Element 25 Limited - Annual Report 2018

Element 25 Limited
T +61 8 6315 1400
E admin@e25.com.au
element25.com.au

Level 2, 45 Richardson Street
West Perth WA 6005
PO Box 910 West Perth WA 6872
Australia

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1. Letter from the Chairman

Dear Fellow Shareholders,

On behalf of the board, management and staff of Element 25 Limited, I thank all shareholders for their continued support over the last twelve months.

The 2017/2018 financial year has represented an important year of progress for the Company as it advances the Butcherbird Manganese Project.

The Company's vision is to become a high purity manganese producer by utilising innovative processing technology to develop the world class manganese resource at the 100% owned Butcherbird Manganese Project. As part of this initiative, the Company changed its name from Montezuma Mining Company Ltd to Element 25 Limited during the year to reflect the decision to focus on the development of Butcherbird. This is a significant shift in the direction of the Company and its priorities with the new name reflective of manganese being the 25th element of the periodic table.

The year has also provided the Company with the opportunity to consider all existing non-core assets with the view to delivering shareholder value. Subsequent to the financial year end, the Company disposed of the Holleton Project for $1M in cash and a 1% net smelter royalty on all future production from Holleton. The funds received will be applied to the continued advancement of Butcherbird.

In addition, a number of key objectives were completed during the year, including the successful completion of the Butcherbird Scoping Study. The Study provided positive results and provided strong encouragement for the Company to commit to a Preliminary Feasibility Study "PFS", which has been initiated. Work on the PFS is progressing on target and is within anticipated timeframes.

Your Company is striving to advance all work streams with the view to developing Australia's largest onshore manganese resource. If successful, this work will provide a long-term business opportunity that will transform the Company and generate employment opportunities for many people.

The year ahead offers to be equally pivotal as we progress the development efforts at Butcherbird in order to create value for shareholders and all stakeholders.

I look forward to continuing this journey as a shareholder as the Company progresses the development of an outstanding project which has the potential to provide an exciting future for the Company.

Once again, my thanks to all shareholders for their continued support as we continue our development journey, as well as the management, staff and all consultants whose diligent efforts are the driving force behind the Company's success.

I look forward to an exciting year ahead for your Company.

Yours sincerely

Seamus Cornelius

Chairman

Element 25 Limited

2. The Butcherbird Project

2.1. Introduction

Element 25 Limited ("E25" or "Company") is developing the Butcherbird manganese deposit via a strategy of integrated downstream processing with the aim of producing high purity manganese products including Electrolytic Manganese Metal ("EMM") and battery grade manganese sulphate ("HPMS").

The project is located 1,050 km North of Perth and 130km south of Newman in the Southern Pilbara. The project comprises seven resource areas, the largest of which is the Yanneri Ridge deposit. This is the planned start up location, selected due to a higher grade and its location underlying both the Great North Highway and Goldfields Gas Pipeline. The Yanneri Ridge mineralisation also has minimal overburden, allowing simple and low cost mining, requiring no drill and blast.

The deposit was discovered by E25 and was subsequently drilled out to establish the maiden mineral resource estimate (see Table 1). A positive Scoping Study was completed in the first quarter of 2018 and a Pre-Feasibility Study (PFS) is currently underway.

The development of the project will introduce a new technology developed by the Company and the CSIRO which will allow significant skill building within the Western Australia workforce. The project will incorporate the electrowinning of Electrolytic Manganese Metal which has not been produced in Australia for some decades.

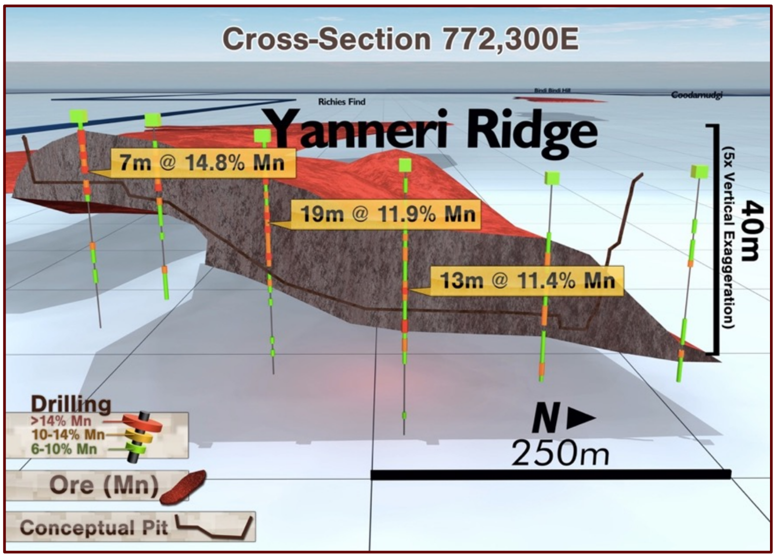
The integration of renewable energy as part of the power solution will provide opportunities to further expand the State's proportion of renewable energy in the mining industry and more broadly.

Prospect	Tonnes (Mt)	Mn (%)	SiO_2 (%)	Fe (%)	P_2O_5 (%)	Al_2O_3 (%)
Yanneri Ridge						
Inferred	48.0	10.7	43.0	11.1	0.262	10.7
Indicated	22.5	12.0	43.8	11.6	0.297	10.6
Additional Deposits						
Inferred	110.3	10.6	44.4	11.9	0.3	11.0
Total	**180.8**	**10.8**	**43.9**	**11.7**	**0.3**	**10.9**

Table 1: Butcherbird Project JORC mineral resource estimate[1]. Note: there are no material changes to the assumptions used to provide the JORC 2012 Butcherbird Resource Estimate.

2.2. Simple Geology

The mineralisation at Butcherbird forms a flat-lying, stratiform ore body. The very simple geology ensures continuity of mineralisation, which simplifies mining. The ore zone starts at surface and is laterally continuous and no selective mining is required. The strip ratio is estimated at 0.2:1 based on preliminary pit optimisations[2]. The ore zone is above the water table. It is expected to be a primarily free-dig operation with localised ripping.



2.3. A Unique Process

The development strategy has been based around a flowsheet which was developed in conjunction with the CSIRO in 2017. The plant flowsheet consists of proven unit operations including crushing, scrubbing, grinding, hydrometallurgical recovery and purification and electrolysis/evaporation for final product production. The plant also includes reductant preparation, product handling, tailings neutralisation and reagents storage facilities.

The process represents a significant improvement when compared to conventional processing methods in terms of both carbon intensity and cost competitiveness. Key

[1] Reference: Element 25 Limited ASX release dated 12 October 2017 (originally released under the MZM ticker code)
[2] Reference: Element 25 Limited ASX release dated 10 May 2018.

differences from the traditional flowsheets used in China which are expected to positively impact project economics include:

- Access to low strip ratio, outcropping ore from our 100% owned deposit;
- Ambient temperature, atmospheric pressure leach;
- Gas pipeline transects the project providing access to gas fired baseload power;
- Potential to integrate significant proportion of renewable energy to lower energy costs and decarbonise the product; and
- Bitumen highway transects the resource providing a turnkey logistics solution.

3. About High Purity Manganese

Manganese is the twelfth most abundant element in the earth's crust, with the bulk of commercial production coming from South Africa, China, Australia, Brazil, India and Gabon. Europe, North America, Japan, Korea and many other countries import 100% of their manganese requirements. Manganese is a critical raw material to many industries, and large portions of the world economy depend on its continued supply.

Manganese is a critical ingredient in steel production, which consumes around 90% of global manganese supply. Around 10% of supply goes into the production of high purity manganese products including Electrolytic Manganese Metal ("EMM"), Electrolytic Manganese Dioxide ("EMD") and Manganese Sulphate.

A key end-use of high purity manganese is in batteries, including both rechargeable lithium-ion batteries and non-rechargeable alkaline cells. Consequently, as battery storage becomes an increasingly important part of the global energy solution, manganese demand is rapidly increasing. Manganese based batteries enable safe storage with high energy capacities and can be recharged from renewable energy sources.

Demand for high purity manganese metal and high purity manganese sulphate is expected to increase dramatically in the foreseeable future, driven by growth in traditional end use markets but also a rapid expansion in electric vehicle production and grid storage devices capacity in Asia, Europe and North America. Nickel-Cobalt-Manganese (NMC) and Lithiated Manganese (LMO) battery cathode chemistries both contain significant amounts of manganese and are widely anticipated to be the dominant formulations in the rapidly growing market for electric vehicles and grid-storage.

Manufacturing high performance Li-ion batteries that utilise manganese in the cathode requires reliable, high-purity manganese supply to ensure that the batteries meet increasingly demanding performance, safety and durability standards.

In addition to the increase in demand for manufacturing Li-ion batteries, strong demand is also expected from the traditional alkaline battery markets. Because of these factors, all three of the main high purity manganese products EMM, EMD and Manganese Sulphate are expected to grow strongly for the foreseeable future.

4. Scoping Study Summary

As a key highlight of the year's activities, the Company completed a Scoping Study[3] which focused on the Yanneri Ridge deposit, one of the mineralised resources at the 100% owned Butcherbird Project ("Project").

The study was completed with assistance from the following reputable industry consultant groups:

- Mining Solutions Pty Ltd (Scoping study management and reporting, Mine optimisation, design and scheduling, Financial modelling);
- Extomine Pty Ltd (resource model);
- Simulus Engineers Pty Ltd (Metallurgical process design, capital and operating cost estimates);
- Enviroworks Pty Ltd and Martinick Bosch Sell Pty Ltd (MBS Environmental), environmental review and costings;
- Qube Logistics Ltd (Logistics solution and costings);
- Tenet Consulting Pty Ltd and Advisian (Power cost estimates);
- Metal Bulletin Research Ltd (Metals Market research including volume and price forecasts) and
- Numerous other Western Australian mining industry suppliers.

The results of the Study were positive and provided strong encouragement for the Company to commit to a Preliminary Feasibility Study which is currently underway.

4.1. Study Summary

The Scoping Study was designed to focus on open pit development and processing of the Yanneri Ridge mineral resource which forms part of the global Butcherbird mineral resource.

The Study supports the aim to complete a Preliminary Feasibility Study and apply for regulatory consents in 2018/2019, with development targeted in 2020/2021.

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[3] Refer Company Announcement dated 10 May 2018

Mining Solutions Pty Ltd ("Mining Solutions"), were engaged to carry out a Scoping Study on the Butcherbird project, producing a high-level indicative mining and processing schedule utilising Whittle shells, inclusive of a high-level financial analysis. Given the level of study, and that Inferred Resources was used as an economic driver, no Ore Reserves were reported from the Study.

The study was completed to a higher level of detail than a traditional scoping study to enable fatal flaws or other potential problems to be identified and mitigated early in the project's life, and included:

- Budget level pricing from two potential contract miners;
- Scoping Study level pricing from freight companies for road haulage, port and international shipping solutions;
- PFS level design and pricing from metallurgical consultants;
- Scoping Study level pricing from two power supply consultants for power solutions for the project;
- Budget level quotes for many miscellaneous suppliers including:
    - Camp and office infrastructure;
    - Flights;
    - Airstrip construction;
    - Salaries and Wages;
    - Vehicles;
    - Communications establishment and operating;
    - Water Supply and Pumping; and
    - Environmental, Heritage and other approval related studies.
- Manganese Market Studies including forward looking price and volume forecasts by Metal Bulletin Research PLC.

Full details in relation to the study can be found on the Company's website: http://www.element25.com.au/site/the-manganese-project/scoping-study

The Company is not aware of any new information or data that materially affects the information included in the announcement and in the case of estimates of mineral resources and ore reserves, all material assumptions underpinning the estimates continue to apply and have not materially changed.

