	1,000,000	\$0.20	\$900,000
John Ribbons	500,000	\$0.20	\$450,000

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

<sup>(1)</sup> 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 number of shares in the Company held during the financial year by each director of E25 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.

	Balance at start of the year 1 July 2021	Acquired during the year on the exercise of options	Additions	Disposals	Balance at year end 30 June 2022
Seamus Cornelius	5,755,177	500,000	-	-	6,255,177
Justin Brown	6,405,360	1,000,000	-	-	7,405,360
John Ribbons	1,000,000	500,000	-	-	1,500,000

**Option holdings**

The options over ordinary shares in the Company held during the financial year by each director of E25 and other key management personnel of the Company, including their personally related parties, are set out below:

2022	Balance at start of the year 1 July 2021	Granted as compensation	Exercised	Balance at year end 30 June 2022	Vested and exercisable	Unvested
Seamus Cornelius	2,050,000	-	(500,000)	1,550,000	1,550,000	-
Justin Brown	4,100,000	-	(1,000,000)	3,100,000	3,100,000	-
John Ribbons	2,050,000	-	(500,000)	1,550,000	1,550,000	-

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 five meetings of directors. The attendance of directors at meetings of the Board were:

	Directors Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Meetings Attended	Meetings Eligible to Attend	Meetings Attended	Meetings Eligible to Attend	Meetings Attended	Meetings Eligible to Attend
Seamus Cornelius	6	6	2	2	1	1
Justin Brown	6	6	2	2	N/A	N/A
John Ribbons	6	6	2	2	1	1

**SHARES UNDER OPTION**

Unissued ordinary shares of E25 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
22 November 2019	20 November 2024	27.3	2,000,000
22 February 2019 and 26 June 2020	22 February 2024	26.0	500,000
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	300,000
4 November 2020	4 November 2025	120.9	1,980,000
22 December 2020	13 July 2025	44.0	1,000,000
<b>Total number of options outstanding at the date of this report</b>			<b>9,480,000</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, E25 paid a premium of \$100,732 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 Audit & Assurance Pty Ltd, 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 22.

Signed in accordance with a resolution of the directors



Justin Brown  
Managing Director  
Perth, 30 September 2022

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# ROTHSAY

AUDIT & ASSURANCE PTY LTD

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

As lead auditor of the audit of Element 25 Limited for the year ended 30 June 2022, 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 Audit & Assurance Pty Ltd



Daniel Dalla  
Director

30 September 2022



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**Corporate Governance Statement**

The Company's Corporate Governance Statement for the year ended 30 June 2022 which reports against ASX Corporate Governance Council's Principles and Recommendations may be accessed from the Company's website at [www.element25.com.au](http://www.element25.com.au).

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Consolidated Statement of Comprehensive Income  
For the Year Ended 30 June 2022



	Note	2022 \$	2021 \$
<b>REVENUE</b>	4	<b>26,968,742</b>	34,944
Other income	5	<b>360,654</b>	1,246,530
<b>COST OF SALES</b>			
Cost of sales	6	<b>(38,320,512)</b>	(1,516,261)
<b>EXPENDITURE</b>			
Exploration and pre-feasibility expenditure	15	<b>(1,009,110)</b>	(1,654,747)
Administration expenses	7	<b>(2,705,630)</b>	(2,154,769)
Depreciation expense	14	<b>(1,888,188)</b>	(165,437)
Foreign exchange expense		<b>461,837</b>	(37,612)
(Gain) / loss of modification of lease	16	-	(91,824)
(Gain) / loss of sale of asset	14	<b>2,631</b>	559
Fair value gain/(losses) on financial assets	12	<b>(1,338,163)</b>	16,711
Finance expense		<b>(79,030)</b>	(66,609)
Share-based payment expense	31(b)	-	(2,105,900)
<b>LOSS BEFORE INCOME TAX</b>		<b>(17,546,769)</b>	(6,494,415)
<b>INCOME TAX EXPENSE</b>	8	-	-
<b>LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF E25</b>		<b>(17,546,769)</b>	(6,494,415)
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		<b>3,802</b>	2,135
Other comprehensive income for the year, net of tax		<b>3,802</b>	2,135
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF E25</b>		<b>(17,542,967)</b>	(6,492,280)
<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)	30	<b>(11.61)</b>	(4.96)

*The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*



Consolidated Statement of Financial Position  
As at 30 June 2022



	Note	2022 \$	2021 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	14,927,576	34,822,585
Trade and other receivables	10	6,887,914	787,533
Inventory	11	7,030,335	5,438,698
Financial assets at fair value through profit or loss	12	2,054,254	3,329,903
<b>TOTAL CURRENT ASSETS</b>		<b>30,900,079</b>	<b>44,378,719</b>
<b>NON-CURRENT ASSETS</b>			
Restricted cash	13	628,535	783,215
Plant and equipment	14	21,651,705	22,416,095
Assets under construction		76,109	176,774
Deferred exploration and evaluation expenditure	15	489,548	94,021
Right of use asset	16	842,037	1,122,205
<b>TOTAL NON-CURRENT ASSETS</b>		<b>23,687,934</b>	<b>24,592,310</b>
<b>TOTAL ASSETS</b>		<b>54,588,013</b>	<b>68,971,029</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	7,324,502	4,899,441
Provisions	18	538,248	438,818
Lease liability	19	342,967	376,376
<b>TOTAL CURRENT LIABILITIES</b>		<b>8,205,717</b>	<b>5,714,635</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liability	19	547,284	781,437
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>547,284</b>	<b>781,437</b>
<b>TOTAL LIABILITIES</b>		<b>8,753,001</b>	<b>6,496,072</b>
<b>NET ASSETS</b>		<b>45,835,012</b>	<b>62,474,957</b>
<b>EQUITY</b>			
Issued capital	20	77,691,579	76,788,557
Reserves	21	5,838,104	5,834,302
Accumulated losses		(37,694,671)	(20,147,902)
<b>TOTAL EQUITY</b>		<b>45,835,012</b>	<b>62,474,957</b>

