Element 25 Limited

ABN 46 119 711 929

Annual Financial Report

for the year ended 30 June 2019

Corporate Information

ABN 46 119 711 929

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

Company Secretary
John Ribbons

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

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

Solicitors
House Legal
86 First Avenue
MT LAWLEY WA 6050

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

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

Share Register
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	3
Audit Independence Letter	9
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Financial Position	11
Consolidated Statement of Changes in Equity	12
Consolidated Statement of Cash Flows	13
Notes to the Consolidated Financial Statements	14
Directors' Declaration	32
Independent Audit Report	33

Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Element 25 Limited and the entities it controlled at the end of, or during, the year ended 30 June 2019.

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), (Managing Director [appointed 27 June 2019, previously Executive Director], audit committee member)

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

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

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

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

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

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

COMPANY SECRETARY

John Ribbons

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

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

	Ordinary Shares	Options over Ordinary Shares
Seamus Cornelius	3,450,400	2,550,000
Justin Brown	5,255,360	4,850,000
John Ribbons	585,715	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

The year ended 30 June 2019 has seen significant progress for Element 25 Limited across multiple work streams. Work has continued to progress the Pre-Feasibility Study (PFS) in relation to the Butcherbird High Purity Manganese Project (Project), where the Company intends to produce high purity manganese including manganese sulphate for lithium ion batteries and Electrolytic Manganese Metal.

The Company is working to finalise the PFS which is anticipated to provide a robust base case for the commercialisation of the Company's manganese resource.

Work streams have focused on the following areas:

- metallurgical assessment of the high purity manganese process;
- assessment of a hybrid wind/gas power solution;
- mine planning, including open pit optimisation, mine design and mine scheduling;
- environmental work, comprising wet season baseline flora and fauna surveys;
- have been completed and are currently being compiled; and
- project finance.

Element 25 Limited has been actively advancing all work streams with the view to completing the PFS in order to assess project economics. This is an exciting time in the development of the Company as it continues to work hard for its shareholders with the view to creating shareholder value.

Finance Review

The Group began the financial year with a cash reserve of $2,194,663. During the year the Company raised $1,490,012 via a share purchase plan and associated shortfall placement, and the exercise of 500,000 unlisted options, issuing a total of 8,442,924 fully paid ordinary shares. Funds were used to advance the Group's 100% owned Butcherbird Manganese Project located in Australia.

During the year total tenement acquisition and exploration expenditure incurred by the Group amounted to $3,745,629 (2018: $1,632,873). In line with the Group's accounting policies, all exploration expenditure was expenses as incurred. The Group recognised a net fair value loss on financial assets of $506,400 (2018: $72,551 fair value gain), and income of $1,700,000 (2018: $835,000) on the sale of mineral properties. The Group also received a research and development tax incentive of $208,653 (2018: nil). Net administration expenditure incurred amounted to $1,081,958 (2018: $952,713). This has resulted in an operating loss after income tax for the year ended 30 June 2019 of $3,633,987 (2018: $1,678,035).

At 30 June 2019 surplus funds available totalled $2,552,400.

Operating Results for the Year

Summarised operating results are as follows:

	2019	
	Revenues	Results
	$	$
Consolidated entity revenues and profit from ordinary activities before income tax expense	**1,944,322**	**(3,633,987)**

Shareholder Returns

	2019	2018
Basic and diluted loss per share (cents)	**(4.3)**	(2.0)

Risk Management

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

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

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

Directors' Report continued

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.

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 2019 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 2019.

Voting and comments made at the Company's 2018 Annual General Meeting

The Company received approximately 87.2% of "yes" votes on its remuneration report for the 2018 financial year. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

Details of remuneration

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

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

Directors' Report continued

Key management personnel of the Group

	Short-Term		Post-Employment	Long-Term	Share-based Payments	Total
	Salary & Fees	Non-Monetary	Superannuation	Long Service Leave	Options	
	$	$	$	$	$	$
Directors						
Seamus Cornelius						
2019	**60,000**	-	-	-	**36,350**	**96,350**
2018	60,000	-	-	-	28,500	88,500
Justin Brown						
2019	**220,000**	**4,883**	**20,900**	**48,182**	**72,700**	**366,665**
2018	220,000	3,374	20,900	-	57,000	301,274
John Ribbons						
2019	**42,000**	-	-	-	**36,350**	**78,350**
2018	42,000	-	-	-	28,500	70,500
Total key management personnel compensation						
2019	**322,000**	**4,883**	**20,900**	**48,182**	**145,400**	**541,365**
2018	322,000	3,374	20,900	-	114,000	460,274