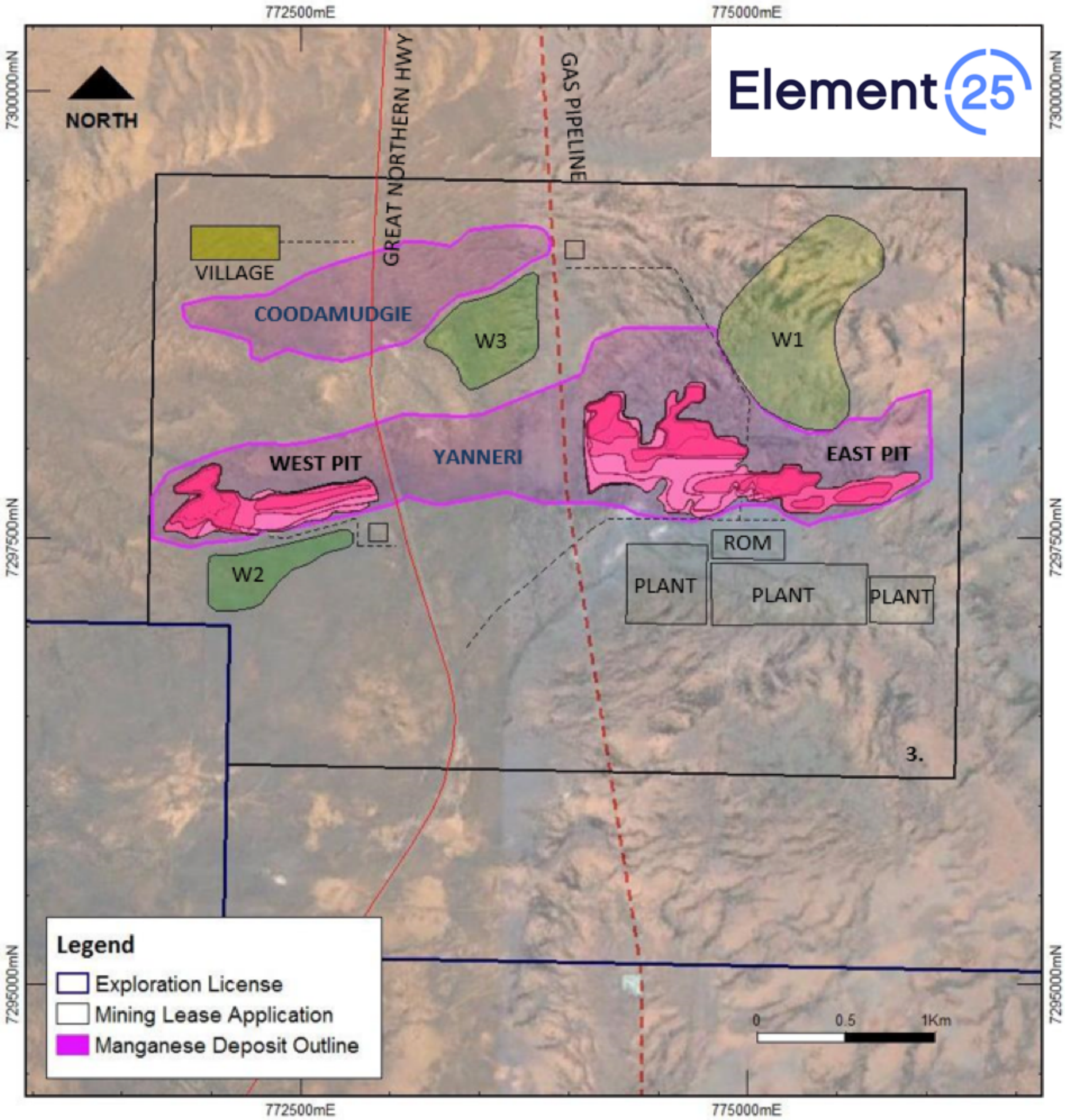


Figure 1: Infrastructure overview at the Butcherbird Project.

5. Pre-Feasibility Study

Based on the results of the Scoping Study, and the demand forecast from Metal Bulletin for high purity manganese products, which indicated robust growth in demand and pricing over the forecast period, the Company initiated a Pre-Feasibility Study ("PFS") to assess in more detail the pathway to commercialisation for this world class resource.

The Company has formally engaged a number of key consulting groups to undertake or manage the various elements of the study, and all key work streams are underway and progressing with the PFS on track to be completed within the forecast time frame of approximately 18 months.

The following appointments have been made and key work streams are under way:

5.1. Metallurgy

Simulus has helped develop projects and conducted project assessments in over 25 countries around the world for over 75 companies. Their services span the entire product development lifecycle from simulation, laboratory testwork, engineering and modular and mobile plants. Simulus offers full, multidisciplinary engineering capability whilst maintaining a strong focus on the early stages of project development, including scoping, prefeasibility and bankable feasibility studies. Simulus is currently undertaking the first stage of the flowsheet upscaling test work, including a programme of small scale optimisation followed by a bulk leach of approximately 600kg of sample from the Yanneri Ridge orebody. The work will provide detail on small scale variability within the deposit as well as taking the process through to the production of both manganese sulphate and EMM product samples.

5.2. Energy

Advisian, the global consulting firm of Worley Parsons has been engaged by E25 to provide consulting support in relation to the project. E25 is aiming to implement a lower cost, low emissions solution as this will improve the project economics and potentially allow the Company to produce a product which has a lower carbon footprint than conventionally produced EMM. Producing battery grade high purity manganese sulphate using E25's process is exothermic and thereby energy neutral, however producing EMM requires large amounts of electrical energy and therefore the work on the power solution is important to that part of the project. The Company believes that being able to provide a low cost, low emission product may provide a marketing advantage in the future, as potential E25 customers (steel and battery manufacturers) seek to decarbonise their respective supply chains.

5.3. Environmental

MBS Environmental has a skilled in-house team of environmental scientists, geochemists, environmental engineers and geoscientists which have provided environmental and management services to the mining sector for a wide range of exploration, mining and onshore gas projects for over 30 years. MBS have been engaged to plan and manage the various tasks required to take the Butcherbird Project through the environmental permitting process.

5.4. Geotechnical

In addition to these key appointments, a geotechnical and "diggability" assessment of drill core has been completed by independent specialist consultants 4DG. No issues were identified and the work concluded that the majority of the deposit will likely not require drill and blast. Localised ripping may be required in parts of the lateritic cap.

5.5. Project Finance

As part of the funding solution for the Butcherbird Project, the Company is in discussions with a number of independent advisory groups to provide early stage project financing services including initial engagement with potential funders, and advice on the available funding structures and strategies in relation to the project.

5.6. Resource Development

Drilling programmes for infill drilling of the resource to measured status as well EIS funded high grade placer manganese exploration work have been planned and POW's are lodged and approved respectively. Heritage clearances have been received and drilling has commenced. The drilling is expected to take approximately four weeks, with all assays expected in the December 2018 quarter. This data will form the basis of an upgraded mineral resource estimate and ultimately a maiden reserve statement once the PFS is completed.

5.7. Native Title

Engagement has commenced with the representatives of the Traditional Owners of the Nyiaparli Native Title Claim area to negotiate a native title agreement to allow the granting of the mining lease application at Butcherbird to progress.

5.8. Flowsheet Development

In November 2017, the Company reported that the test work being conducted in conjunction with the CSIRO successfully produced a PLS which exceeds industry specifications for the production of a high purity EMM or EMD product[4]. The impurity levels for all key contaminants are well below their respective limits.

Discussions with CSIRO in relation to agreeing on a structure to collaboratively develop and commercialise the process technology that has been developed for the Butcherbird project are progressing and the Company looks forward to announcing details when available.

The assay results from the purified PLS are shown below, normalised to 100 g/l Mn content and benchmarked against a widely used, industry accepted North American specification. The results exceed expectations and are comfortably below the requisite contaminant levels, meaning the PLS is compatible with the production of both EMM and EMD.

Element	Mn g/l	Cu ppm	Co ppm	Ni ppm	Fe ppm	K ppm	Li ppm	Na ppm	Ca ppm	Mg ppm	P ppm	Cl ppm	Al ppm	Cr ppm	Ti ppm	B ppm
Industry Standard PLS (normalised to 100g/l Mn)	100	1	3	3	3	41	41	407	1222	4072	2	2036	204	2	2	2
Purified Butcherbird PLS (normalised to 100 g/l Mn)	100	0.2	1.5	0.2	0.3	17.3	-1	44	536	585	-1	*	0.9	0.3	0.2	-1

	As ppm	V ppm	Ba ppm	Bi ppm	Cd ppm	Tl ppm	Ga ppm	Se ppm	Te ppm	Mo ppm	Sb ppm	Ge ppm	Pb ppm	Hg ppm	Zn ppm
Industry Standard PLS (normalised to 100g/l Mn)	2	2	2	2	0.2	0.2	10	2	2	2	0.2	0.2	0.2	0.2	0.2
Purified Butcherbird PLS (normalised to 100 g/l Mn)	0.1	0.2	0.3	0	-1	0.057	8.1	-1	-1	-1	-1	-1	-1	-1	0.4

Table 2: Assay of the purified PLS from the leaching of Butcherbird manganese ores showing levels of key contaminants important in the production of EMM and EMD. Assays undertaken by Bureau Veritas using the ICP-AES method. -1 indicates assay is below detection.* indicates assay value pending.

[4] Reference: Company Announcement dated 22 November 2017

6. Mining Lease Application

The Yanneri Ridge Manganese deposit has been identified during historical resource definition work and a more recent mining study as the optimum location to commence mining operations. To allow the necessary permitting activities to be initiated, a Mining Lease Application has been submitted that will cover the Yanneri Ridge and Coodamudgi Manganese deposits which contain the manganese resources being assessed in the Scoping Study.

7. Resource Estimation

During the year, the previous Snowden December 2011 JORC 2004 Butcherbird Manganese Deposit Resource for the Yanneri Ridge Deposit was reviewed and re-reported, updating the resource to JORC 2012 and the resource confidence category for the Yanneri Ridge deposit[5]. The revised resource estimate is tabulated in Section 11.

Drill samples used in the resource are from Reverse Circulation (RC) Drilling with Drill-Rig mounted riffle splitters and collected at one-meter intervals. All drilling is vertical with the average depth of 30m. The manganese ore zones are close to flat lying and therefore drillhole intersections approximate true width. All drilling is dry and above the water table. Additional Diamond holes are drilled primarily for metallurgy and have been used to aid interpretation.

All data is captured electronically and has to pass extensive quality assurance and quality control (QAQC) procedures to be used. QAQC processes include validation of hole coordinates, field standards, lab standards, field duplicates. This estimation incorporates all of the validated RC holes drilled in the Yanneri Ridge by the Company from 2010 to 2011. All data is stored in the company's GBIS database.

Density was calculated from down hole gamma gamma geophysical density. Average densities by geological unit and mineralisation have been applied globally to the model. No account has been made for moisture and reported tonnes are wet tonnes.

The main mineralised shale unit along with regolith boundaries for the base of hard capping and the base of oxidisation were modelled in 3D using Micromine.

[5] Refer Company Announcement dated 16 October 2017

Variography and detailed statistics were performed on the modelled domains. This variography was used to determine the estimation parameters for the grade modelling.

A block model was constructed for use in grade estimation with block dimensions of 50m NS by 50m EW and 2.5m in the vertically with sub blocking 12.5m by 12.5m by 0.625m. The deposit was estimated using ordinary kriging ("OK") grade interpolation of 1m composited data within domained hard boundaries. Grades were estimated are Mn, Fe, SiO_2, Al_2O_3, P_2O_5, MgO, CaO, TiO_2, Na_2O, CaO, S, K_2O, LOI total, Cr_2O_3, Ba, Cu, Pb and Zn.