*The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.*

Consolidated Statement of Changes in Equity  
For the Year Ended 30 June 2022



	Note	Contributed Equity \$	Share-Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
<b>BALANCE AT 1 JULY 2020</b>		16,403,737	4,140,524	(42,257)	(13,653,487)	6,848,517
Loss for the year		-	-	-	(6,494,415)	(6,494,415)
<b>OTHER COMPREHENSIVE INCOME</b>						
Exchange differences on translation of foreign operations		-	-	2,135	-	<b>2,135</b>
<b>TOTAL COMPREHENSIVE LOSS</b>		-	-	<b>2,135</b>	<b>(6,494,415)</b>	<b>(6,492,280)</b>
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>						
Shares issued during the year	20	62,759,000	-	-	-	62,759,000
Share issue transaction costs	20	(2,374,180)	-	-	-	(2,374,180)
Employee and consultant share-based payments	31(b)	-	1,733,900	-	-	1,733,900
<b>BALANCE AT 30 JUNE 2021</b>		<b>76,788,557</b>	<b>5,874,424</b>	<b>(40,122)</b>	<b>(20,147,902)</b>	<b>62,474,957</b>
Loss for the year		-	-	-	(17,546,769)	(17,546,769)
<b>OTHER COMPREHENSIVE INCOME</b>						
Exchange differences on translation of foreign operations		-	-	3,802	-	<b>3,802</b>
<b>TOTAL COMPREHENSIVE LOSS</b>		-	-	<b>3,802</b>	<b>(17,546,769)</b>	<b>(17,542,967)</b>
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>						
Shares issued during the year	20	907,679	-	-	-	<b>907,679</b>
Share issue transaction costs	20	(4,657)	-	-	-	<b>(4,657)</b>
Employee and consultant share-based payments	31(b)	-	-	-	-	-
<b>BALANCE AT 30 JUNE 2022</b>		<b>77,691,579</b>	<b>5,874,424</b>	<b>(36,320)</b>	<b>(37,694,671)</b>	<b>45,835,012</b>

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

Consolidated Statement of Cash Flows  
For the Year Ended 30 June 2022



	Note	2022 \$	2021 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		21,149,000	-
Payments to suppliers and employees		(41,220,442)	(30,202,423)
Interest received		36,010	35,248
Proceeds on sale of mining interests		330,000	1,060,000
Proceeds from disposal of financial assets at fair value through profit or loss		-	1,602,973
Interest and other financing costs paid		(50,090)	-
Other government grants received		137,902	686,515
Movement of cash from non-restricted to restricted		154,680	(783,215)
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	29	<b>(19,462,940)</b>	<b>(27,600,902)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for plant and equipment		(1,514,115)	(282,118)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(1,514,115)</b>	<b>(282,118)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of ordinary shares	20	907,679	62,744,000
Payment of share issue transaction costs	20	(4,581)	(2,374,180)
Principal elements of lease payments		(368,541)	(325,911)
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b>534,558</b>	<b>60,043,909</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(20,442,498)</b>	<b>32,160,889</b>
Cash and cash equivalents at the beginning of the financial year		34,822,585	2,697,175
Effects of exchange rate changes on cash and cash equivalents		547,489	(35,479)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	9	<b>14,927,576</b>	<b>34,822,585</b>

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*

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## 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 E25 and its subsidiaries. The financial statements are presented in the Australian currency. E25 is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 30 September 2022. 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. E25 is a for-profit entity for the purpose of preparing the financial statements.

#### (i) Compliance with IFRS

The consolidated financial statements of the E25 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 reviewed all 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. The Group has determined that there are no new, revised or amending Accounting Standards and Interpretations issued by the AASB that has an impact on the Group in the current reporting period.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 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.

#### (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 E25.

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 E25 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

##### (i) Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance

obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

(ii) Revenue from interest

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.

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**

The Group enters into contractual arrangements for the leases of mining plant, vehicles, buildings and other assets.

The nature of these arrangements can be lease contracts or service contracts with embedded assets. Typically, the duration of these contracts is for periods of between two and four years, some of which include extension options.

Leases are recognised on the balance sheet as a right of use asset, representing the lessee's entitlement to the benefits of the identified asset over the lease term, and a lease liability representing the lessee's obligation to make the lease payments. Each lease payment is allocated between its liability and finance cost component. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is amortised on a straight-line basis over the shorter of the useful life of the asset and lease term. When the right of use asset is used in the extraction, processing and transportation of ore, depreciation is included in inventory.

Liabilities arising from contractual arrangements which contain leases are initially measured at the present value of the future lease payments. These payments include the present value of fixed payments prescribed in the contract; variable lease payments based on

an index or prescribed rate; amounts expected to be payable by the lessor under residual value guarantees; and exercise price of a purchase option if it is reasonably certain that the option will be exercised.

Right of use assets are initially measured at the amount of the initial lease liability plus any lease payments at or before commencement date less incentives received, plus any initial direct costs, and any costs required for dismantling and rehabilitation. Right of use assets are subsequently measured at cost less any accumulated depreciation and accumulated impairment losses; and any adjustment for remeasurement of the lease liability. Lease liabilities are subsequently measured at present value, adjusted for any variations to the underlying contract terms.

Lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be determined, the Group's incremental borrowing rate is used, which is the rate which the Group would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment over a similar term and security.

