



14 February 2020

Company Announcements  
Australian Securities Exchange  
Level 4, 20 Bridge Street  
Sydney NSW 2000

Dear Sirs

### Interim Financial Report

I attach a copy of Element 25 Limited's Interim Financial Report for the Half-Year Ended 31 December 2019 for release to the market.

Authorised for lodgement by:

A handwritten signature in blue ink, appearing to read "John Ribbons", written over a light blue circular arc that is open on the right side, matching the Element 25 logo.

John Ribbons  
**Company Secretary**

Att

**ELEMENT 25 LIMITED**  
**ABN 46 119 711 929**  
**INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED**  
**31 DECEMBER 2019**

**This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2019 and any public announcements made by Element 25 Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.**

**ELEMENT 25 LIMITED****31 DECEMBER 2019**

<b>Contents</b>	<b>Page</b>
<b>DIRECTORS' REPORT</b>	<b>3</b>
<b>AUDITOR'S INDEPENDENCE DECLARATION</b>	<b>4</b>
<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	<b>5</b>
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>6</b>
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>7</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>8</b>
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>9</b>
<b>DIRECTORS' DECLARATION</b>	<b>14</b>
<b>INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS</b>	<b>15</b>

## ELEMENT 25 LIMITED

31 DECEMBER 2019

### DIRECTORS' REPORT

Your directors submit their report on the consolidated entity (referred to hereafter as the "Group") consisting of Element 25 Limited ("E25" or "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

#### DIRECTORS

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

Seamus Cornelius

Justin Brown

John Ribbons

#### REVIEW AND RESULTS OF OPERATIONS

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

	2019	
	Revenues	Results
	\$	\$
Consolidated entity	2,273,543	(352,757)

During the half-year ended 31 December 2019, the Company continued to progress the Pre-Feasibility Study (PFS) of 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 anticipates providing a robust base case for the commercialisation of the Company's world class manganese resource. The work to date has identified a number of potential modifications to the flowsheet implementation strategy which are expected to have a positive impact on capital and operating costs and the decision was made by the Company to undertake this additional work prior to finalising the PFS. Work continues to complete the PFS as soon as practicable.

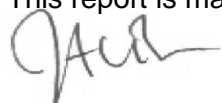
Project financing discussions have continued during the half-year. The Company announced that the Northern Australia Infrastructure Facility (NAIF) determined it would further investigate the potential to provide debt financing for the Project and the NAIF consented to progress the Project to the Due Diligence stage for assessment. A Strategic Assessment Paper has been noted by the NAIF Board and represents the first milestone in the Company's engagement. E25 will submit a formal Investment Proposal for consideration and notes that no decision to offer finance has been made or commitment to provide financial assistance.

In addition, the Company was awarded funding under the seventh round of the Cooperative Research Centres Project (CRC-P) grant program during the half-year. Government funding of \$1,342,223 has been approved for the pilot plant test programme for the Project. The funding is provided by the Department of Industry, Innovation and Science to support the Project's pilot testing programme.

#### AUDITOR'S INDEPENDENCE DECLARATION

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

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



**Justin Brown**

Managing Director

Perth, 14 February 2020



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Phone (08) 9486 7094 [www.rothsayresources.com.au](http://www.rothsayresources.com.au)

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

Dear Sirs

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

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2019 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan FCA (Lead auditor)

Rothsay Auditing

Dated 14 February 2020

**ELEMENT 25 LIMITED****31 DECEMBER 2019****CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	<b>Half-year</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>REVENUE AND OTHER INCOME</b>		
Interest received	7,230	22,150
Net gain on sale of mining interests	1,120,000	1,000,000
Fair value gains on financial assets	-	12,371
Government grants received	1,105,388	-
Royalties received	40,925	-
<b>EXPENDITURE</b>		
Administration expenses	(251,052)	(248,916)
Depreciation expense	(2,778)	(2,070)
Exploration and pre-feasibility expenditure	(2,002,838)	(1,536,818)
Salaries and employee benefits expense	(125,990)	(236,155)
Secretarial and share registry expenses	(92,015)	(111,082)
Fair value losses on financial assets	(31,227)	-
Share-based payments expense	(120,400)	(145,400)
<b>LOSS BEFORE INCOME TAX</b>	<b>(352,757)</b>	<b>(1,245,920)</b>
Income tax expense	-	-
<b>LOSS FOR THE HALF-YEAR AFTER TAX</b>	<b>(352,757)</b>	<b>(1,245,920)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	(7,369)	(10,600)
Other comprehensive income for the period, net of tax	(7,369)	(10,600)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF ELEMENT 25 LIMITED</b>	<b>(360,126)</b>	<b>(1,256,520)</b>
Basic and diluted loss per share (cents)	(0.4)	(1.5)