Service agreements

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

Justin Brown, Managing Director (appointed 27 June 2019, previously Executive Director. No change to contract terms):

- 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) (1)	Exercised Number	% of Remuneration
Directors								
Seamus Cornelius	29/11/2018	500,000	29/11/2018	28/11/2023	26.1	7.3	Nil	37.7
Justin Brown	29/11/2018	1,000,000	29/11/2018	28/11/2023	26.1	7.3	Nil	19.8
John Ribbons	29/11/2018	500,000	29/11/2018	28/11/2023	26.1	7.3	Nil	46.4

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

	Underlying Share Price (cents)	Exercise Price (cents)	Volatility	Risk Free Interest Rate	Valuation Date	Expiry Date
Directors	19.5	26.1	50.0%	2.3%	29/11/2018	28/11/2023

Directors' Report continued

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

	Number of ordinary shares issued on exercise of options during the year	Amount paid per ordinary share (cents)	Value exercised ($) (1)
Directors			
Justin Brown	**500,000**	**20.0**	**7,500**

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

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

Equity instruments held by key management personnel

Share holdings

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

2019	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	**3,278,970**	**171,430**	**-**	**3,450,400**
Justin Brown	**4,412,500**	**842,860**	**-**	**5,255,360**
John Ribbons	**500,000**	**85,715**	**-**	**585,715**

Option holdings

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

2019	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	**2,550,000**	**500,000**	**-**	**(500,000)**	**2,550,000**	**2,550,000**	**-**
Justin Brown	**4,850,000**	**1,000,000**	**(500,000)**	**(500,000)**	**4,850,000**	**4,850,000**	**-**
John Ribbons	**2,550,000**	**500,000**	**-**	**(500,000)**	**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 seven 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	7	7	1	1	-	-
Justin Brown	7	7	1	1	*	*
John Ribbons	7	7	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
22 February 2019	22 February 2024	26.0	1,600,000
29 November 2018	28 November 2023	26.1	2,000,000
1 December 2017	28 November 2022	35.5	1,200,000
3 November 2017	3 November 2022	32.5	600,000
2 December 2016	24 November 2021	20.0	2,000,000
2 December 2016	2 December 2019	22.0	200,000
2 December 2016	2 December 2019	30.0	200,000
22 August 2016	22 August 2020	30.0	2,000,000
20 November 2015	20 November 2020	35.0	2,200,000
18 November 2014	18 November 2019	21.5	2,750,000
Total number of options outstanding at the date of this report			**14,750,000**

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 $12,365 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
Managing Director
Perth, 6 September 2019

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 2019 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 6 September 2019

Consolidated Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2019	Notes	Consolidated 2019 $	Consolidated 2018 $
REVENUE	4	**35,669**	63,300
Other income	5	**1,908,653**	907,551
EXPENDITURE			
Administration expenses		**(511,161)**	(470,416)
Depreciation expense		**(4,251)**	-
Exploration expenditure		**(3,745,629)**	(1,632,873)
Fair value losses on financial assets		**(506,400)**	-
Salaries and employee benefits expense		**(378,517)**	(269,137)
Secretarial and share registry expenses		**(187,911)**	(111,400)
Share based payment expense	24(b)	**(244,440)**	(165,060)
LOSS BEFORE INCOME TAX		**(3,633,987)**	(1,678,035)
INCOME TAX EXPENSE	7	**-**	-
LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF ELEMENT 25 LIMITED		**(3,633,987)**	(1,678,035)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(10,431)**	(5,997)
Other comprehensive income for the year, net of tax		**(10,431)**	(5,997)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF ELEMENT 25 LIMITED		**(3,644,418)**	(1,684,032)
LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted loss per share (cents per share)	23	**(4.3)**	(2.0)