Interpolation parameters were based on the geometry of geology and geostatistical parameters determined by variography.

A detailed validation of the block model was completed, which included both visual and statistical reviews. The model is considered to be globally robust.

The resource has been categorised as Indicated, and Inferred in accordance with JORC requirements (2012). The portion of the resource drilled at a spacing of 100 x 100 or better displayed good continuity of mineralisation and was classified as indicated. The remaining areas have been classified as inferred and have been drilled at 200 x 100 and at 400 x 100m, showing good geological and statistical continuity.

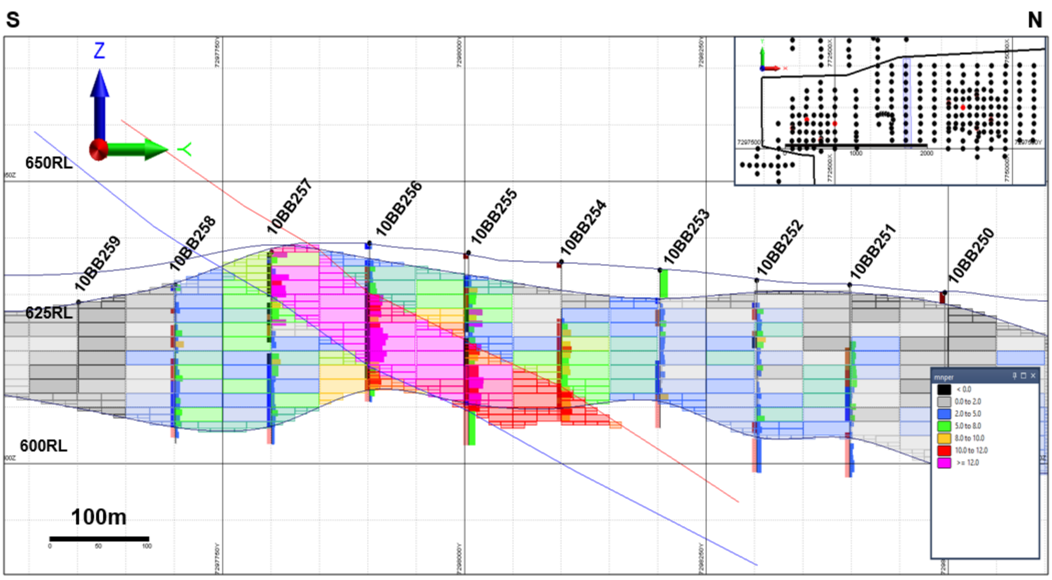


Figure 2: N-S Section through the Yanneri Ridge resource area (773,500E) showing Manganese Resoruce Blocks. Note: vertical exaggeration 5:1.

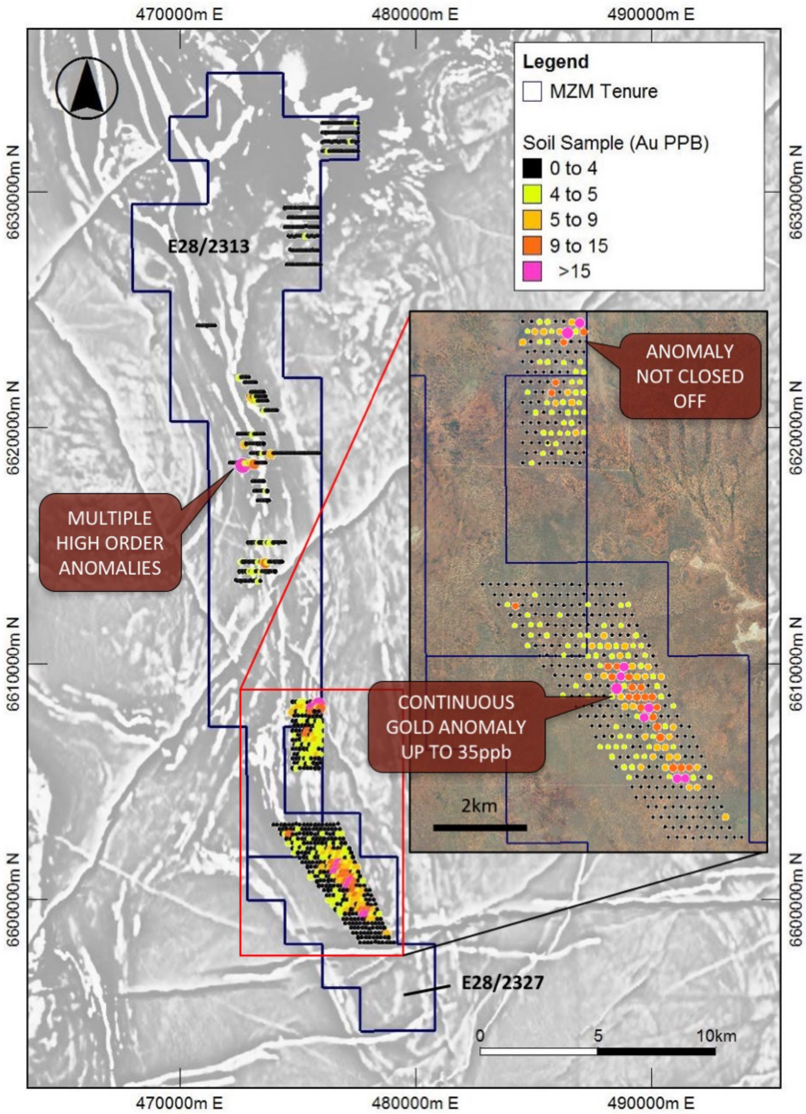
8. Other Exploration Activities

8.1. Green Dam

During the year, 930 soil samples were collected from the Green Dam Project to infill historic data to the north and to test for geochemical anomalism in an area to the south where the regolith was deemed amenable to this style of exploration, interpreted as subcropping greenstones.

The main target commodity was gold, with recent discoveries in the area by Breaker Resources NL[6] (directly west) and Apollo Consolidated Limited[7] (northeast) demonstrating the potential for this area to host both large and high grade gold deposits.

The programme highlighted a number of significant gold anomalies, with one returning continuous elevated gold values and a peak value of 35ppb gold over an area approximately 3km by 1.5 km in size[8].

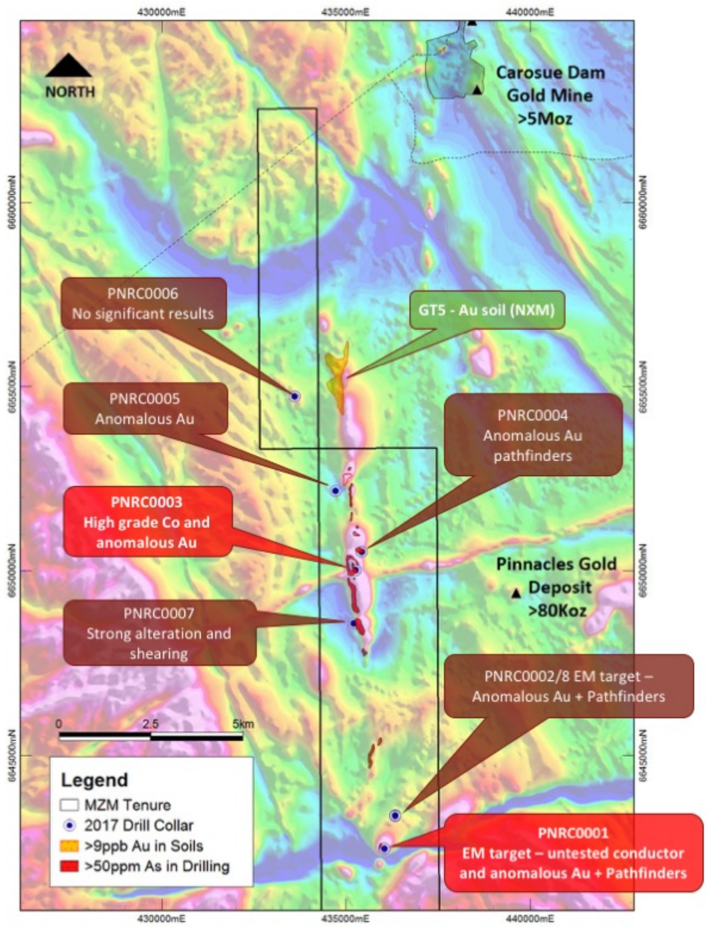


Follow up work has taken place to ground truth the anomalies and generate specific target areas for either infill soil sampling or drill testing.

[6] https://www.breakerresources.com.au/wp-content/uploads/announcements/180110-ASX-Lake-Roe-RCDD_Final.pdf
[7] http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=01941129
[8] Reference: Element 25 Limited ASX release dated 12 October 2017 (originally released under the MZM ticker code)

8.2. Pinnacles

The Company undertook an exercise in historic data compilation and review which highlighted potential for gold and nickel sulphide mineralisation in addition to the historically identified nickel/cobalt laterite mineralisation.



On completion of the data review, a surface EM programme was conducted to test for nickel sulphide targets beneath an historic nickel intersection which had a chemical signature compatible with a nickel sulphide body. The survey identified two late time conductive targets.[9]

A drilling programme comprising eight reverse circulation drill holes completed for 1,335m to test multiple target types with the following results.

Cobalt: Drillhole PNRC0003.

Confirmation drilling of high grade cobalt identified in historic drilling and supply of sample material for metallurgical test work. Drillhole PNRC0003, which was designed to validate the historical cobalt values intersected within the main laterite zone, has confirmed exceptional grades over broad widths with a best intercept of **14m @ 0.15% Co**, and a maximum cobalt value of **0.45% Co** recorded over 1m at 35m. This intersection closely matches the thickness and grade of intersections in nearby historical drill holes.

Nickel sulphide: Drillholes PNRC0001, 2 and 8. Two late time bedrock conductors identified in a recent EM survey, one of which is located beneath a historic sulphide intercept of 2m @2.3% Ni. Drilling encountered a thick cumulate ultramafic up to 150m in downhole thickness. Visual observations and portable XRF readings indicated the potential presence of weakly disseminated (cloud) nickel sulphide within the ultramafic. Laboratory assays

[9] Reference: Element 25 Limited ASX release dated 21 August 2017 (originally released under the MZM ticker code)

support these observations, and show that the likely magmatic sulphides are confined to discrete zones proximal to the margins of the ultramafic, with nickel/copper values up to 0.35% Ni/0.03% Cu (The non-mineralised ultramafic averages **~0.10-0.22% nickel**). **The location of sulphides and geochemical profile of the stratigraphy is typical of a differentiated ultramafic that is intrusive in origin.** The EM target remains untested and ranks highly given the presence of potential magmatic nickel sulphides within the host ultramafic and lack of other conductive lithologies encountered within PNRC0001.

Gold: The drill testing of historical geochemical anomalies and stratigraphic targets has revealed a number of strong coincident gold / pathfinder anomalies (Au-As-Bi-Te-Cu+/-Mo), and is indicative of the presence of a widespread hydro-thermal event. The recent results (supported by historical geochemistry) upgrade the potential for the discovery for gold mineralisation within the project tenure. Drill hole PNRC0007 was drilled to the west of the planned target due to restricted access, but still encountered strong alteration and shearing associated with the ultramafic/mafic contact.

The results also indicate that the ultramafic/mafic contact is a valid gold exploration target with anomalous gold (up to 116ppb Au) and other pathfinder elements (As-Bi-Te-Cu-Mo).