Payments for short term leases and low value assets are recognised on a straight-line basis as an expense in the income statement. Short term leases are for a period of 12 months or less and contracts involving low value assets typically comprise small items of IT hardware and minor sundry assets.

#### **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.

##### **(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

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.

### **I. Inventories**

Diesel fuel stock, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost for raw materials and stores is determined as the purchase price. For partly processed and saleable manganese, cost is based on the weighted average cost method and includes:

- Material and production costs directly attributable to the extraction, processing and transportation of manganese to the existing location;
- Production and transportation overheads; and
- Depreciation of property, plant and equipment used in the extraction, processing and transportation of manganese.

Manganese ore stockpiles represent manganese ore that has been extracted and is available for further processing or sale. Quantities are assessed primarily through internal and third party surveys. Where there is an indication that inventories are obsolete, damaged or



recorded above net realisable value, these inventories are written down to net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**m. 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 straight line method over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The estimated useful lives for the principal categories of property, plant and equipment depreciated on a straight line basis are as follows:

- Buildings – 10 years
- IT equipment – 3 years
- Mine, property and development – 10 to 40 years
- Plant and equipment – 5 to 15 years

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.

**n. Assets under construction**

The cost of assets includes the cost of materials and direct labour and any other costs directly attributable to bringing an asset to a working condition ready for its intended use. Assets under construction are recognised separately in assets under development. Upon commissioning, which is the date when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management, the assets are transferred into property, plant and equipment.

**o. Exploration and evaluation costs**

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

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:
  - the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

**p. 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.

**q. 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.

(iii) 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 31.

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.

**r. 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.

**s. 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.

**t. 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.

**u. 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:

(i) 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 31.

(ii) 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.

(iii) 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 United States Dollar.

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.

#### Sensitivity analysis

At 30 June 2022, if the value of the assets held in foreign currency had increased/decreased by 5% with all other variables held constant, post-tax loss for the Group would have been \$307,348 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 (2021: \$Nil lower/higher post-tax loss).

#### (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 2022, 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 \$308,138 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 (2021: \$499,485 lower/higher post-tax loss).

#### (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 \$14,927,576 (2021: \$34,822,585) 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 0.15% (2021: 0.16%).

#### Sensitivity analysis

At 30 June 2022, 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 \$117,000 higher/lower (2021: \$113,000 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.

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

	2022	2021
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	14,927,576	34,822,585
Restricted cash	628,535	783,215
Trade and other receivables	6,887,914	787,533
Financial assets at fair value through profit or loss	2,054,254	3,329,903
<b>Total Financial Assets</b>	<b>24,498,279</b>	<b>39,723,236</b>
<b>Financial Liabilities</b>		
Trade and other payables	7,324,502	4,899,441
<b>TOTAL Financial Liabilities</b>	<b>7,324,502</b>	<b>4,899,441</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 2022</b>				
Financial assets at fair value through profit or loss	2,054,254	-	-	2,054,254
<b>Total</b>	<b>2,054,254</b>	<b>-</b>	<b>-</b>	<b>2,054,254</b>
<b>30 June 2021</b>				
Financial assets at fair value through profit or loss	3,329,903	-	-	3,329,903
<b>Total</b>	<b>3,329,903</b>	<b>-</b>	<b>-</b>	<b>3,329,903</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.

	Australia		France		Total	
	2022 \$	2021 \$	2022 \$	2021 \$	2022 \$	2021 \$
<b>Segment Revenue</b>						
Revenue	<b>26,968,742</b>	34,944	-	-	<b>26,968,742</b>	34,944
<b>Total revenue</b>	<b>26,968,742</b>	34,944	<b>-</b>	<b>-</b>	<b>26,968,742</b>	34,944
<b>Segment Results</b>						
Revenue	<b>26,968,742</b>	34,944	-	-	<b>26,968,742</b>	34,944
Other income	<b>360,654</b>	1,246,530	-	-	<b>360,654</b>	1,246,530
Other cost of sales and expenses	<b>(44,822,692)</b>	(7,713,266)	<b>(53,473)</b>	(62,623)	<b>(44,876,165)</b>	(7,775,889)
<b>Net (loss) before tax</b>	<b>(17,493,296)</b>	(6,431,792)	<b>(53,473)</b>	(62,623)	<b>(17,546,769)</b>	(6,494,415)

**Operating Assets**

Segment operating assets	<b>54,572,168</b>	68,957,229	<b>15,845</b>	13,800	<b>54,588,013</b>	68,971,029
<b>Total assets</b>	<b>54,572,168</b>	68,957,229	<b>15,845</b>	13,800	<b>54,588,013</b>	68,971,029

**4. REVENUE**

	<b>2022</b>	<b>2021</b>
	\$	\$
Revenue from contracts with customers	26,932,732	-
Interest revenue	36,010	34,944
<b>Total</b>	<b>26,968,742</b>	<b>34,944</b>

The Company primarily generates revenue from the sales of manganese ore to customers. Revenue is recognised when the performance obligations are met and the control of the product has passed to the customer. The material performance obligations to be met are the delivery of the contracted quantity of manganese ore to Port Headland at the contracted grade.

Customer sales contracts are denominated in United States Dollars with the final pricing determined by product grade and quantity of the product passed to the customer. The Company has a long term sales agreement with OM Materials (Singapore) Pte Ltd for the supply of manganese ore on a FOB basis.