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 2019

	Notes	Consolidated 2019 $	2018 $
CURRENT ASSETS			
Cash and cash equivalents	8	**2,552,400**	2,194,663
Trade and other receivables	9	**75,573**	110,866
Financial assets at fair value through profit or loss	10	**6,200,565**	7,639,805
TOTAL CURRENT ASSETS		**8,828,538**	9,945,334
NON-CURRENT ASSETS			
Plant and equipment	11	**12,157**	16,660
TOTAL NON-CURRENT ASSETS		**12,157**	16,660
TOTAL ASSETS		**8,840,695**	9,961,994
CURRENT LIABILITIES			
Trade and other payables	12	**808,639**	108,652
Employee benefits obligations		**209,922**	121,491
TOTAL CURRENT LIABILITIES		**1,018,561**	230,143
NON-CURRENT LIABILITIES			
Employee benefits obligations		**249**	-
TOTAL NON-CURRENT LIABILITIES		**249**	-
TOTAL LIABILITIES		**1,018,810**	230,143
NET ASSETS		**7,821,885**	9,731,851
EQUITY			
Issued capital	13	**15,841,862**	14,351,850
Reserves	14	**3,812,239**	3,578,230
Accumulated losses		**(11,832,216)**	(8,198,229)
TOTAL EQUITY		**7,821,885**	9,731,851

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 2019

Consolidated	Notes	Contributed Equity $	Share-Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
BALANCE AT 1 JULY 2016		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
Loss for the year		-	-	-	**(3,633,987)**	**(3,633,987)**
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		-	-	**(10,431)**	-	**(10,431)**
TOTAL COMPREHENSIVE LOSS		-	-	**(10,431)**	**(3,633,987)**	**(3,644,418)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year		**1,490,012**	-	-	-	**1,490,012**
Employee and consultant share-based payments	24(b)	-	**244,440**	-	-	**244,440**
BALANCE AT 30 JUNE 2019		**15,841,862**	**3,848,693**	**(36,454)**	**(11,832,216)**	**7,821,885**

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 2019

	Notes	Consolidated 2019 $	Consolidated 2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(917,567)**	(853,116)
Interest received		**37,121**	60,903
Proceeds on sale of mining interests		**1,700,000**	410,000
Expenditure on mining interests		**(3,131,449)**	(1,652,839)
Proceeds from disposal of financial assets at fair value through profit or loss		**1,024,105**	1,127,911
Payments for financial assets at fair value through profit or loss		**(62,500)**	(1,045,455)
Research and development tax incentive received		**208,653**	-
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	22	**(1,141,637)**	(1,952,596)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		**8,410**	(28,959)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		**8,410**	(28,959)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		**1,490,012**	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		**1,490,012**	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**356,785**	(1,981,555)
Cash and cash equivalents at the beginning of the financial year		**2,194,663**	4,175,060
Effects of exchange rate changes on cash and cash equivalents		**952**	1,158
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	**2,552,400**	2,194,663

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 2019

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 6 September 2019. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the Group

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

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

- AASB 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.

(iii) Early adoption of standards

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2019. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

(iv) Historical cost convention

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

(b) Principles of consolidation

(i) Subsidiaries

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

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

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

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.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

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

(e) Revenue recognition

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

(f) Income tax

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

Notes to the Consolidated Financial Statements continued

30 JUNE 2019

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

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

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

(g) Leases

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) Investments and other financial assets

(i) Classification

From 1 July 2018 the Company classifies its financial assets in the following measurement categories:

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

Notes to the Consolidated Financial Statements continued

30 JUNE 2019

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

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

Debt instruments

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

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

Equity instruments

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

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

(iv) Impairment

From 1 July 2018 the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology depends on whether there has been a significant increase in credit risk.

(v) Accounting policies applied until 30 June 2018

The Company has applied AASB 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

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.

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.

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.

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.

(k) Plant and equipment

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

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

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

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

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

(l) Exploration and evaluation costs

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

(m) 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.

(n) 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 2019

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

(ii) Other long-term employee benefit obligations

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

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

(ii) Share-based payments

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

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

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

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

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

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

(o) 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.

(p) 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.

(q) 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.

(r) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2019

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

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.

(s) Critical accounting judgements, estimates and assumptions

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

Share based payment transactions

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

Environmental Issues

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

Taxation

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

2. FINANCIAL RISK MANAGEMENT

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

Risk management is carried out by the full board of directors as the Group believes that it is crucial for all board members to be involved in this process. The 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 considering exchange rate movements.

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

(ii) Price risk

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

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

Sensitivity analysis

At 30 June 2019, 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 $930,085 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 (2018: $1,145,971 lower/higher post-tax loss).

Notes to the Consolidated Financial Statements continued

30 JUNE 2019

2. FINANCIAL RISK MANAGEMENT (cont'd)

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group $2,552,400 (2018: $2,194,663) 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 1.7% (2018: 1.9%).