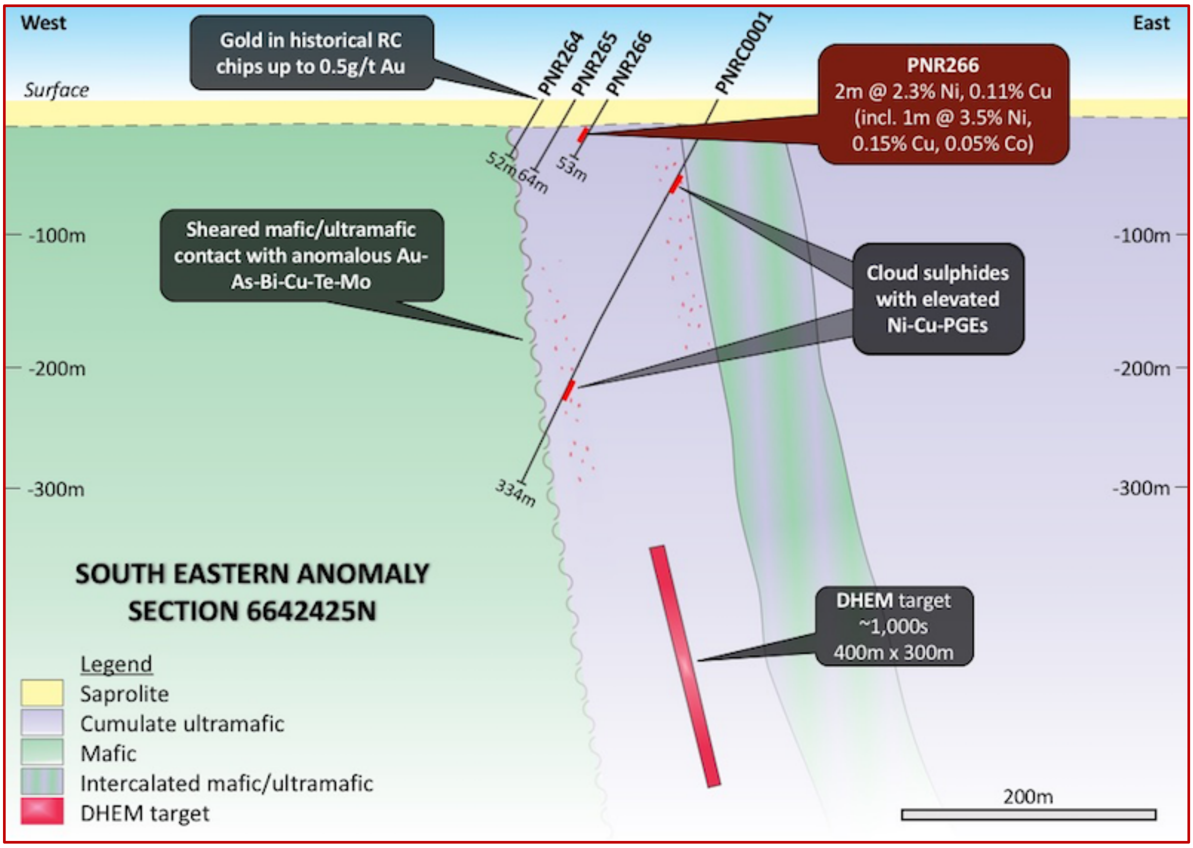


Figure 3: Schematic section along 6642425N showing historical drill holes, interpreted geology of PNRC0001 and untested DHEM conductor. Intercepts are downhole widths.

8.3. Holleton

A dipole-dipole array induced polarisation ("IP") step out survey was completed at the Company's 100% owned Holleton Gold Project to follow up the encouraging results from the previously announced orientation survey[10].

The purpose of the IP survey was to test whether the technique can be used to target areas with higher sulphide concentrations along the 2km long basement gold anomaly at the Brahma Prospect. Two lines were completed parallel to the orientation line at 100m spacings, with the remainder of the strike of the basement geochemical anomaly tested at 300m line spacing

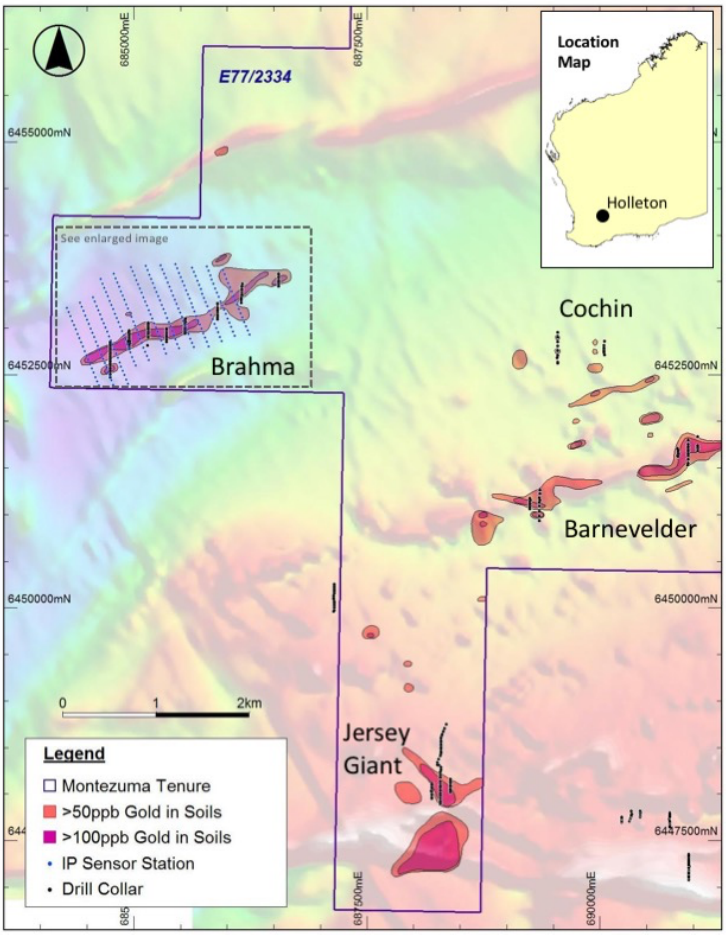


Figure 4: Plan view of the Holleton Gold Prend showing basement gold anomalies and the location of the IP survey stations at the Brahma Prospect overlaying magnetics (RTP 1VD).

Limited historical drilling, where only three holes have been drilled deeper than 40m, returned a best intersection of 73m @ 0.3 g/t Au (including 4m @ 1.6 g/t Au and 1m @ 7.6 g/t Au), with all three diamond holes returning broad mineralised intervals. The higher grade gold zones are typically associated with a higher sulphide content.

The results of the survey confirmed a high amplitude (33 mV/V) chargeability anomaly located to the north of the basement geochemical expression. The anomaly plunges to the west and is located under approximately 60m of interpreted cover. The known extent of the anomaly extends over 300m and is open along strike in both directions. On section, the

[10] See company announcement dated 11 September 2017.

anomaly overlaps the previous drilling and shows a weaker chargeability response (8-10 mV/V) coincident with the gold and sulphide mineralisation on the same section. Importantly, directly above the chargeability anomaly, there is a surface gold geochemical signature which appears to be 'bleeding' through the transported cover.

The survey has been successful in highlighting the highest priority part of the 2.5km long geochemical anomaly. If the interpretation of the various datasets is correct, the IP data should be mapping the higher concentrations of sulphides in the basement rocks, which are expected to have the best potential for higher gold grades.

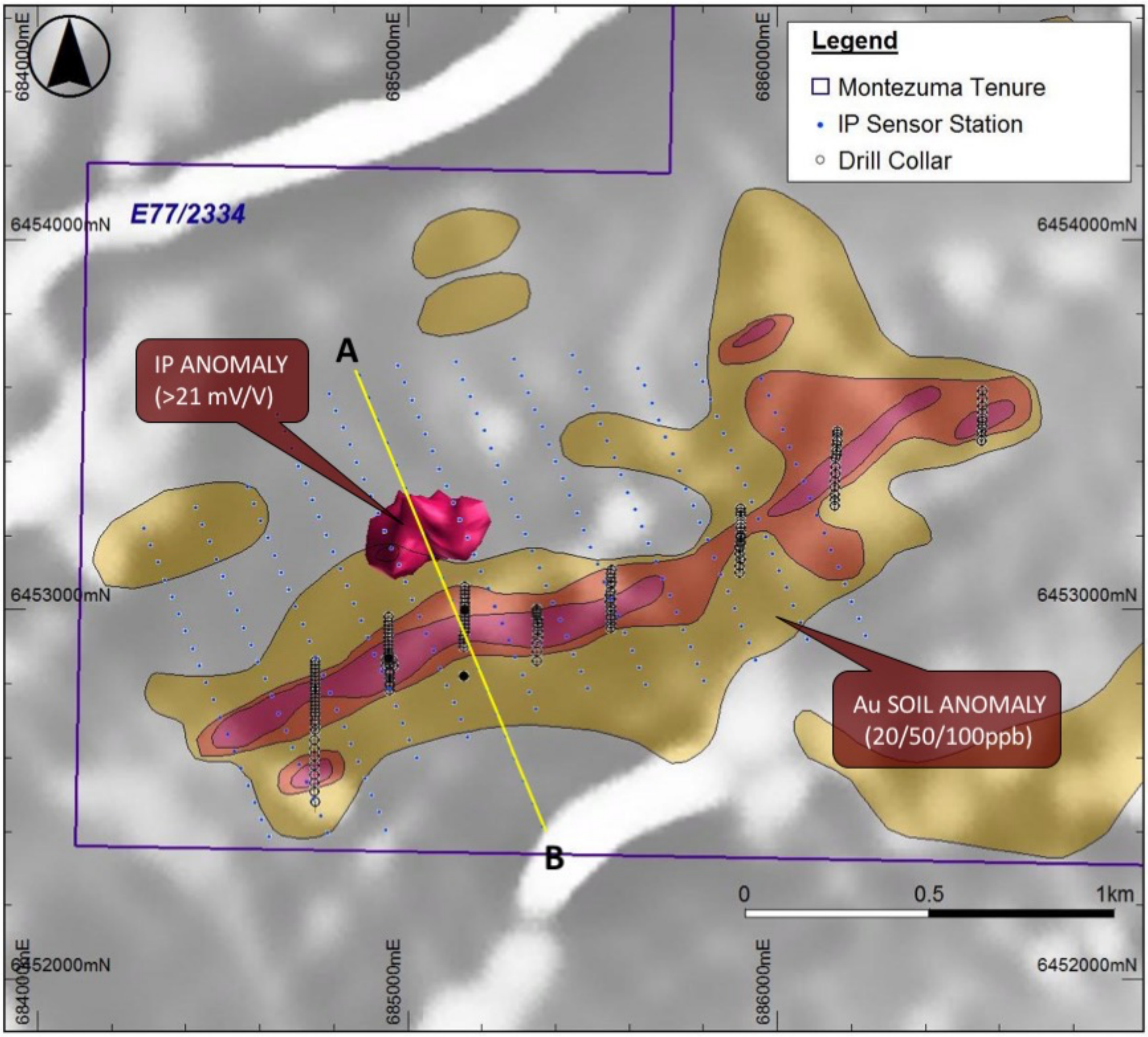


Figure 5: Plan view of the Brahma gold trend showing gold geochemical contours and the location of the IP survey stations overlaying magnetics (RTP 1VD).