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

**ELEMENT 25 LIMITED****31 DECEMBER 2019****CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019**

	Notes	31 December 2019 \$	30 June 2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,198,586	2,552,400
Trade and other receivables		221,682	75,573
Financial assets at fair value through profit or loss	3	5,991,257	6,200,565
<b>TOTAL CURRENT ASSETS</b>		<b>8,411,525</b>	<b>8,828,538</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		9,646	12,157
<b>TOTAL NON-CURRENT ASSETS</b>		<b>9,646</b>	<b>12,157</b>
<b>TOTAL ASSETS</b>		<b>8,421,171</b>	<b>8,840,695</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		587,740	808,639
Employee benefit obligations		224,140	209,922
<b>TOTAL CURRENT LIABILITIES</b>		<b>811,880</b>	<b>1,018,561</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefit obligations		257	249
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>257</b>	<b>249</b>
<b>TOTAL LIABILITIES</b>		<b>812,137</b>	<b>1,018,810</b>
<b>NET ASSETS</b>		<b>7,609,034</b>	<b>7,821,885</b>
<b>EQUITY</b>			
Issued capital	4	15,868,737	15,841,862
Reserves		3,925,270	3,812,239
Accumulated losses		(12,184,973)	(11,832,216)
<b>TOTAL EQUITY</b>		<b>7,609,034</b>	<b>7,821,885</b>

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

**ELEMENT 25 LIMITED**

**31 DECEMBER 2019**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Contributed Equity \$	Share-based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
<b>BALANCE AT 1 JULY 2018</b>	14,351,850	3,604,253	(26,023)	(8,198,229)	9,731,851
Loss for the period	-	-	-	(1,245,920)	(1,245,920)
<b>OTHER COMPREHENSIVE INCOME</b>					
Exchange differences on translation of foreign operations	-	-	(10,600)	-	(10,600)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	-	-	(10,600)	(1,245,920)	(1,256,520)
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>					
Shares issued during the period	100,000	-	-	-	100,000
Employee and consultant share- based payments	-	145,400	-	-	145,400
<b>BALANCE AT 31 DECEMBER 2018</b>	14,451,850	3,749,653	(36,623)	(9,444,149)	8,720,731
<b>BALANCE AT 1 JULY 2019</b>	15,841,862	3,848,693	(36,454)	(11,832,216)	7,821,885
Loss for the period	-	-	-	(352,757)	(352,757)
<b>OTHER COMPREHENSIVE INCOME</b>					
Exchange differences on translation of foreign operations	-	-	(7,369)	-	(7,369)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	-	-	(7,369)	(352,757)	(360,126)
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>					
Shares issued during the period	26,875	-	-	-	26,875
Employee and consultant share- based payments	-	120,400	-	-	120,400
<b>BALANCE AT 31 DECEMBER 2019</b>	15,868,737	3,969,093	(43,823)	(12,184,973)	7,609,034

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



**ELEMENT 25 LIMITED**

**31 DECEMBER 2019**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Half-year	
	2019	2018
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Expenditure on mining interests	(2,197,528)	(1,369,345)
Payments to suppliers and employees	(492,968)	(538,700)
Proceeds on sale of mining interests	620,000	1,000,000
Interest received	7,725	21,899
Proceeds from sale of financial assets at fair value through profit or loss	738,081	784,915
Payments for financial assets at fair value through profit or loss	(60,000)	(62,500)
Royalties received	40,925	-
Research and development tax incentive received	615,465	-
Government grant funding received	348,382	-
<b>Net cash outflow from operating activities</b>	<b>(379,918)</b>	<b>(163,731)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Payments)/reimbursement for plant and equipment	(267)	12,409
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(267)</b>	<b>12,409</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issues of ordinary shares	26,875	100,000
<b>Net cash inflow from financing activities</b>	<b>26,875</b>	<b>100,000</b>
Net decrease in cash and cash equivalents	(353,310)	(51,322)
Cash and cash equivalents at the beginning of the half-year	2,552,400	2,194,663
Effects of exchange rate changes on cash and cash equivalents	(504)	1,006
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR</b>	<b>2,198,586</b>	<b>2,144,347</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Element 25 Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

**New and amended standards adopted by the Group**

In the half-year ended 31 December 2019, the Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2019.