Sensitivity analysis

At 30 June 2019, if interest rates had changed by +/- 50 basis points from the weighted average rate for the year with all other variables held constant, post-tax profit for the Group would have been $10,560 higher/lower (2018: $32,740 lower/higher post-tax loss on +/- 100 basis points) as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit risk

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

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

(c) Liquidity risk

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

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

(d) Fair value estimation

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

Notes to the Consolidated Financial Statements continued

30 JUNE 2019

2. FINANCIAL RISK MANAGEMENT (cont'd)

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

	Consolidated	
	2019	2018
	$	$
Financial Assets		
Cash and cash equivalents	**2,552,400**	2,194,663
Trade and other receivables	**75,573**	110,866
Financial assets at fair value through profit or loss	**6,200,565**	7,639,805
Total Financial Assets	**8,828,538**	9,945,334
Financial Liabilities		
Trade and other payables	**808,639**	108,652
Total Financial Liabilities	**808,639**	108,652

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 2019				
Financial assets at fair value through profit or loss	**6,200,565**	-	-	**6,200,565**
Total as at 30 June 2019	**6,200,565**	-	-	**6,200,565**
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

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 2019

3. SEGMENT INFORMATION (cont'd)

	Australia		France		Total	
	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$
Segment revenue	-	-	-	-	-	-
Reconciliation of segment revenue to total revenue before tax:						
Interest revenue					**35,669**	63,300
Total revenue					**35,669**	63,300
Segment results	**(1,998,605)**	(1,453,304)	**(47,024)**	(172,569)	**(2,045,629)**	(1,632,873)
Reconciliation of segment result to net loss before tax:						
Interest revenue					**35,669**	63,300
Other income					**208,653**	907,551
Other corporate and administration					**(1,832,680)**	(1,016,013)
Net (loss)/profit before tax					**(3,633,987)**	(1,678,035)
Segment operating assets	-	-	-	-		-
Reconciliation of segment operating assets to total assets:						
Other corporate and administration assets					**8,840,695**	9,961,994
Total assets					**8,840,695**	9,961,994

4. REVENUE

	Consolidated	
	2019	2018
	$	$
From continuing operations		
Other revenue		
Interest	**35,669**	63,300

5. OTHER INCOME

Net gain on sale of mining interests	**1,700,000**	835,000
Research and development tax incentive	**208,653**	-
Fair value gains on financial assets at fair value through profit or loss	-	72,551
	1,908,653	907,551

6. EXPENSES

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

Minimum lease payments relating to operating leases	**122,841**	137,562
Defined contribution superannuation expense	**47,194**	57,479
Net foreign exchange losses	**2,573**	818

Notes to the Consolidated Financial Statements continued

30 JUNE 2019

	Consolidated 2019 $	Consolidated 2018 $
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	**(3,633,987)**	(1,678,035)
Prima facie tax (benefit)/expense at the Australian tax rate of 27.5% (2018: 27.5%)	**(999,346)**	(461,460)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	**67,221**	45,392
Other	**2,872**	3,249
	(929,253)	(412,819)
Movements in unrecognised temporary differences	**165,489**	35,872
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**763,764**	376,947
Income tax expense/(benefit)	-	-
(c) Unrecognised temporary differences		
Deferred Tax Assets at 27.5% (2018: 27.5%)		
On Income Tax Account		
Capital raising expenses	**24,215**	36,594
Accruals and provisions	**69,897**	40,865
Foreign carry forward tax losses	**227,390**	229,215
Australian carry forward tax losses	**2,314,115**	1,731,482
	2,635,617	2,038,156
Deferred Tax Liabilities at 27.5% (2018: 27.5%)		
Financial assets at fair value through profit or loss	**672,250**	819,135
Accrued income	**339**	837
	672,589	819,972

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. For the 2021 financial year, the tax rate will decrease to 26% and then 25% for the 2022 and later financial years. Element 25 Limited satisfies the criteria to be a small business entity.

Notes to the Consolidated Financial Statements continued

30 JUNE 2019

	Consolidated 2019 $	Consolidated 2018 $
8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**1,690,720**	482,983
Short-term deposits	**861,680**	1,711,680
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**2,552,400**	2,194,663

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

	2019 $	2018 $
Sundry receivables	**66,223**	101,953
Prepayments	**9,350**	8,913
	75,573	110,866

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

	2019 $	2018 $
Australian listed equity securities	**6,200,565**	7,639,805

Changes in fair values of financial assets at fair value through profit or loss are recorded in other income for gains (note 5) or directly on the face of the statement of comprehensive income for losses.

11. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	2019 $	2018 $
Plant and equipment		
Cost	**92,103**	92,355
Accumulated depreciation	**(79,946)**	(75,695)
Net book amount	**12,157**	16,660
Movements:		
Opening net book amount	**16,660**	-
Exchange differences	**(4,251)**	110
Additions	**3,999**	16,550
Depreciation charge	**(4,251)**	-
Closing net book amount	**12,157**	16,660

12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2019 $	2018 $
Trade payables	**64,457**	41,956
Other payables and accruals	**744,182**	66,696
	808,639	108,652

13. ISSUED CAPITAL

	Notes	2019 Number of shares	2019 $	2018 Number of shares	2018 $
(a) Share capital					
Ordinary shares fully paid	13(b), 13(d)	**91,907,274**	**15,841,862**	83,464,350	14,351,850
Total issued capital		**91,907,274**	**15,841,862**	83,464,350	14,351,850

Notes to the Consolidated Financial Statements continued

30 JUNE 2019

13. ISSUED CAPITAL (cont'd)

	Notes	2019 Number of shares	2019 $	2018 Number of shares	2018 $
(b) Movements in ordinary share capital					
Beginning of the financial year		**83,464,350**	**14,351,850**	83,464,350	14,351,850
Issued during the year:					
– Upon exercise of 20 cent options		**500,000**	**100,000**	-	-
– Pursuant to share purchase plan and shortfall placement at 17.5 cents per share		**7,942,924**	**1,390,012**	-	-
End of the financial year		**91,907,274**	**15,841,862**	83,464,350	14,351,850

(c) Movements in options on issue

	Number of options 2019	Number of options 2018
Beginning of the financial year	**13,850,000**	16,700,000
Issued during the year:		
– Exercisable at 26 cents, on or before 22 February 2024	**1,600,000**	-
– Exercisable at 26.1 cents, on or before 28 November 2023	**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
Exercised during the year at 20 cents, expiring 19 November 2018	**(500,000)**	-
Expired during the year:		
– On 1 July 2017, exercisable at 20 cents	-	(1,000,000)
– On 19 November 2018, exercisable at 20 cents	**(1,500,000)**	-
– On 15 September 2017, exercisable at 27.5 cents	-	(500,000)
– On 17 June 2019, exercisable at 30 cents	**(250,000)**	-
– On 22 October 2018, exercisable at 32 cents	**(250,000)**	-
– On 31 January 2018, exercisable at 34 cents	-	(150,000)
– On 20 November 2018, exercisable at 35 cents	**(200,000)**	-
– On 30 November 2017, exercisable at 38 cents	-	(3,000,000)
End of the financial year	**14,750,000**	13,850,000

(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 2019 and 30 June 2018 are as follows:

Notes to the Consolidated Financial Statements continued

30 JUNE 2019

	Consolidated 2019 $	Consolidated 2018 $
13. ISSUED CAPITAL (cont'd)		
Cash and cash equivalents	**2,552,400**	2,194,663
Trade and other receivables	**75,573**	110,866
Financial assets at fair value through profit or loss	**6,200,565**	7,639,805
Trade and other payables	**(808,639)**	(108,652)
Employee benefit obligations (current)	**(209,922)**	(121,491)
Working capital position	**7,809,977**	9,715,191

14. RESERVES AND RETAINED EARNINGS

(a) Reserves

Foreign currency translation reserve	**(36,454)**	(26,023)
Share-based payments reserve	**3,848,693**	3,604,253
	3,812,239	3,578,230

(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

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

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:

within one year	**474,000**	802,000
later than one year but not later than five years	**915,000**	1,826,000
	1,389,000	2,628,000

Notes to the Consolidated Financial Statements continued

30 JUNE 2019

18. COMMITMENTS (cont'd)

(b) Lease commitments: Group as lessee

	Consolidated 2019 $	Consolidated 2018 $
Operating leases (non-cancellable):		
Minimum lease payments		
within one year	**115,200**	115,200
later than one year but not later than five years	**-**	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**115,200**	115,200

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

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

	2019 $	2018 $
Short-term benefits	**326,883**	325,374
Post-employment benefits	**20,900**	20,900
Other long-term benefits	**48,182**	-
Termination benefits	**-**	-
Share-based payments	**145,400**	114,000
	541,365	460,274

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) 2019 %	Equity Holding (1) 2018 %
Cordier Mines SAS	France	Ordinary	**100**	100
Element 25 Butcherbird Project Pty Ltd (formerly Fortitude Metals Limited)	Australia	Ordinary	**100**	100

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

21. EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

During August 2019 the Company announced that government funding of $1,342,223 had been approved for the pilot plant test programme for the Company's 100% owned Butcherbird Manganese Project.