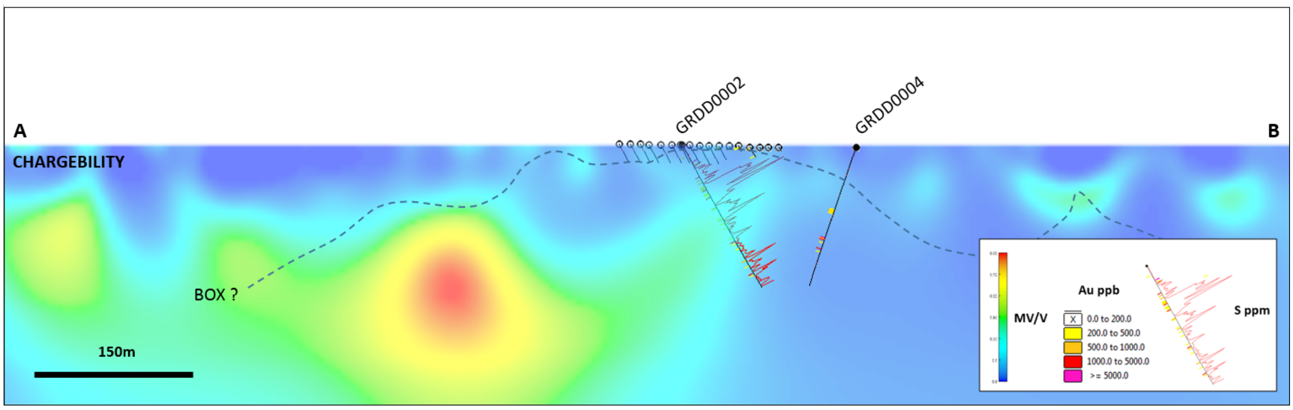


Figure 6: Sectional view of the inversion model along section A-B showing chargebility (mV/V) and historical drilling. Drill traces show gold values and sulphur assays. The lower order sulphur assays are coincident with the lower amplitude chargeability response indicating the undrilled higher amplitude anomaly may be indicative of higher gold grades.

8.4. Sale of the Holleton Project

Subsequent to the financial year end, the Company sold the Holleton Project to Ramelius Resources Ltd (RMS) wholly owned RMS subsidiary Edna May Operations Pty Ltd (EMO). Pursuant to the sale agreement, EMO has acquired 100% of the Holleton Project. E25 received $1M in cash and a 1% NSR on all future production from the Holleton Project.

9. Change of Company Name

Pursuant to the Company announcement on 14 May 2018 and following approval by shareholders at a General Meeting held on 10 May 2018, the Company formally changed its name from Montezuma Mining Company Ltd to Element 25 Limited to reflect the decision to focus on the development of the Butcherbird Manganese Project.

The new name is a reference to the fact that manganese is the 25th element of the periodic table and is a reflection of the Company's intention to focus on becoming a high purity manganese producer by utilising our innovative processing technology to develop the world class manganese resource at the 100% owned Butcherbird project.

The Company's ASX code changed from "MZM" to "E25" effective Thursday, 17 May 2018.

10. Investment Portfolio (as at 30 June 2018)

In addition to cash reserves, the Company held securities in the following listed entities at 30 June 2018:

Listed securities at market value:	No. Held	Closing Price	Market Value
Alt Resources Ltd (ARS)	1,250,000	$0.053	$66,250
Magmatic Resources Ltd (MAG)	3,770,485	$0.066	$248,852
Buxton Resources Ltd (BUX)	150,000	$0.165	$24,750
Buxton Resources Ltd (BUX) 12.5c Options	2,000,000	N/A	-
Duketon Mining (DKM)	1,450,000	$0.250	$362,500
Anova Metals Ltd (AWV)	7,000,000	$0.039	$273,000
Lefroy Exploration (LEX)	4,200,000	$0.165	$693,000
Danakali Limited (DNK)	8,846,597	$0.67	$5,971,453
Total Market Value as at 30 June 2018			**$7,639,805**

11. Appendices

11.1. Summary of JORC Resources

Prospect	Tonnes (Mt)	Mn (%)	SiO_2 (%)	Fe (%)	P_2O_5 (%)	Al_2O_3 (%)
Yanneri Ridge						
Inferred	48.0	10.7	43.0	11.1	0.262	10.7
Indicated	22.5	12.0	43.8	11.6	0.297	10.6
Richies Find	22.7	10.9	44.8	11.6	0.24	11.2
Coodamudgi	16.5	11.0	42.9	12.5	0.28	11.0
Mundawindi	16.3	11.9	40.3	11.7	0.30	9.9
Ilgarrarie Ridge	35.6	9.94	46.0	12.5	0.31	11.1
Bindi Bindi Hill	14.4	10.4	45.5	10.1	0.22	11.9
Bugdie Hill	4.50	9.34	45.4	13.2	0.35	11.2
Cadgies Flat	0.291	10.0	46.2	11.1	0.29	12.3
Total	180.8	10.8	43.9	11.7	0.3	10.9

Table 3: Butcherbird Manganese project Mineral Resource Classification as at 30 June 2018. Mineral Resource Estimates at the Butcherbird Manganese Project are reported at a 8% Mn cut.

11.1.1. Review of material changes

Element 25 Limited updated its Mineral estimates for the Yanneri Ridge Manganese Deposit at the 100% owned Butcherbird High Purity Manganese Project as at 30 June 2018[11].

Total reported Indicated Mineral Resource estimates are 22.5 million tonnes at 12.0% per cent manganese for 2.7 million tonnes of contained manganese. Inferred Mineral Resources are 158.3 million tonnes at 10.6 per cent manganese for 16.8 tonnes of contained manganese.

This represents a 2.6 per cent net increase in contained manganese compared with the 30 June 2017 estimate, constituting is a minor change related to geological reinterpretation and remodelling of the Yanneri Ridge Deposit.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement dated 16 October 2017 and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

[11] Refer to Company ASX Release dated 16 October 2017

11.1.2. Governance controls

All Mineral Resource estimates are prepared by qualified professionals following JORC Code compliant procedures and follow standard industry methodology for drilling, sampling, assaying, geological interpretation, 3 dimensional modelling and grade interpolation techniques.

The Mineral Resource estimates have been calculated by a suitably qualified consultant and overseen by suitably qualified Element 25 Limited employee and/or consultant.

11.1.3. Mineral Resource Estimate as at 30 June 2017

Classification	Inferred Resource	
Cut-off	**10% Mn**	
Deposit	**Tonnes (Mt)**	**Mn (%)**
Bindi Bindi Hill	8.75	11.09
Budgie Hills	1.03	10.82
Cadgies Flats	0.25	11.08
Coodamudgi	12.9	11.48
Illgararie Ridge	17.0	10.71
Mundawindi	14.2	12.23
Richies Find	16.1	11.56
SUBTOTAL	**70.2**	**11.4**
Yanneri Ridge	48.8	11.8
GLOBAL TOTAL	**119.0**	**11.6**

Table 1. Inferred Mineral Resource Estimates at the Butcherbird Manganese Project are reported at a 10% Mn cut.

Classification	Inferred Resource	
Cut-off	**8-10% Mn**	
Deposit	**Tonnes (Mt)**	**Mn (%)**
Bindi Bindi Hill	5.7	9.2
Budgie Hills	3.5	8.9
Cadgies Flats	0.2	9.1
Coodamudgi	3.6	9.5
Illgararie Ridge	18.5	9.2
Mundawindi	2.1	9.4
Richies Find	6.6	9.4
SUBTOTAL	**40.1**	**9.3**
Yanneri Ridge	15.8	9.4
GLOBAL TOTAL	**55.9**	**9.3**

Table 2. Inferred Mineral Resource Estimates at the Butcherbird Manganese Project are reported at 8-10% Mn.

11.2. Competent Persons Statement

The information in this report that relates to Exploration Results and Exploration Targets is based on information compiled by Mr David O'Neill who is a member of the Australasian Institute of Mining and Metallurgy. At the time that the Exploration Results and Exploration Targets were compiled, Mr O'Neill was an employee of Element 25 Limited. Mr O'Neill is a geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr O'Neill consents to the inclusion of this information in the form and context in which it appears in this report.

The information in this report that relates to Mineral Resources is based on information compiled by Mr Mark Glassock who is a member of the Australasian Institute of Mining and Metallurgy. At the time that the Mineral Resources were compiled, Mr Glassock was a consultant to Element 25 Limited. Mr Glassock is a geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Glassock consents to the inclusion of this information in the form and context in which it appears in this report

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.

Element 25 Limited

(formerly Montezuma Mining Company Limited)

ABN 46 119 711 929

Annual Financial Report

for the year ended 30 June 2018

Corporate Information

ABN 46 119 711 929

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

Company Secretary
John Ribbons

Registered Office
Suite 2, 11 Ventnor Avenue
WEST PERTH WA 6005

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

Solicitors
House Legal
86 First Avenue
MT LAWLEY WA 6050

Bankers
National Australia Bank Limited
1232 Hay Street
WEST PERTH WA 6005

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

Share Register
Security Transfer Australia Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: 1300 992 916
Facsimile: +61 8 6365 4086

Auditors
Rothsay Chartered Accountants
Level 1, Lincoln Building
4 Ventnor Avenue
WEST PERTH WA 6005

Internet Address
www.element25.com.au

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

Contents

Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Element 25 Limited (formerly Montezuma Mining Company Limited) and the entities it controlled at the end of, or during, the year ended 30 June 2018.

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 brings twenty-five years of corporate experience in both legal and commercial negotiations. Mr Cornelius has been based in Shanghai and Beijing since 1993 where he has been living and working as a corporate lawyer.

From 2000 to 2012, Mr Cornelius was an international partner with one of Australia's leading law firms and specialised in dealing with cross border investments, particularly in the energy and resource sectors. Mr Cornelius has for many years advised large international companies on their investments in China and in recent years advised Chinese state owned entities on their investments in natural resource projects outside China, including Australia. Mr Cornelius is also chairman of Buxton Resources Limited, Danakali Limited and Duketon Mining Limited. Mr Cornelius has not held any former directorships in the last 3 years.

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

Mr Brown is a geologist with extensive experience in global minerals exploration. He has a strong technical background with experience in the full spectrum of mineral exploration and mining from grass roots target generation through to resource mining and mine production.

Mr Brown has held a number of board positions and is an experienced company director in both executive and non-executive capacities. 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 most recently a non-executive director of Exterra Resources Ltd, which has now merged with Anova Metals Ltd via a Scheme of Arrangement. 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 ASX. Mr Ribbons has experience in capital raising, ASX and TSX compliance and regulatory requirements. Mr Ribbons has not held any former directorships in the last 3 years.

COMPANY SECRETARY

John Ribbons

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

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

	Ordinary Shares	Options over Ordinary Shares
Seamus Cornelius	3,278,970	2,550,000
Justin Brown	4,412,500	4,850,000
John Ribbons	500,000	2,550,000

PRINCIPAL ACTIVITIES

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

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

DIVIDENDS

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

Directors' Report continued

REVIEW OF OPERATIONS

Finance Review

The Group began the financial year with a cash reserve of $4,175,060. Funds were used to advance the Group's projects located in Australia.

During the year total tenement acquisition and exploration expenditure incurred by the Group amounted to $1,632,873 (2017: $1,492,785). In line with the Group's accounting policies, all exploration expenditure was expenses as incurred. The Group recognised a net fair value gain on financial assets of $72,551 (2017: $2,172,701 fair value gain), and income of $835,000 (2017: $904,465) on the sale of mineral properties. Net administration expenditure incurred amounted to $952,713 (2017: $584,156). This has resulted in an operating loss after income tax for the year ended 30 June 2018 of $1,678,035 (2017: $1,000,225 profit).

At 30 June 2018 surplus funds available totalled $2,194,663.

Operating Results for the Year

Summarised operating results are as follows:

	2018	
	Revenues	Results
	$	$
Consolidated entity revenues and profit from ordinary activities before income tax expense	**970,851**	**(1,678,035)**

Shareholder Returns

	2018	2017
Basic and diluted (loss)/earnings per share (cents)	**(2.0)**	1.2

Risk Management

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

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

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

Directors' Report continued

REMUNERATION REPORT

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

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Element 25 Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The board of Element 25 Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group.