**5. OTHER INCOME**

	<b>2022</b>	<b>2021</b>
	\$	\$
Net gain on sale of mining interests	205,000	560,000
Research and development tax incentive	-	636,515
Government grant funding	137,902	50,000
Other income	17,752	15
<b>Total</b>	<b>360,654</b>	<b>1,246,530</b>

**6. COST OF SALES**

	<b>2022</b>	<b>2021</b>
	\$	\$
Mining costs	(8,865,101)	(2,856,303)
Processing costs	(8,839,363)	(1,416,922)
Site administration costs	(3,237,202)	(1,199,260)
Haulage costs	(11,768,742)	(847,308)
Port and shipping	(4,854,607)	-
Sales and marketing costs	(274,104)	(73,096)
Royalty costs	(1,818,424)	(141,555)
Depreciation of right of use assets	(260,586)	(340,116)
Inventory movement	1,597,617	5,358,299
<b>Total</b>	<b>(38,320,512)</b>	<b>(1,516,261)</b>

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**7. ADMINISTRATION EXPENSES**

	2022	2021
	\$	\$
Director fees, salaries and wages and other staff costs	(694,805)	(741,030)
Consultants	(738,885)	(489,391)
ASX and other compliance costs	(182,938)	(266,696)
Insurance	(301,332)	(96,971)
Occupancy	(139,512)	(90,250)
Investor relation expenses	(130,966)	(138,026)
Depreciation of right of use assets	(250,497)	-
Other administration expenses	(266,695)	(332,405)
<b>Total</b>	<b>(2,705,630)</b>	<b>(2,154,769)</b>

**8. INCOME TAX**

	2022	2021
	\$	\$
<b>a) Income tax benefit</b>		
Current tax	-	-
Deferred tax	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>b) Reconciliation of income tax expense/(benefit) to prima facie tax payable</b>		
(Loss) from continuing operations before income tax expense	(17,548,454)	(6,494,415)
Prima facie tax (benefit)/expense at the Australian tax rate of 25.0% (2021: 26.0%)	(4,387,113)	(1,688,548)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	105,500	547,534
Other	283,451	(153,578)
<b>Total</b>	<b>(3,998,162)</b>	<b>(1,294,592)</b>
Movements in unrecognised temporary differences	188,183	501,927
Tax effect of current year tax losses for which no deferred tax asset has been recognised	3,809,979	792,665
Income tax expense/(benefit)	-	-
<b>c) Recognising temporary differences</b>		
<b>Deferred Tax Assets at 25.0% (2021: 26.0%)</b>		
<i>On Income Tax Account</i>		
Capital raising expenses	359,059	-
Accruals and provisions	157,714	179,993
Lease liabilities	222,563	48,422
Capitalised project expenditure	1,243,909	-
Australian carry forward tax losses	2,487,803	-
<b>Total</b>	<b>4,471,048</b>	<b>228,415</b>



**Deferred Tax Liabilities at 25.0% (2021: 26.0%)**

Financial assets at fair value through profit or loss	-	179,993
Unrealised FX on cash balances	156,113	
Property, Plant & Equipment	4,104,426	
Accrued income	210,509	48,422
<b>Total</b>	<b>4,471,048</b>	<b>228,415</b>

**d) Unrecognising temporary differences**

**Deferred Tax Assets at 25.0% (2021: 26.0%)**

*On Income Tax Account*

Capital raising expenses	-	496,950
Capitalised mine development costs	-	403,363
Accruals and provisions	-	56,047
AASB 16 lease liability	-	2,346
Foreign carry forward tax losses	224,071	233,034
Australian carry forward tax losses	7,043,878	2,320,596
<b>Total</b>	<b>7,267,949</b>	<b>3,512,336</b>

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 progressively increased until it reached \$50 million in the 2020 financial year. For the 2021 financial year, the tax rate decreased to 26% and then 25% for the 2022 and later financial years. Element 25 Limited satisfies the criteria to be a base rate entity.

**9. CASH AND CASH EQUIVALENTS**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	14,927,576	34,822,585
Short-term deposits	-	-
<b>Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows</b>	<b>14,927,576</b>	<b>34,822,585</b>

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.

**10. TRADE AND OTHER RECEIVABLES**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	5,831,340	-

Sundry receivables	717,029	563,683
Prepayments	339,545	223,850
<b>Total</b>	<b>6,887,914</b>	<b>787,533</b>

**11. INVENTORY**

	2022	2021
	\$	\$
Manganese ore stockpiles	6,970,001	5,358,299
Warehouse stores and materials	60,334	80,399
<b>Total</b>	<b>7,030,335</b>	<b>5,438,698</b>

**12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2022	2021
	\$	\$
Australian listed equity securities	2,054,254	3,329,903
<b>Total</b>	<b>2,054,254</b>	<b>3,329,903</b>

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.

**13. RESTRICTED CASH**

	2022	2021
	\$	\$
Bank guarantees and term deposits	628,535	783,215
<b>Total</b>	<b>628,535</b>	<b>783,215</b>

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14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	IT Equipment	Mine Properties and Development	Plant and Equipment	Total
	\$	\$	\$	\$	\$
<b>Carrying amount – at cost</b>					
At 30 June 2020	-	25,227	-	67,143	92,370
Additions	4,773,729	282,860	6,303,844	11,214,414	22,574,847
Disposals	-	(11,850)	-	-	(11,850)
Other	-	(9,378)	-	-	(9,378)
At 30 June 2021	4,773,729	286,859	6,303,844	11,281,557	22,645,989
Additions	-	-	902,222	352,637	1,254,859
Disposals	-	-	-	-	-
Other	(123,407)	(7,654)	-	-	(131,061)
At 30 June 2022	4,650,322	279,205	7,206,066	11,634,194	23,769,787
<b>Accumulated depreciation</b>					
At 30 June 2020	-	(18,359)	-	(67,143)	(85,502)
Depreciation expense	(40,978)	(15,914)	(15,925)	(92,620)	(165,437)
Disposals	-	12,409	-	-	12,409
Other	-	8,636	-	-	8,636
At 30 June 2021	(40,978)	(13,228)	(15,925)	(159,763)	(229,894)
Depreciation expense	(480,269)	(93,177)	(197,020)	(1,117,722)	(1,888,188)
Disposals	-	-	-	-	-
Other	-	-	-	-	-
At 30 June 2022	(521,247)	(106,405)	(212,945)	(1,277,485)	(2,118,082)
<b>Net book value</b>					
At 30 June 2020	-	6,868	-	-	6,868
Additions	4,773,729	282,860	6,303,844	11,214,414	22,574,847
Depreciation expense	(40,978)	(15,914)	(15,925)	(92,620)	(165,437)
Disposals	-	559	-	-	559
Other	-	(742)	-	-	(742)
At 30 June 2021	4,732,751	273,631	6,287,919	11,121,794	22,416,095
Additions	-	-	902,222	352,637	1,254,859
Depreciation expense	(480,269)	(93,177)	(197,020)	(1,117,722)	(1,888,188)
Disposals	-	-	-	-	-
Other	(123,407)	(7,654)	-	-	(131,061)
At 30 June 2022	4,129,075	172,800	6,993,121	10,356,709	21,651,705