No other matter or circumstance has arisen since 30 June 2019, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

Notes to the Consolidated Financial Statements continued

30 JUNE 2019

	Consolidated 2019 $	Consolidated 2018 $
22. CASH FLOW INFORMATION		
Reconciliation of (loss)/profit after income tax to net cash outflow from operating activities		
(Loss)/profit for the year	**(3,633,987)**	(1,678,035)
Non-Cash Items		
Depreciation of non-current assets	**4,251**	-
Employee and consultants share-based payments	**244,440**	165,060
Fair value of financial assets received on sale of mining interests	**-**	(425,000)
Net exchange differences	**(6,987)**	(7,138)
Change in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	**23,071**	(62,449)
Decrease in financial assets at fair value through profit or loss	**1,439,240**	38,670
Increase in trade and other payables	**699,655**	16,296
Increase in employee benefit obligations	**88,680**	-
Net cash outflow from operating activities	**(1,141,637)**	(1,952,596)

23. EARNINGS PER SHARE

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

	2019 $	2018 $
(Loss)/profit attributable to the owners of the Company used in calculating basic and diluted (loss)/earnings per share	**(3,633,987)**	(1,678,035)

	Number of shares 2019	Number of shares 2018
(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	**84,246,547**	83,464,350

(c) Information on the classification of options

As the Group made a loss for the year ended 30 June 2019, 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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2019

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 2019 range from 20 cents to 35.5 cents per option, with expiry dates ranging from 18 November 2019 to 22 February 2024.

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 6.8 cents (2018: 9.2 cents). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2019	2018
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)	18.8	25.2
Expected share price volatility	50.0%	50.0%
Risk free interest rate	2.0%	2.2%

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:

	2019		2018	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	**13,850,000**	**26.8**	16,700,000	27.7
Granted	**3,600,000**	**26.1**	1,800,000	34.5
Forfeited	-	-	-	-
Exercised	**(500,000)**	**20.0**	-	-
Expired	**(2,200,000)**	**23.9**	(4,650,000)	32.9
Outstanding at year-end	**14,750,000**	**27.3**	13,850,000	26.8
Exercisable at year-end	**14,750,000**	**27.3**	13,850,000	26.8

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 2.3 years (2018: 2.1 years), and the exercise prices range from 20 cents to 35.5 cents.

(b) Expenses arising from share-based payment transactions

	Consolidated	
	2019 $	2018 $
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	**244,440**	165,060
	244,440	165,060

Notes to the Consolidated Financial Statements continued

30 JUNE 2019	Parent Entity	
	2019	2018
	$	$

25. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Element 25 Limited, at 30 June 2019. The information presented here has been prepared using accounting policies consistent with those presented in note 1.

	2019 $	2018 $
Current assets	**8,793,753**	9,901,489
Non-current assets	**12,157**	12,409
Total assets	**8,805,910**	9,913,898
Current liabilities	**1,014,006**	217,384
Non-current liabilities	**249**	-
Total liabilities	**1,014,255**	217,384
Issued capital	**15,841,862**	14,351,850
Share-based payments reserve	**3,848,693**	3,604,253
Accumulated losses	**(11,898,900)**	(8,259,589)
Total equity	**7,791,655**	9,696,514
Loss for the year	**(3,639,311)**	(1,703,180)
Total comprehensive loss for the year	**(3,639,311)**	(1,703,180)

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 10 to 31 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 2019 and of its performance for the financial year ended on that date;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

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

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

Justin Brown
Managing Director

Perth, 6 September 2019

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 2019, 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 2019 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 financial assets at fair value

The Group's 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 control environment 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 closing bid price at 30 June 2019;
- Agreeing cash and holdings in financial assets at fair value to independent third party documentation;
- Performing a recalculation of the total value of investments.

We have also assessed the appropriateness of the disclosures included in Notes 1, 2, 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 1 to 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 2019, 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 2019.

In our opinion the remuneration report of Element 25 Limited for the year ended 30 June 2019 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 6 September 2019

RGarda

Rolf Garda FCA
Partner