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

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

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

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives (if any) receive a superannuation guarantee contribution required by the government, which was 9.5% for the 2018 financial year, and do not receive any other retirement benefits. Some individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

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

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $200,000). Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Performance based remuneration

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

Group performance, shareholder wealth and key management personnel remuneration

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

Use of remuneration consultants

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2018.

Voting and comments made at the Company's 2017 Annual General Meeting

The Company received approximately 99.8% of "yes" votes on its remuneration report for the 2017 financial year. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

Details of remuneration

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

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

Directors' Report continued

Key management personnel of the Group

	Short-Term		Post-Employment		Share-based Payments	Total
	Salary & Fees	Non-Monetary	Superannuation	Retirement benefits	Options	
	$	$	$	$	$	$
Directors						
Seamus Cornelius						
2018	**60,000**	**3,790**	**-**	**-**	**28,500**	**92,290**
2017	60,000	3,279	-	-	20,300	83,579
Justin Brown						
2018	**220,000**	**7,164**	**20,900**	**-**	**57,000**	**305,064**
2017	219,231	5,338	20,827	-	40,600	285,996
John Ribbons						
2018	**42,000**	**3,790**	**-**	**-**	**28,500**	**74,290**
2017	42,000	3,279	-	-	20,300	65,579
Total key management personnel compensation						
2018	**322,000**	**14,744**	**20,900**	**-**	**114,000**	**471,644**
2017	321,231	11,896	20,827	-	81,200	435,154

Service agreements

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

Justin Brown, Executive Director:

- Term of agreement – until terminated in accordance with the agreement. The Company may terminate without cause at any time by giving six months' written notice, whilst the executive must provide three months' written notice of termination (unless breach or agreement by the Company). The agreement contains standard clauses on immediate termination for breach of contract or misconduct.
- Annual salary of $220,000 (plus 9.5% statutory superannuation), plus the provision of income protection insurance. Mr Brown's salary is reviewed on an annual basis.
- There is no provision for the payment of termination benefits by the Company, other than for accrued entitlements.

Share-based compensation

Options

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

	Grant Date	Granted Number	Vesting Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Exercised Number	% of Remuneration
Directors								
Seamus Cornelius	01/12/2017	300,000	01/12/2017	28/11/2022	35.5	9.5	N/A	30.9
Seamus Cornelius	30/11/2012	750,000	(1)	30/11/2017	38.0	7.7	N/A	(1)
Justin Brown	01/12/2017	600,000	01/12/2017	28/11/2022	35.5	9.5	N/A	18.7
Justin Brown	30/11/2012	1,500,000	(1)	30/11/2017	38.0	7.7	N/A	(1)
John Ribbons	01/12/2017	300,000	01/12/2017	28/11/2022	35.5	9.5	N/A	36.4
John Ribbons	30/11/2012	750,000	(1)	30/11/2017	38.0	7.7	N/A	(1)

(1) These options had a market vesting condition, such that they would vest once the market capitalisation of the Company appreciated 100% from 30 November 2012. These options expired without vesting on 30 November 2017. The expense was recognised in full at grant date.

There were no ordinary shares in the Company provided as a result of the exercise of remuneration options during the year.

Directors' Report continued

Equity instruments held by key management personnel

Share holdings

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

2018	**Balance at start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at end of the year**
Directors of Element 25 Limited				
Ordinary shares				
Seamus Cornelius	3,264,225	-	14,745	3,278,970
Justin Brown	4,312,500	-	100,000	4,412,500
John Ribbons	500,000	-	-	500,000

Option holdings

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

2018	**Balance at start of the year**	**Granted as compensation**	**Exercised**	**Other changes**	**Balance at end of the year**	**Vested and exercisable**	**Unvested**
Directors of Element 25 Limited							
Seamus Cornelius	**3,000,000**	**300,000**	**-**	**(750,000)**	**2,550,000**	**2,550,000**	**-**
Justin Brown	**5,750,000**	**600,000**	**-**	**(1,500,000)**	**4,850,000**	**4,850,000**	**-**
John Ribbons	**3,000,000**	**300,000**	**-**	**(750,000)**	**2,550,000**	**2,550,000**	**-**

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 seventeen meetings of directors. The attendance of directors at meetings of the board were:

	Directors Meetings		**Audit Committee Meetings**		**Remuneration Committee Meetings**	
	A	**B**	**A**	**B**	**A**	**B**
Seamus Cornelius	13	17	-	2	1	1
Justin Brown	17	17	2	2	*	*
John Ribbons	17	17	2	2	1	1

Notes

A - Number of meetings attended.

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

* - Not a member of the Remuneration Committee

Directors' Report continued

SHARES UNDER OPTION

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

Date options granted	Expiry date	Exercise price (cents)	Number of options
1 December 2017	28 November 2022	35.5	1,200,000
3 November 2017	3 November 2022	32.5	600,000
2 December 2016	24 November 2021	20	2,000,000
2 December 2016	2 December 2019	22	200,000
2 December 2016	2 December 2019	30	200,000
22 August 2016	22 August 2020	30	2,000,000
20 June 2016	17 June 2019	30	250,000
30 November 2015	20 November 2018	35	200,000
20 November 2015	20 November 2020	35	2,200,000
22 October 2015	22 October 2018	32	250,000
18 November 2014	18 November 2019	21.5	2,750,000
19 November 2013	19 November 2018	20	2,000,000
Total number of options outstanding at the date of this report			**13,850,000**

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

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Element 25 Limited paid a premium of $11,369 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 Chartered Accountants, or associated entities, during the year.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

Signed in accordance with a resolution of the directors.

Justin Brown
Executive Director
Perth, 27 September 2018

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

The Directors
Element 25 Ltd
45 Richardson St
West Perth WA 6872

Dear Sirs

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

i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2018 financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Rolf Garda (Lead auditor)

Rothsay Auditing

Dated 27 September 2018

Consolidated Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2018	Notes	Consolidated 2018 $	Consolidated 2017 $
REVENUE	4	**63,300**	103,111
Other income	5	**907,551**	3,077,166
EXPENDITURE			
Administration expenses		**(470,416)**	(337,388)
Depreciation expense		-	(16,791)
Exploration expenditure		**(1,632,873)**	(1,492,785)
Salaries and employee benefits expense		**(269,137)**	(112,067)
Secretarial and share registry expenses		**(111,400)**	(133,390)
Share based payment expense	24(b)	**(165,060)**	(87,631)
(LOSS)/PROFIT BEFORE INCOME TAX		**(1,678,035)**	1,000,225
INCOME TAX EXPENSE	7	-	-
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF ELEMENT 25 LIMITED		**(1,678,035)**	1,000,225
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(5,997)**	2,492
Other comprehensive income for the year, net of tax		**(5,997)**	2,492
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF ELEMENT 25 LIMITED		**(1,684,032)**	1,002,717
(LOSS)/EARNINGS PER SHARE FOR (LOSS)/PROFIT ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (loss)/earnings per share (cents per share)	23	**(2.0)**	1.2

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

Consolidated Statement of Financial Position

AT 30 JUNE 2018

	Notes	Consolidated 2018 $	2017 $
CURRENT ASSETS			
Cash and cash equivalents	8	**2,194,663**	4,175,060
Trade and other receivables	9	**110,866**	35,410
Financial assets at fair value through profit or loss	10	**7,639,805**	7,253,475
TOTAL CURRENT ASSETS		**9,945,334**	11,463,945
NON-CURRENT ASSETS			
Plant and equipment	11	**16,660**	-
TOTAL NON-CURRENT ASSETS		**16,660**	-
TOTAL ASSETS		**9,961,994**	11,463,945
CURRENT LIABILITIES			
Trade and other payables	12	**230,143**	213,122
TOTAL CURRENT LIABILITIES		**230,143**	213,122
TOTAL LIABILITIES		**230,143**	213,122
NET ASSETS		**9,731,851**	11,250,823
EQUITY			
Issued capital	13	**14,351,850**	14,351,850
Reserves	14	**3,578,230**	3,419,167
Accumulated losses		**(8,198,229)**	(6,520,194)
TOTAL EQUITY		**9,731,851**	11,250,823

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

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2018

Consolidated	Notes	Contributed Equity $	Share-Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
BALANCE AT 1 JULY 2016		12,353,350	3,265,162	(22,518)	(7,520,419)	8,075,575
Profit for the year		-	-	-	1,000,225	1,000,225
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		-	-	2,492	-	2,492
TOTAL COMPREHENSIVE INCOME		-	-	2,492	1,000,225	1,002,717
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	13(b)	2,210,000	-	-	-	2,210,000
Share issue transaction costs	13(b)	(211,500)	86,400	-	-	(125,100)
Employee and consultant share-based payments	24(b)	-	87,631	-	-	87,631
BALANCE AT 30 JUNE 2017		14,351,850	3,439,193	(20,026)	(6,520,194)	11,250,823
Loss for the year		-	-	-	**(1,678,035)**	**(1,678,035)**
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		-	-	**(5,997)**	-	**(5,997)**
TOTAL COMPREHENSIVE LOSS		-	-	**(5,997)**	**(1,678,035)**	**(1,684,032)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Employee and consultant share-based payments	24(b)	-	**165,060**	-	-	**165,060**
BALANCE AT 30 JUNE 2018		**14,351,850**	**3,604,253**	**(26,023)**	**(8,198,229)**	**9,731,851**

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

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2018

	Notes	Consolidated 2018 $	Consolidated 2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(853,116)**	(502,481)
Interest received		**60,903**	115,926
Proceeds on sale of mining interests		**410,000**	64,465
Expenditure on mining interests		**(1,652,839)**	(1,588,497)
Proceeds from disposal of financial assets at fair value through profit or loss		**1,127,911**	308,353
Payments for financial assets at fair value through profit or loss		**(1,045,455)**	-
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	22	**(1,952,596)**	(1,602,234)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		**(28,959)**	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(28,959)**	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		-	2,210,000
Payments for share issue transaction costs		-	(125,100)
NET CASH INFLOW FROM FINANCING ACTIVITIES		-	2,084,900
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,981,555)**	482,666
Cash and cash equivalents at the beginning of the financial year		**4,175,060**	3,692,673
Effects of exchange rate changes on cash and cash equivalents		**1,158**	(279)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	**2,194,663**	4,175,060

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

Notes to the Consolidated Financial Statements

30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Element 25 Limited and its subsidiaries. The financial statements are presented in the Australian currency. Element 25 Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 27 September 2018. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the Group

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year.

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2017.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which have been 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Changes in ownership interests

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

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

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

(c) Segment reporting

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

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

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

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

Interest income

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

(f) 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 substantially 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.

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

(g) Leases

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss 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 property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

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

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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.

(i) 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.

(j) Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(k) Investments and other financial assets

Classification

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the statement of comprehensive income. 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.

Measurement

At initial recognition, the Group measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are carried at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements continued

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

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when the Group's right to receive payments is established.

Details on how the fair value of financial investments is determined are disclosed in note 2.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(l) Plant and equipment

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

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

(m) Exploration and evaluation costs

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

(n) Trade and other payables

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

(o) Employee benefits

(i) Wages and salaries and annual leave

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

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

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

(ii) Share-based payments

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

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

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

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

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

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

(p) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

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

(r) Goods and Services Tax (GST)

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

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

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

(s) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 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 set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Group.

AASB 9 *Financial Instruments* (applicable for annual reporting periods commencing on or after 1 January 2018).

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. AASB 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. Based on the Group's current operations and financial assets and liabilities currently held, the Group does not anticipate any material impact on the financial statements upon adoption of this standard. The Group does not presently engage in hedge accounting.