**15. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE**

	2022	2021
	\$	\$
Balance at the beginning of the period	94,021	-
Expenditure incurred	489,548	1,748,768
Impairment expense	(94,021)	(1,654,747)
<b>Balance at the end of the period</b>	<b>489,548</b>	<b>94,021</b>

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

**16. RIGHT OF USE ASSET**

	2022	2021
	\$	\$
Cost	2,693,172	2,462,257
Accumulated depreciation	(1,851,135)	(1,340,052)
	<b>842,037</b>	<b>1,122,205</b>
Balance as at beginning of year	<b>1,122,205</b>	-
Acquisition of plant and equipment by means of finance leases	<b>230,915</b>	<b>2,462,257</b>
Depreciation of right of use assets	<b>(511,083)</b>	<b>(340,116)</b>
Lease liability on modification of lease	(a) -	<b>(908,112)</b>
(Gain) / loss of modification of lease	(a) -	<b>(91,824)</b>
Balance at end of year	<b>842,037</b>	<b>1,122,205</b>

Leased assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. On initial adoption of AASB 16 the Group has adjusted the right-of-use assets at the date of initial application by the amount of any provision for onerous leases recognised immediately before the date of initial application. Following initial application, an impairment review is undertaken for any right of use lease asset that shows indicators of impairment and an impairment loss is recognised against any right of use lease assets that is impaired.

(a) On 5 October 2020, the Company entered into a lease agreement for the lease of portable accommodation units for use at the Butcherbird site. The agreement was for a period of 2 years. On 7 April 2021, the Company elected to exercise its option to purchase the accommodation units hence terminated the lease early.

**17. TRADE AND OTHER PAYABLES**

	2022	2021
	\$	\$
Trade payables	4,794,097	755,569
Other payables and accruals	2,530,405	4,143,872
	<b>7,324,502</b>	<b>4,899,441</b>

18. PROVISIONS

	2022	2021
	\$	\$
Current		
Employee entitlements	506,402	338,045
Provision for payroll tax	31,846	100,773
	<b>538,248</b>	<b>438,818</b>
Non-Current		
Employee entitlements	-	-
	-	-

19. INTEREST BEARING LEASE LIABILITIES

	2022	2021
	\$	\$
Current		
Lease liabilities	342,967	376,376
	<b>342,967</b>	<b>376,376</b>
Non-Current		
Lease liabilities	547,284	781,437
	<b>547,284</b>	<b>781,437</b>

20. ISSUED CAPITAL

		2022	2022	2021	2021
		Number of	\$	Number of	\$
		Shares		Shares	
Ordinary shares fully paid	20(a)	<b>152,710,369</b>	77,691,579	<b>148,790,369</b>	76,788,557
Total issued capital		<b>152,710,369</b>	77,691,579	<b>148,790,369</b>	76,788,557

		2022	2022	2021	2021
		Number of	\$	Number of	\$
		Shares		Shares	
a) Movement in ordinary share capital					
Balance at the beginning of the financial year		<b>148,790,369</b>	76,788,557	<b>98,362,274</b>	16,403,737
- Controlled placement agreement collateral shares	(a)	-	-	-	9,200,000
- Placement	(b)	-	-	<b>37,386,364</b>	48,750,000
- Exercise of options	(c)	<b>3,920,000</b>	907,679	<b>4,950,000</b>	1,565,000
- Share purchase plan	(d)	-	-	<b>8,072,500</b>	3,229,000
- Shares issued in settlement of liabilities		-	-	<b>19,231</b>	15,000
Transaction costs		-	(4,657)	-	(2,374,180)
Total issued capital		<b>152,710,369</b>	77,691,579	<b>148,790,369</b>	76,788,557

(a) The 4,800,000 collateral shares were issued pursuant to a controlled placement agreement (CPA) with Acuity Capital that provided up to \$2 million of standby equity capital to 31 January 2022. Under the terms of the CPA, the Company retained full control of all aspects of the placement process: having sole discretion as to whether 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. During the 2021 year, the Company agreed to set-off the collateral shares at a deemed price of \$1.9167 per share to raise funds of \$9,200,000.

