

ELEMENT 25 LIMITED
ABN 46 119 711 929
INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2018

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2018 and any public announcements made by Element 25 Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

ELEMENT 25 LIMITED

31 DECEMBER 2018

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ELEMENT 25 LIMITED

31 DECEMBER 2018

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity consisting of Element 25 Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

DIRECTORS

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

Seamus Cornelius

Justin Brown

John Ribbons

REVIEW AND RESULTS OF OPERATIONS

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

	2018	
	Revenues	Results
	\$	\$
Consolidated entity	1,034,521	(1,245,920)

During the half-year ended 31 December 2018, the Company progressed the Pre-Feasibility Study of the Butcherbird High Purity Manganese Project where the Company intends to produce high purity manganese including manganese sulphate for lithium ion batteries and Electrolytic Manganese Metal.

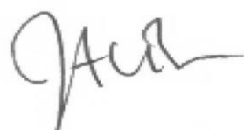
All key work streams are progressing with the view to completing the Pre-Feasibility Study within the forecast time frame.

During the period the Company sold 100% of the Holleton Project to Ramelius Resources Ltd's (ASX: RMS) wholly owned subsidiary Edna May Operations Pty Ltd (EMO). The Company received \$1M in cash and a 1% NSR on all future production from the Holleton Project.

AUDITOR'S INDEPENDENCE DECLARATION

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

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



Justin Brown

Executive Director

Perth, 12 March 2019

*R*OTHSAY

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

Dear Sirs

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

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2018 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Rolf Garda FCA (Lead auditor)



Rothsay Auditing

Dated 12 March 2019

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Half-year	
	2018	2017
	\$	\$
REVENUE AND OTHER INCOME		
Interest received	22,150	37,089
Net gain on sale of mining interests	1,000,000	160,000
Fair value gains on financial assets	12,371	-
EXPENDITURE		
Administration expenses	(248,916)	(167,538)
Depreciation expense	(2,070)	-
Exploration expenditure	(1,536,818)	(870,028)
Salaries and employee benefits expense	(236,155)	(156,539)
Secretarial and share registry expenses	(111,082)	(70,397)
Fair value losses on financial assets	-	(31,842)
Share-based payments expense	(145,400)	(165,060)
LOSS BEFORE INCOME TAX	(1,245,920)	(1,264,315)
Income tax expense	-	-
LOSS FOR THE HALF-YEAR AFTER TAX	(1,245,920)	(1,264,315)
OTHER COMPREHENSIVE INCOME		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	(10,600)	8,748
Other comprehensive income for the period, net of tax	(10,600)	8,748
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF ELEMENT 25 LIMITED	(1,256,520)	(1,255,567)
Basic and diluted loss per share (cents)	(1.5)	(1.5)

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

ELEMENT 25 LIMITED

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Notes	31 December 2018 \$	30 June 2018 \$
CURRENT ASSETS			
Cash and cash equivalents		2,144,347	2,194,663
Trade and other receivables		200,968	110,866
Financial assets at fair value through profit or loss	3	6,958,526	7,639,805
TOTAL CURRENT ASSETS		9,303,841	9,945,334
NON-CURRENT ASSETS			
Plant and equipment		10,339	16,660
TOTAL NON-CURRENT ASSETS		10,339	16,660
TOTAL ASSETS		9,314,180	9,961,994
CURRENT LIABILITIES			
Trade and other payables		398,391	108,652
Employee benefit obligations		193,296	121,491
TOTAL CURRENT LIABILITIES		591,687	230,143
NON-CURRENT LIABILITIES			
Employee benefit obligations		1,762	-
TOTAL NON-CURRENT LIABILITIES		1,762	-
TOTAL LIABILITIES		593,449	230,143
NET ASSETS		8,720,731	9,731,851
EQUITY			
Issued capital	4	14,451,850	14,351,850
Reserves		3,713,030	3,578,230
Accumulated losses		(9,444,149)	(8,198,229)
TOTAL EQUITY		8,720,731	9,731,851

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

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Contributed Equity	Share-based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2017	14,351,850	3,439,193	(20,026)	(6,520,194)	11,250,823
Loss for the period	-	-	-	(1,264,315)	(1,264,315)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	8,748	-	8,748
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	-	8,748	(1,264,315)	(1,255,567)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Employee and consultant share-based payments	-	165,060	-	-	165,060
BALANCE AT 31 DECEMBER 2017	14,351,850	3,604,253	(11,278)	(7,784,509)	10,160,316
BALANCE AT 1 JULY 2018	14,351,850	3,604,253	(26,023)	(8,198,229)	9,731,851
Loss for the period	-	-	-	(1,245,920)	(1,245,920)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	(10,600)	-	(10,600)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	-	(10,600)	(1,245,920)	(1,256,520)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	100,000	-	-	-	100,000
Employee and consultant share-based payments	-	145,400	-	-	145,400
BALANCE AT 31 DECEMBER 2018	14,451,850	3,749,653	(36,623)	(9,444,149)	8,720,731

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

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Half-year	
	2018	2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenditure on mining interests	(1,369,345)	(824,798)
Payments to suppliers and employees	(538,700)	(404,757)
Proceeds on sale of mining interests	1,000,000	160,000
Interest received	21,899	26,404
Proceeds from sale of financial assets at fair value through profit or loss	784,915	380,064
Payments for financial assets at fair value through profit or loss	(62,500)	(250,000)
Net cash outflow from operating activities	(163,731)	(913,087)
CASH FLOWS FROM INVESTING ACTIVITIES		
Reimbursement/(payments) for plant and equipment	12,409	(1,294)
Net cash inflow/(outflow) from investing activities	12,409	(1,294)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of ordinary shares	100,000	-
Net cash inflow from financing activities	100,000	-
Net decrease in cash and cash equivalents	(51,322)	(914,381)
Cash and cash equivalents at the beginning of the half-year	2,194,663	4,175,060
Effects of exchange rate changes on cash and cash equivalents	1,006	620
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	2,144,347	3,261,299

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Element 25 Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

New and amended standards adopted by the Group

In the half-year ended 31 December 2018, the Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2018.