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

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

AASB 15 *Revenue from Contracts with Customers* (applicable for annual reporting periods commencing on or after 1 January 2018).

AASB 15 will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer and establishes a five-step model to account for revenue arising from contracts with customers. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group plans to adopt the new standard on the required effective date using the full retrospective method. There will be no material impact on the Group's financial position or performance from the adoption of this new standard.

AASB 16 *Leases* (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The Group plans to adopt the new standard on the required effective date. The Group continues to assess the potential impact of AASB 16 on its consolidated financial statements.

None of the other amendments or Interpretations are expected to affect the accounting policies of the Group.

(t) Critical accounting judgements, estimates and assumptions

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Share based payment transactions

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

Environmental Issues

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

Taxation

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates take into account 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 executive director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

(a) Market risk

(i) Foreign exchange risk

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

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

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

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

2. FINANCIAL RISK MANAGEMENT (cont'd)

(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 so as to pick up any significant adjustments to market prices.

Sensitivity analysis

At 30 June 2018, if the value of the equity instruments held had increased/decreased by 15% with all other variables held constant, post-tax profit for the Group would have been $1,145,971 higher/lower, 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 (2017: $1,088,021 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 $2,194,663 (2017: $4,175,060) 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 1.9% (2017: 2.3%).

Sensitivity analysis

At 30 June 2018, if interest rates had changed by +/- 100 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 $32,740 higher/lower (2017: $45,601 lower/higher post-tax loss) as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit risk

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

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

(c) Liquidity risk

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

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

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The equity investments held by the Group are classified at fair value through profit or loss. The market value of all equity investments represents the fair value based on quoted prices on active markets (ASX) as at the reporting date without any deduction for transaction costs. These investments are classified as level 1 financial instruments.

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

2. FINANCIAL RISK MANAGEMENT (cont'd)

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

	Consolidated 2018 $	Consolidated 2017 $
Financial Assets		
Cash and cash equivalents	**2,194,663**	4,175,060
Trade and other receivables	**110,866**	35,410
Financial assets at fair value through profit or loss	**7,639,805**	7,253,475
Total Financial Assets	**9,945,334**	11,463,945
Financial Liabilities		
Trade and other payables	**230,143**	213,122
Total Financial Liabilities	**230,143**	213,122

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 $
30 June 2018				
Financial assets at fair value through profit or loss	**7,639,805**	-	-	**7,639,805**
Total as at 30 June 2018	**7,639,805**	-	-	**7,639,805**
30 June 2017				
Financial assets at fair value through profit or loss	7,253,475	-	-	7,253,475
Total as at 30 June 2017	7,253,475	-	-	7,253,475

3. SEGMENT INFORMATION

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

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

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

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

3. SEGMENT INFORMATION (cont'd)

	Australia 2018 $	Australia 2017 $	France 2018 $	France 2017 $	Total 2018 $	Total 2017 $
Segment revenue	-	-	-	-	-	-
Reconciliation of segment revenue to total revenue before tax:						
Interest revenue					**63,300**	103,111
Total revenue					**63,300**	103,111
Segment results	**(1,453,304)**	(1,399,196)	**(172,569)**	(93,589)	**(1,632,873)**	(1,492,785)
Reconciliation of segment result to net loss before tax:						
Interest revenue					**63,300**	103,111
Other income					**907,551**	3,077,166
Other corporate and administration					**(1,016,013)**	(687,267)
Net (loss)/profit before tax					**(1,678,035)**	1,000,225
Segment operating assets	-	-	-	-	-	-
Reconciliation of segment operating assets to total assets:						
Other corporate and administration assets					**9,961,994**	11,463,945
Total assets					**9,961,994**	11,463,945

4. REVENUE

	Consolidated 2018 $	Consolidated 2017 $
From continuing operations		
Other revenue		
Interest	**63,300**	103,111

5. OTHER INCOME

Net gain on sale of mining interests	**835,000**	904,465
Fair value gains on financial assets at fair value through profit or loss	**72,551**	2,172,701
	907,551	3,077,166

6. EXPENSES

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

Minimum lease payments relating to operating leases	**137,562**	312,232
Defined contribution superannuation expense	**57,479**	49,064
Net foreign exchange losses	**818**	-

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

	Consolidated 2018 $	Consolidated 2017 $
7. INCOME TAX		
(a) Income tax benefit		
Current tax	-	-
Deferred tax	-	-
	-	-
(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable		
(Loss)/profit from continuing operations before income tax expense	**(1,678,035)**	1,000,225
Prima facie tax (benefit)/expense at the Australian tax rate of 27.5% (2017: 27.5%)	**(461,460)**	275,062
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	**45,392**	24,099
Other	**3,249**	24,708
	(412,819)	323,869
Movements in unrecognised temporary differences	**35,872**	(598,071)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**376,947**	274,202
Income tax expense/(benefit)	-	-
(c) Unrecognised temporary differences		
Deferred Tax Assets at 27.5% (2017: 27.5%)		
On Income Tax Account		
Capital raising expenses	**36,594**	29,036
Accruals and provisions	**40,865**	31,368
Foreign carry forward tax losses	**229,215**	154,504
Australian carry forward tax losses	**1,731,482**	1,280,865
	2,038,156	1,495,773
Deferred Tax Liabilities at 27.5% (2017: 27.5%)		
Financial assets at fair value through profit or loss	**819,135**	1,157,506
Accrued income	**837**	35
	819,972	1,157,541

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 entities from 30% to 25% over the next decade. For the 2017 financial year the corporate tax rate reduced to 27.5% for small business entities with turnover less than $10 million. This turnover threshold will progressively increase until it reaches $50 million in the 2019 financial year. From the 2025 financial year, the tax rate will then progressively decrease until it reaches 25% for the 2027 and later financial years. Element 25 Limited satisfies the criteria to be a small business entity.

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

	Consolidated 2018 $	Consolidated 2017 $
8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**482,983**	271,353
Short-term deposits	**1,711,680**	3,903,707
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**2,194,663**	4,175,060

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.

9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2018 $	2017 $
Sundry receivables	**101,953**	27,215
Prepayments	**8,913**	8,195
	110,866	35,410

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

	2018 $	2017 $
Australian listed equity securities	**7,639,805**	7,253,475

Changes in fair values of financial assets at fair value through profit or loss are recorded in other income or other expenses in the statement of comprehensive income (notes 5 and 6 respectively).

11. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	2018 $	2017 $
Plant and equipment		
Cost	**92,355**	145,156
Accumulated depreciation	**(75,695)**	(145,156)
Net book amount	**16,660**	-
Movements:		
Opening net book amount	**-**	16,791
Exchange differences	**110**	-
Additions	**16,550**	-
Depreciation charge	**-**	(16,791)
Closing net book amount	**16,660**	-

12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2018 $	2017 $
Trade payables	**41,956**	57,978
Other payables and accruals	**188,187**	155,144
	230,143	213,122

13. ISSUED CAPITAL

	Notes	2018 Number of shares	2018 $	2017 Number of shares	2017 $
(a) Share capital					
Ordinary shares fully paid	13(b), 13(d)	**83,464,350**	**14,351,850**	83,464,350	14,351,850
Total issued capital		**83,464,350**	**14,351,850**	83,464,350	14,351,850

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

13. ISSUED CAPITAL (cont'd)

	Notes	2018 Number of shares	2018 $	2017 Number of shares	2017 $
(b) Movements in ordinary share capital					
Beginning of the financial year		**83,464,350**	**14,351,850**	70,464,350	12,353,350
Issued during the year:					
– Issued for cash at 17 cents per share		**-**	**-**	13,000,000	2,210,000
Transaction costs incurred		**-**	**-**	-	(211,500)
End of the financial year		**83,464,350**	**14,351,850**	83,464,350	14,351,850

(c) Movements in options on issue

	Number of options 2018	Number of options 2017
Beginning of the financial year	**16,700,000**	18,320,000
Issued during the year:		
– Exercisable at 20 cents, on or before 24 November 2021	-	2,000,000
– Exercisable at 22 cents, on or before 2 December 2019	-	200,000
– Exercisable at 30 cents, on or before 2 December 2019	-	200,000
– Exercisable at 30 cents, on or before 22 August 2020	-	2,000,000
– Exercisable at 32.5 cents, on or before 3 November 2022	**600,000**	-
– Exercisable at 35.5 cents, on or before 28 November 2022	**1,200,000**	-
Expired during the year:		
– On 30 July 2016, exercisable at 20 cents	-	(1,020,000)
– On 30 June 2017, exercisable at 20 cents	-	(1,000,000)
– On 1 July 2017, exercisable at 20 cents	**(1,000,000)**	-
– On 15 September 2017, exercisable at 27.5 cents	**(500,000)**	-
– On 30 July 2016, exercisable at 30 cents	-	(1,000,000)
– On 30 November 2016, exercisable at 32.5 cents	-	(3,000,000)
– On 31 January 2018, exercisable at 34 cents	**(150,000)**	-
– On 30 November 2017, exercisable at 38 cents	**(3,000,000)**	-
End of the financial year	**13,850,000**	16,700,000

(d) Ordinary shares

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

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

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

(e) Capital risk management

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

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2018 and 30 June 2017 are as follows:

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

	Consolidated 2018 $	Consolidated 2017 $
13. ISSUED CAPITAL (cont'd)		
Cash and cash equivalents	**2,194,663**	4,175,060
Trade and other receivables	**110,866**	35,410
Financial assets at fair value through profit or loss	**7,639,805**	7,253,475
Trade and other payables	**(230,143)**	(213,122)
Working capital position	**9,715,191**	11,250,823

14. RESERVES AND RETAINED EARNINGS

(a) Reserves

	2018 $	2017 $
Foreign currency translation reserve	**(26,023)**	(20,026)
Share-based payments reserve	**3,604,253**	3,439,193
	3,578,230	3,419,167

(c) Nature and purpose of reserves

(i) Foreign currency translation reserve

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

(ii) Share-based payments reserve

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

15. DIVIDENDS

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

16. REMUNERATION OF AUDITORS

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

Audit services

	2018 $	2017 $
Rothsay Chartered Accountants - audit and review of financial reports	**38,500**	34,500
Total remuneration for audit services	**38,500**	34,500

17. CONTINGENCIES

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

18. 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:

	2018 $	2017 $
within one year	**802,000**	621,000
later than one year but not later than five years	**1,826,000**	1,492,000
	2,628,000	2,113,000

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

	Consolidated 2018 $	Consolidated 2017 $

18. COMMITMENTS (cont'd)

(b) Lease commitments: Group as lessee

	2018 $	2017 $
Operating leases (non-cancellable):		
Minimum lease payments		
within one year	**115,200**	115,200
later than one year but not later than five years	**-**	115,200
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**115,200**	230,400

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

19. RELATED PARTY TRANSACTIONS

(a) Parent entity

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 20.

(c) Key management personnel compensation

	2018 $	2017 $
Short-term benefits	**336,744**	333,127
Post-employment benefits	**20,900**	20,827
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	**114,000**	81,200
	471,644	435,154

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

(d) Loans to related parties

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

20. SUBSIDIARY

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

Name	Country of Incorporation	Class of Shares	Equity Holding[(1)] 2018 %	Equity Holding[(1)] 2017 %
Cordier Mines SAS	France	Ordinary	**100**	100
Fortitude Metals Limited[(2)]	Australia	Ordinary	**100**	-

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

(2) Fortitude Metals Limited ("Fortitude") was incorporated on 26 February 2018 with Element 25 Limited the sole shareholder. Fortitude has been dormant since incorporation.

21. EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

No matter or circumstance has arisen since 30 June 2018, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

	Consolidated 2018 $	Consolidated 2017 $
22. CASH FLOW INFORMATION		
Reconciliation of (loss)/profit after income tax to net cash outflow from operating activities		
(Loss)/profit for the year	**(1,678,035)**	1,000,225
Non-Cash Items		
Depreciation of non-current assets	**-**	16,791
Employee and consultants share-based payments	**165,060**	87,631
Fair value of financial assets received on sale of mining interests	**(425,000)**	-
Net exchange differences	**(7,138)**	2,694
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	**(62,449)**	119,454
Decrease/(increase) in financial assets at fair value through profit or loss	**38,670**	(2,754,348)
Increase/(decrease) in trade and other payables	**16,296**	(74,681)
Net cash outflow from operating activities	**(1,952,596)**	(1,602,234)

23. EARNINGS PER SHARE

	2018 $	2017 $
(a) Reconciliation of earnings used in calculating earnings/(loss) per share		
(Loss)/profit attributable to the owners of the Company used in calculating basic and diluted (loss)/earnings per share	**(1,678,035)**	1,000,225

	Number of shares 2018	Number of shares 2017
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted (loss)/earnings per share	**83,464,350**	81,932,843

(c) Information on the classification of options

As the Group made a loss for the year ended 30 June 2018, 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.

For the year ended 30 June 2017, all options on issue were anti-dilutive as the various exercise prices were all greater than the average market price of the Company's shares during the year. This resulted in the diluted earnings per share being the same as the basic earnings per share.

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

24. SHARE-BASED PAYMENTS

(a) Employees and Contractors Options

The Company provides benefits to employees (including directors) and contractors of the Company in the form of share-based payment transactions, whereby employees render services in exchange for options to acquire ordinary shares. The exercise price of the options granted and on issue at 30 June 2018 range from 20 cents to 35.5 cents per option, with expiry dates ranging from 22 October 2018 to 28 November 2022.

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

Fair value of options granted

The weighted average fair value of the options granted during the year was 9.2 cents (2017: 4.0 cents). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2018	2017
Weighted average exercise price (cents)	34.5	25.1
Weighted average life of the option (years)	5.00	4.36
Weighted average underlying share price (cents)	25.2	14.8
Expected share price volatility	50%	50%
Risk free interest rate	2.16%	2.11%

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:

	2018		2017	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	**16,700,000**	**27.7**	18,320,000	28.4
Granted	**1,800,000**	**34.5**	4,400,000	25.1
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	**(4,650,000)**	**32.9**	(6,020,000)	27.9
Outstanding at year-end	**13,850,000**	**26.8**	16,700,000	27.7
Exercisable at year-end	**13,850,000**	**26.8**	14,700,000	25.4

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 2.1 years (2017: 2.1 years), and the exercise prices range from 20 cents to 35.5 cents.

(b) Expenses arising from share-based payment transactions

	Consolidated 2018 $	Consolidated 2017 $
Total expenses arising from share-based payment transactions recognised during the period were as follows:		
Options granted to employees and contractors expensed to profit or loss	**165,060**	87,631
Options granted to contractors included in share issue transaction costs	-	86,400
	165,060	174,031

Notes to the Consolidated Financial Statements continued

30 JUNE 2018	Parent Entity	
	2018	2017
	$	$

25. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Element 25 Limited, at 30 June 2018. The information presented here has been prepared using accounting policies consistent with those presented in note 1.

	2018 $	2017 $
Current assets	**9,901,489**	11,436,378
Non-current assets	**12,409**	-
Total assets	**9,913,898**	11,436,378
Current liabilities	**217,384**	201,744
Total liabilities	**217,384**	201,744
Issued capital	**14,351,850**	14,351,850
Share-based payments reserve	**3,604,253**	3,439,193
Accumulated losses	**(8,259,589)**	(6,556,409)
Total equity	**9,696,514**	11,234,634
(Loss)/profit for the year	**(1,703,180)**	1,015,608
Total comprehensive (loss)/income for the year	**(1,703,180)**	1,015,608

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 10 to 30 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 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
Executive Director

Perth, 27 September 2018

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

INDEPENDENT AUDIT 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 subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of 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 2018 and of its financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

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

Key Audit Matters

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

Key Audit Matter

Cash and listed investments

The Group's portfolio of cash and financial assets at fair value make up 99% of total assets by value and are considered to be the key driver of the Group's operations. We do not consider cash and financial assets at fair value to be at a high risk of significant misstatement or to be subject to a significant level of judgement.

However due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall strategy and allocation of resources in planning and completing our audit.

Our procedures over the existence, completeness and valuation of the Group's portfolio of cash and financial assets at fair value included but were not limited to:

- Documenting and assessing the processes and controls in place to record transactions and to value the assets;
- Agreeing the fair value of the listed investments to externally quoted prices, which was the current bid price;
- Agreeing cash and holdings in financial assets at fair value to independent third party confirmations.

We have also assessed the appropriateness of the disclosures included in Notes 1, 8 and 10 to the financial report.

Exploration and evaluation expenditure

The Group incurred significant exploration and evaluation expenditure during the year. We do not consider exploration and evaluation expenditure to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However due to the materiality in the context of the financial statements as a whole, they are considered to be an area which had an effect on our overall strategy and allocation of resources in planning and completing our audit.

Our procedures in assessing the exploration and evaluation expenditure included but were not limited to the following:

- We obtained evidence that the Group had valid rights to explore in the areas represented by the exploration and evaluation expenditure by confirming the Group's tenement holdings;
- We enquired of management and reviewed work programs on exploration and evaluation on the mineral resources in the Group's areas of interest and cross referenced these discussions to ASX announcements and where applicable minutes of directors' meetings;
- We tested a sample of exploration and evaluation expenditure to supporting documentation to ensure they were bona fide payments; and
- Documenting and assessing the processes and controls in place to record exploration and evaluation transactions.

We have also assessed the appropriateness of the disclosures included in Note 1to the financial report.

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 2018, 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 misstatementt, 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

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

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

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

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 2018.

In our opinion the remuneration report of Element 25 Limited for the year ended 30 June 2018 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

Rothsay Auditing

Dated 27 September 2018

RGarda

Rolf Garda FCA
Partner

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 18 September 2018.

(a) Distribution of equity securities

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

			Ordinary shares	
			Number of holders	Number of shares
1	-	1,000	62	14,073
1,001	-	5,000	152	468,269
5,001	-	10,000	113	946,165
10,001	-	100,000	269	9,908,237
100,001		and over	76	72,127,606
			672	83,464,350
The number of equity security holders holding less than a marketable parcel of securities are:			136	167,438

(b) Twenty largest shareholders

Twenty largest quoted equity security holders

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

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	J P Morgan Nominees Australia Ltd	9,134,811	10.94
2	Ranguta Ltd	6,994,725	8.38
3	Alpha Boxer Ltd	5,388,291	6.46
4	Duketon Mining Ltd	5,382,500	6.45
5	Aradia Ventures Pty Ltd <J & A Brown Fam A/C>	4,137,500	4.96
6	Austrade Holdings Pty Ltd	3,600,000	4.31
7	Jacobus Gerardus De Jong	3,220,807	3.86
8	Richard George Reading	3,000,000	3.59
9	Duketon Consolidated Pty Ltd	2,880,000	3.45
10	HSBC Custody Nominees Australia Ltd	2,014,600	2.41
11	Dane Pastoral Co Pty Ltd	1,854,437	2.22
12	Kongming Investments Ltd	1,297,018	1.55
13	Mandies Meats Pty Ltd	1,151,796	1.38
14	Paul Hartley Watts	1,090,000	1.31
15	Dongarra Ltd	1,046,252	1.25
16	Avania Nominees Pty Ltd	1,000,000	1.20
17	Seamus Cornelius	962,815	1.15
18	Sino West Assets Ltd	885,398	1.06
19	BNP Paribas Nominees Pty Ltd <IB AU Noms Retail>	748,152	0.90
20	B J + E B Borg <Borg Fam Super A/C>	727,938	0.87
		56,517,040	67.70

(c) Substantial shareholders

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

	Number of Shares
Duketon Mining Limited	5,382,500
Marcel Mandanici	4,699,935
Justin Brown	4,112,500

(d) Voting rights

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

ASX Additional Information continued

(e) Schedule of interests in mining tenements as at 23 October 2018

Location	Tenement	Percentage held / earning
Eelya Hill	E20/0659	10
Yallon Well	E20/0927	100
Sunday Well	E20/0941	100
Yallon Well	E20/0948	100
Green Dam	E28/2313	100
Green Dam	E28/2327	100
Pinnacles	E28/2577	100
Pinnacles East	E28/2701	100
Pinnacles	E28/2757	100
Flanker South	E28/2761	100
Leonora	E37/1176	100
Leonora	E37/1295	100
Black Hill	E46/1220	100
Mt Padbury	E52/1529	100(1)
Butcher Bird	E52/2350	100
Mt Padbury	E52/3082	100
Victory Bore	E57/1060	100
Dead Camel	E52/3588	100
Yanneri Bore	E52/3606	100
Neds Gap	E52/3607	100
Millidie Creek	E52/3613	100
Corner Bore	E52/3626	100
Corner Bore	E52/3627	100
Dead Camel	E52/3663	100
Yaneri Ridge	M52/1074	100
Victory Well	E57/1060	100
Milgoo Peak	E59/2246	100
Twin Peaks	E59/2267	100
Lake Johnston	E63/1750	85
Lake Johnston	E63/1789	85
Lake Johnston	E63/1838	85
Cunyu Woolshed	E69/3541	100
Holleton West	E70/5033	100
Holleton	E77/2334	100
Holleton	E77/2458	100
Eileen Bore	E80/5056	100
Cummins Range	E80/5092	100

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

ASX Additional Information continued

(f) Unquoted Securities

At 23 October 2018, the Company had the following unlisted securities on issue:

Class	Number of Securities	Number of Holders	Holders of 20% or more of the class: Holder Name	Number of Securities
$0.20 Options, Expiry 19 November 2018	2,000,000	3	Aradia Ventures Pty Ltd	1,000,000
			Kongming Investments Ltd	500,000
			Antoinette Janet Ribbons	500,000
$0.20 Options, Expiry 24 November 2021	2,000,000	3	Aradia Ventures Pty Ltd	1,000,000
			Seamus Cornelius	500,000
			Antoinette Janet Ribbons	500,000
$0.215 Options, Expiry 18 November 2019	2,750,000	3	Aradia Ventures Pty Ltd	1,250,000
			Kongming Investments Ltd	750,000
			Antoinette Janet Ribbons	750,000
$0.22 Options, Expiry 2 December 2019	200,000	1	Jane Abigail O'Neill	200,000
$0.30 Options, Expiry 17 June 2019	250,000	1	Christian Wirth	250,000
$0.30 Options, Expiry 2 December 2019	200,000	1	Jane Abigail O'Neill	200,000
$0.30 Options, Expiry 22 August 2020	2,000,000	3	Zenix Nominees Pty Ltd	1,000,000
			Francis Harper	500,000
			JSR Nominees Pty Ltd <Richardson Family A/C>	500,000
$0.325 Options, Expiry 3 November 2022	600,000	3	Liam Cornelius	300,000
			Pato Negro Pty Ltd <Negro Toro Investment A/C>	200,000
$0.35 Options, Expiry 20 November 2018	200,000	1	Michael Ashley Giles	200,000
$0.35 Options, Expiry 20 November 2020	2,200,000	4	Aradia Ventures Pty Ltd	1,000,000
			Seamus Cornelius	500,000
			Antoinette Janet Ribbons	500,000
$0.355 Options, Expiry 28 November 2022	1,200,000	3	Aradia Ventures Pty Ltd	600,000
			Seamus Cornelius	300,000
			Antoinette Janet Ribbons	300,000