(b) During the year ended 30 June 2021, the Company issued the following shares:

- In July 2020, the Company issued 8,750,000 fully paid shares at an issue price of \$0.40 to raise funds of \$3,500,000
- In October 2020, the Company issued 8,800,000 fully paid shares at an issue price of \$0.78 to raise funds of \$6,864,000
- In November 2020, the Company issued 3,700,000 fully paid shares at an issue price of \$0.78 to raise funds of \$2,886,000
- In March 2021, the Company issued 16,136,364 fully paid shares at an issue price of \$2.20 to raise funds of \$35,500,000

(c) During the year ending 30 June 2022, the Company issued the following shares upon the exercise of options:

- On 23 November 2021 the Company issued 2,000,000 shares upon the exercise of options of \$0.20 per share which expire on 24 November 2021
- On 23 November 2021 the Company issued 500,000 shares upon the exercise of options of \$0.20 per share which expire on 1 April 2025
- On 23 November 2021 the Company issued 300,000 shares upon the exercise of options of \$0.325 per share which expire on 3 November 2022
- On 23 November 2021 the Company issued 1,000,000 shares upon the exercise of options of \$0.26 per share which expire on 22 February 2024
- On 14 January 2022 the Company issued 100,000 shares upon the exercise of options of \$0.26 per share which expire on 22 February 2024
- On 14 January 2022 the Company issued 20,000 shares upon the exercise of options of \$1.209 per share which expire on 4 November 2025

During the year ended 30 June 2021, the Company issued the following shares upon the exercise of options:

- On 14 July 2020, the Company issued 500,000 shares upon the exercise of options of \$0.30 per share which expire on 22 August 2020
- On 27 July 2020, the Company issued 500,000 shares upon the exercise of options of \$0.30 per share which expire on 22 August 2020
- On 19 August 2020, the Company issued 500,000 shares upon the exercise of options of \$0.26 per share which expire on 22 February 2024
- On 19 August 2020, the Company issued 1,000,000 shares upon the exercise of options of \$0.30 per share which expire on 22 August 2020
- On 26 October 2020, the Company issued 2,200,000 shares upon the exercise of options of \$0.35 per share which expire on 20 November 2020
- On 21 December 2020, the Company issued 250,000 shares upon the exercise of options of \$0.26 per share which expire on 22 February 2024

(d) On 23 July 2020, the Company issued 8,072,500 shares pursuant to a share purchase plan to raise funds of \$3,229,000.

	2022	2021
	\$	\$
b) Movement in options on issue		
Beginning of the financial year	13,400,000	15,350,000
issued during the year		
– Exercisable at \$1.209, on or before 4 November 2025	-	2,000,000
– Exercisable at 44.0 cents, on or before 13 July 2025	-	1,000,000
Exercised during the year		
– At 30.0 cents, on or before 22 August 2020	-	(2,000,000)
– At 26.0 cents, on or before 22 February 2024	-	(750,000)
– At 35.0 cents, on or before 20 November 2020	-	(2,200,000)
Exercised during the year		
– At 20.0 cents, on of before 23 November 2021	(2,000,000)	-
– At 26.0 cents, on or before 23 November 2021	(1,000,000)	-
– At 32.5 cents, on of before 23 November 2021	(300,000)	-
– At 20.0 cents, on or before 23 November 2021	(500,000)	-
– At 26.0 cents, on or before 18 January 2022	(100,000)	-
– At \$1.209, on or before 18 January 2022	(20,000)	-
	<b>9,480,000</b>	<b>13,400,000</b>

c) 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.

d) 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, 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 operating expenditure and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements. The working capital position of the Group at 30 June 2022 and 30 June 2021 are as follows:

	2022	2021
	\$	\$
Cash and cash equivalents	14,927,576	34,822,585
Restricted cash	628,535	783,215
Trade and other receivables	6,887,914	787,533
Financial assets at fair value through profit or loss	2,054,254	3,329,903
Trade and other payables	(7,324,502)	(4,899,441)
Employee benefit obligations (current)	(538,248)	(438,818)
<b>Working capital position</b>	<b>16,635,529</b>	<b>34,384,977</b>

**21. RESERVES**

		2022	2021
		\$	\$
Foreign currency translation reserve	(a)	(36,320)	(40,122)
Share-based payments reserve	(b)	5,874,424	5,874,424
		<b>5,874,424</b>	<b>5,834,302</b>

a. 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.

b. Share-based payments reserve

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

**22. DIVIDENDS**

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

**23. 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:

	2022	2021
	\$	\$
Rothsay Auditing & Assurance Pty Ltd (2021: Rothsay Auditing) - audit and review of financial reports	54,000	54,000
<b>Total remuneration for audit services</b>	<b>54,000</b>	<b>54,000</b>

**24. CONTINGENCIES**

There are no material contingent assets or liabilities of the Company at balance date.

**25. COMMITMENTS**

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:

	2022	2021
	\$	\$
Within one year	508,700	476,600
Later than one year but not later than five years	1,336,800	816,800
Later than five years	2,039,800	2,185,500
	<b>3,885,300</b>	<b>3,479,000</b>



**26. 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 27.

c) Key management personnel compensation

	2022	2021
	\$	\$
Short-term benefits	339,710	324,897
Post-employment benefits	29,771	26,875
Other long-term benefits	16,118	4,378
Share-based payments	-	560,900
	<b>385,599</b>	<b>917,050</b>

d) Loans to related parties

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

**27. SUBSIDIARIES**

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	2022 Equity Holding %	2021 Equity Holding %
Cordier Mines SAS	France	Ordinary	100	100
Element 25 Butcherbird Project Pty Ltd	Australia	Ordinary	100	100

**28. SUBSEQUENT EVENTS**

On 5 September 2022, the Group established a new subsidiary Element 25 (Malaysia) SDN. BHD. to facilitate the HPMSM project.

No other matter or circumstance has arisen since 30 June 2022, 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.