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

- AASB 9 *Financial Instruments and related amending Standards*;
- AASB 15 *Revenue from Contracts with Customers and related amending Standards*; and
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*.

AASB 9 Financial Instruments and related amending Standards

In the current year, the Group has applied AASB 9 *Financial Instruments* (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives however there was no material impact on adoption of the standard.

Additionally, the Group adopted consequential amendments to AASB 7 *Financial Instruments: Disclosures*.

In summary AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities;
- Impairment of financial assets; and
- General hedge accounting.

AASB 15 Revenue from Contracts with Customers and related amending Standards

In the current year, the Group has applied AASB 15 *Revenue from Contracts with Customers* (as amended) which is effective for an annual period that begins on or after 1 January 2018. AASB 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Impact of standards issued but not yet applied by the Group

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2018. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

Critical accounting estimates and judgements

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. In preparing this half-year financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2018.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2: SEGMENT INFORMATION

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

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

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

	Australia		Europe		Total	
	Half-year		Half-year		Half-year	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
Segment revenue	1,000,000	160,000	-	-	1,000,000	160,000
Reconciliation of segment revenue to total revenue:						
Interest revenue					22,150	37,089
Fair value gains on financial assets					12,371	-
Total revenue and other income					1,034,521	197,089
Segment results	(519,712)	(620,562)	(17,106)	(97,042)	(536,818)	(717,604)
Reconciliation of segment result to net loss before tax:						
Fair value losses on financial assets					-	(31,842)
Other corporate and administration					(709,102)	(874,869)
Net loss before tax					(1,245,920)	(1,264,315)
	31 Dec 2018	30 June 2018	31 Dec 2018	30 June 2018	31 Dec 2018	30 June 2018
	\$	\$	\$	\$	\$	\$
Segment operating assets	-	-	-	-	-	-
Reconciliation of segment operating assets to total assets:						
Other corporate and administration assets					9,314,180	9,961,994
Total assets					9,314,180	9,961,994

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2018	30 June 2018
	\$	\$
Australian listed equity securities	6,958,526	7,639,805

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

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

NOTE 4: EQUITY SECURITIES ISSUED

	2018 Shares	2018 \$	2017 Shares	2017 \$
As at 1 July	83,464,350	14,351,850	83,464,350	14,351,850
Issues of ordinary shares during the half-year				
Issued upon exercise of options at \$0.20 per share	500,000	100,000	-	-
As at 31 December	83,964,350	14,451,850	83,464,350	14,351,850

	Number of options	
	2018	2017
As at 1 July	13,850,000	16,700,000
Movement of options during the half-year		
Issued, exercisable at 32.5 cents, on or before 3 November 2022 ⁽¹⁾	-	600,000
Issued, exercisable at 35.5 cents, on or before 28 November 2022 ⁽¹⁾	-	1,200,000
Issued, exercisable at 26.1 cents, on or before 28 November 2023 ⁽¹⁾	2,000,000	-
Expired on 1 July 2017, exercisable at 20 cents	-	(1,000,000)
Expired on 15 September 2017, exercisable at 27.5 cents	-	(500,000)
Expired on 30 November 2017, exercisable at 38 cents	-	(3,000,000)
Expired on 22 October 2018, exercisable at 32 cents	(250,000)	-
Exercised/expired on 19 November 2018, exercisable at 20 cents	(2,000,000)	-
Expired on 20 November 2018, exercisable at 35 cents	(200,000)	-
As at 31 December	13,400,000	14,000,000

ELEMENT 25 LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 4: EQUITY SECURITIES ISSUED (continued)

- (1) The weighted average fair value of employee and consultant options granted during the half-year was 7.3 cents (2017: 9.2 cents), for a total value of \$145,400 (2017: \$165,060) included within share-based payments expense. The fair values were calculated by using the Black-Scholes European Option Pricing Model applying the following weighted average inputs:

	2018	2017
Weighted average exercise price (cents)	26.1	34.5
Weighted average life of the option (years)	5.0	5.0
Weighted average underlying share price (cents)	19.5	25.2
Weighted average expected share price volatility	50.0%	50.0%
Weighted average risk free interest rate	2.3%	2.2%

NOTE 5: CONTINGENCIES

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

NOTE 6: SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2018, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

ELEMENT 25 LIMITED


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DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 5 to 13 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Element 25 Limited will be able to pay its debts as and when they become due and payable.

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



Justin Brown

Executive Director

Perth, 12 March 2019

Independent Review Report to the Members of Element 25 Ltd

The financial report and directors' responsibility

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Element 25 Ltd for the half-year ended 31 December 2018.

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

Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2018 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Element 25 Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- giving a true and fair view of the consolidated financial position as at 31 December 2018 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Rothsay Auditing



Rolf Garda
Partner

Dated 12 March 2019