29. CASHFLOW INFORMATION

	2022	2021
	\$	\$
<b>Reconciliation of (loss)/profit after income tax to net cash outflow from operating activities</b>		
(Loss) for the year	(17,546,769)	(6,494,415)
Non-cash items		
– Depreciation of non-current assets	1,888,188	165,436
– Employee and consultants share-based payments	-	2,105,900
– Fair value of financial assets received on sale of mining interests	-	500,000
– Fair value of financial assets disposed as consideration for expenses	-	613,663
– Lease payments	-	325,910
– Net exchange differences and other	(542,509)	(64,517)
– Impairment of non current assets	55,236	-
– Amortisation of right of use assets	511,083	-
Change in operating assets and liabilities:		
– (Increase)/decrease in trade and other receivables	(6,010,400)	396,884
– Decrease in financial assets at fair value through profit or loss	1,338,163	972,599
– (Increase)/decrease in inventory	(1,591,637)	-
– Increase in trade and other payables	2,345,725	(3,793,246)
– (Increase)/decrease in development costs	-	(22,126,550)
– Increase in employee benefit obligations	89,980	(202,566)
<b>Net cash outflow from operating activities</b>	<b>(19,462,940)</b>	<b>(27,600,902)</b>

30. LOSS PER SHARE

a) Reconciliation of earnings used in calculating loss per share

	2022	2021
	\$	\$
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	<b>(17,546,769)</b>	<b>(6,494,415)</b>

b) Weighted average number of shares used as the denominator

	2022	2021
	\$	\$
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	<b>151,131,743</b>	<b>130,874,588</b>

c) Information on the classification of options

As the Group made a loss for the year ended 30 June 2022, 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.

### 31. SHARE-BASED PAYMENTS

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

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 2022 range from 26.00 cents to \$1.209 per option, with expiry dates ranging from 3 November 2022 to 4 November 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 Nil cents (2021: 57.8 cents). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2022	2021
	\$	\$
Weighted average exercise price	-	1.209
Weighted average life of the option (years)	-	3.6
Weighted average underlying share price (cents)	-	88.50
Expected share price volatility	-	89.5%
Risk free interest rate	-	0.26%

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:

	2022	2022	2021	2021
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	13,400,000	42.6	15,350,000	28.8
Granted	-	-	3,000,000	95.3
Forfeited	-	-	-	-
Exercised	(3,920,000)	23.2	(4,950,000)	31.6
Expired	-	-	-	-
Outstanding at year-end	9,480,000	50.7	13,400,000	42.6
Exercisable at year-end	9,480,000	50.7	13,400,000	42.6

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 2.1 years (2021: 2.7 years), and the exercise prices range from 26.00 cents to \$1.209

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

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	2022	2021
	\$	\$
Options granted to employees and contractors expensed to profit or loss	-	2,105,900

**32. PARENT ENTITY INFORMATION**

The following information relates to the parent entity, Element 25 Limited, at 30 June 2022. The information presented here has been prepared using accounting policies consistent with those presented in note 1.

	2022	2021
	\$	\$
Current assets	<b>30,884,234</b>	44,364,919
Non-current assets	<b>23,687,934</b>	24,592,310
Total assets	<b>54,572,168</b>	68,957,229
Current liabilities	<b>8,201,920</b>	5,707,317
Non-current liabilities	<b>547,284</b>	781,437
Total liabilities	<b>8,749,204</b>	6,488,754
Issued capital	<b>77,691,579</b>	76,416,557
Share-based payments reserve	<b>5,874,424</b>	5,874,424
Accumulated losses	<b>(37,743,039)</b>	(19,822,506)
Total equity	<b>45,822,964</b>	62,468,475
Loss for the year	<b>(17,548,533)</b>	(6,122,579)
Total comprehensive loss for the year	<b>(17,548,533)</b>	(6,122,579)

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In the directors' opinion:

- (a) the financial statements and notes set out on pages 24 to 52 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 2022 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, 30 September 2022

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# ROTHSAY

AUDIT & ASSURANCE PTY LTD

## 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 2022, 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 2022 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 (including Independence Standards)* (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.

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**CHARTERED ACCOUNTANTS**  
AUSTRALIA - NEW ZEALAND



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

<b><i>Key Audit Matter - Assessment for impairment</i></b>	<b><i>How our Audit Addressed the Key Audit Matter</i></b>
<p>The carrying value of the Group's plant and equipment and assets under construction is \$22.2 million at 30 June 2022.</p> <p>We considered this to be a key audit matter as assessment for impairment of these assets is subject to a significant level of judgement.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"><li>• Assessing whether indicators of impairment existed as of 30 June 2022 based on our knowledge of the group and the industry;</li><li>• Reviewing management's discounted cash flow model for the reasonableness of inputs and assumptions used; and</li><li>• Assessing the adequacy of the related disclosures in the financial statements.</li></ul>
<b><i>Key Audit Matter - Recoverable Value of Inventory</i></b>	<b><i>How our Audit Addressed the Key Audit Matter</i></b>
<p>The Group's inventory is recorded in the financial statements at \$7 million at 30 June 2022. The Group is required to carry its inventory of the lower of cost or net realisable value in accordance with AASB 102 <i>Inventories</i>. The Group's accounting policy is disclosed in Note 1(l).</p> <p>We considered this to be a key audit matter due to its significance and the judgement involved in assessing whether it is recorded at the lower of cost and net realisable value in accordance with AASB 102.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"><li>• Assessing the Group's inventory valuation methodology for compliance with Australian Accounting Standards;</li><li>• Selecting a sample of costs capitalised as inventory and agreeing the balances to supporting documentation;</li><li>• Reviewing the accuracy of the inventory valuation model and comparing inputs with third party documentation;</li><li>• Assessing whether the recorded value was at the lower of cost and net realisable value; and</li><li>• Assessing the adequacy of the related disclosure in the financial statements.</li></ul>



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

### ELEMENT 25 LIMITED (continued)

#### ***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 2022, 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.

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.





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

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.

***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 2022.

In our opinion the remuneration report of Element 25 Limited for the year ended 30 June 2022 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 Audit & Assurance Pty Ltd

Daniel Dalla  
Director

Dated 30 September 2022

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 17 September 2022.

**a) Distribution of equity securities**

1	-	1,000
1,001	-	5,000
5,001	-	10,000
10,001	-	100,000
100,001		and over

The number of equity security holders holding less than a marketable parcel of securities are:

**b) Twenty largest shareholders**

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

Ordinary shares	
Number of holders	Number of shares
871	474,101
1,212	3,264,328
490	3,887,446
852	27,036,888
180	118,047,606
3,605	152,710,369
478	149,523

Listed ordinary shares	
Number of shares	Percentage of ordinary shares
12,782,548	8.37
6,598,215	4.32
6,585,440	4.31
5,804,006	3.80
5,265,693	3.45
5,239,079	3.43
4,177,974	2.74
3,134,859	2.05
3,000,000	1.96
2,973,665	1.95
2,709,629	1.77
2,703,208	1.77
2,458,907	1.61
2,000,000	1.31
1,600,000	1.05
1,558,682	1.02
1,500,000	0.98
1,422,500	0.93
1,419,063	0.93
1,382,733	0.91
74,316,201	48.67

1	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM
2	ARADIA VENTURES PTY LTD <J & A BROWN FAMILY A/C>
3	RANGUTA LIMITED
4	MR LIAM RAYMOND CORNELIUS
5	CITICORP NOMINEES PTY LIMITED
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED
7	DUKETON MINING LIMITED
9	MR JACOBUS GERARDUS DE JONG
9	DUKETON CONSOLIDATED PTY LTD
10	BNP PARIBAS NOMS PTY LTD <DRP>
11	SINO WEST ASSETS PTY LTD
12	MR PHILLIP RICHARD PERRY
13	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>
14	MR PAUL HARTLEY WATTS
15	HAYES INVESTMENTS CO PTY LTD
16	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>
17	MRS ANTOINETTE JANET RIBBONS
18	MR ROHAIN IAN CORNELIUS
19	KAPT ENTERPRISES PTY LTD
20	MR SEAMUS IAN CORNELIUS

**c) Substantial shareholders**

There were no substantial shareholders at 30 June 2022 who have notified the Company in accordance with section 671B of the Corporations Act 2001.

**d) Voting rights**

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

**e) Schedule of interests in mining tenements as at 17 September 2022**

Tenement Reference	Location	Percentage held / earning
E20/659	Eelya Hill WA	10%
E28/2577	Pinnacles WA	100%
E28/2761	Flanker South WA	100%
E46/1366	Black Hill WA	100%
E52/1529	Mt Padbury WA	100% (Note 1)
E52/2350	Butcher Bird WA	100%
E52/3606	Yanneri Bore WA	100%
E52/3706	Yanneri Pool WA	100%
E52/3735	Limestone Bore WA	100%
E52/3769	Kumarina WA	100%
E52/3779	Beyondie Bluff WA	100%
E52/3858	Yanneri Well WA	100%
E52/4022	Corner Bore WA	100%
E52/4055	Weelarrana WA	100%
E52/4064	Neds Gap WA	100%
E52/4149	Neds Gap WA	100%
E52/4153	Yanneri Well WA	100%
E52/4155	Weelarrana WA	100%
L52/211	Limestone Bore WA	100%
L52/215	Butcherbird East 1 WA	100%
L52/216	Butcherbird East 2 WA	100%
L52/217	Butcherbird East 3 WA	100%
L52/218	Butcherbird East 4 WA	100%
L52/220	Butcherbird East 5 WA	100%
L52/221	Butcherbird East 6 WA	100%
L52/225	Butcherbird East 7 WA	100%
M52/1074	Yaneri Ridge WA	100%
E57/1060	Victory Well WA	20%
E63/2027	Lake Johnston WA	100%

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

**f) Unquoted Securities**

At 17 September 2022, the Company had the following unlisted securities on issue:

<b>Name</b>	<b>Unlisted options exercisable at \$0.325 expiring 3/11/22</b>	<b>Unlisted options exercisable at \$0.355 expiring 28/11/22</b>	<b>Unlisted options exercisable at \$0.261 expiring 28/11/23</b>	<b>Unlisted options exercisable at \$0.26 expiring 22/02/24</b>
Aradia Ventures Pty Ltd	-	600,000	1,000,000	-
Mr John George Ribbons	-	-	500,000	-
Mrs Antoinette Janet Ribbons	-	300,000	-	-
Mr Seamus Cornelius	-	300,000	500,000	-
Pato Negro Pty Ltd	200,000	-	-	-
Kumarina Holdings Pty Ltd	-	-	-	500,000
Holder < 20%	100,000	-	-	-
	300,000	1,200,000	2,000,000	500,000

<b>Name</b>	<b>Unlisted options exercisable at \$0.273 expiring 20/11/24</b>	<b>Unlisted options exercisable at \$0.50 expiring 25/06/25</b>	<b>Unlisted options exercisable at \$1.209 expiring 4/11/25</b>	<b>Unlisted options exercisable at \$0.44 expiring 13/07/25</b>
Aradia Ventures Pty Ltd	1,000,000	-	500,000	-
Mr John George Ribbons	500,000	-	250,000	-
Mr Seamus Cornelius	500,000	-	250,000	-
Duketon Consolidated Pty Ltd	-	-	300,000	-
Zoetmelksvlei (Pty) Ltd	-	500,000	-	-
Karlka Niyaparlia Aboriginal Corporation RNTBC	-	-	-	1,000,000
Holder < 20%	-	-	680,000	-
	2,000,000	500,000	1,980,000	1,000,000