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

- AASB 16 *Leases*; and
- Interpretation 23 *Uncertainty over Income Tax Treatments*.

**AASB 16 Leases**

The Group has adopted AASB 16 *Leases* from 1 July 2019 which has resulted in changes in the classification, measurement and recognition of leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (lease payments) and removes the former distinction between 'operating' and 'finance' leases. The exceptions are short-term leases and leases of low value assets.

In applying AASB 16 for the first time, as permitted by the standard, the Group has elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered before the transition date the Group relied on its assessment made applying AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

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

The Company is party to one lease agreement for the office premises for a fixed period of 12 months commencing 1 July 2019. Under AASB 16 this lease is classified as a short-term lease defined as a lease with a lease term of 12 months or less. Payments associated with this short-term lease are recognised on a straight-line basis as an expense in profit or loss.

**Impact of standards issued but not yet applied by the Group**

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

**Critical accounting estimates and judgements**

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. In preparing this half-year financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2019.

**ELEMENT 25 LIMITED**

**31 DECEMBER 2019**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 2: SEGMENT INFORMATION**

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

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

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

	<b>Australia</b>		<b>Europe</b>		<b>Total</b>	
	<b>Half-year</b>		<b>Half-year</b>		<b>Half-year</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment revenue</b>	<b>2,266,313</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>2,266,313</b>	<b>1,000,000</b>
<b>Reconciliation of segment revenue to total revenue:</b>						
Interest revenue					<b>7,230</b>	22,150
Fair value gains on financial assets					<b>-</b>	12,371
<b>Total revenue and other income</b>					<b>2,273,543</b>	<b>1,034,521</b>
<b>Segment results</b>	<b>283,921</b>	<b>(519,712)</b>	<b>(20,447)</b>	<b>(17,106)</b>	<b>263,474</b>	<b>(536,818)</b>
<b>Reconciliation of segment result to net loss before tax:</b>						
Fair value losses on financial assets					<b>(31,227)</b>	-
Other corporate and administration					<b>(585,004)</b>	(709,102)
<b>Net loss before tax</b>					<b>(352,757)</b>	<b>(1,245,920)</b>
	<b>31 Dec 2019</b>	<b>30 June 2019</b>	<b>31 Dec 2019</b>	<b>30 June 2019</b>	<b>31 Dec 2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment operating assets</b>	<b>141,540</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>141,540</b>	<b>-</b>
<b>Reconciliation of segment operating assets to total assets:</b>						
Other corporate and administration assets					<b>8,279,631</b>	8,840,695
<b>Total assets</b>					<b>8,421,171</b>	<b>8,840,695</b>

**ELEMENT 25 LIMITED**

**31 DECEMBER 2019**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 3: AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>31 December 2019 \$</b>	<b>30 June 2019 \$</b>
Australian listed equity securities	<b>5,991,257</b>	6,200,565

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

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

**NOTE 4: EQUITY SECURITIES ISSUED**

	<b>2019 Shares</b>	<b>2019 \$</b>	<b>2018 Shares</b>	<b>2018 \$</b>
<b>As at 1 July</b>	<b>91,907,274</b>	<b>15,841,862</b>	83,464,350	14,351,850
<b>Issues of ordinary shares during the half-year</b>				
Issued upon exercise of options at \$0.215 per share	<b>125,000</b>	<b>26,875</b>	-	-
Issued upon exercise of options at \$0.20 per share	-	-	500,000	100,000
<b>As at 31 December</b>	<b>92,032,274</b>	<b>15,868,737</b>	83,964,350	14,451,850

	<b>Number of options 2019</b>	<b>2018</b>
<b>As at 1 July</b>	<b>14,750,000</b>	13,850,000
<b>Movement of options during the half-year</b>		
Issued, exercisable at 26.1 cents, on or before 28 November 2023 <sup>(1)</sup>	-	2,000,000
Issued, exercisable at 27.3 cents, on or before 20 November 2024 <sup>(1)</sup>	<b>2,000,000</b>	-
Expired on 22 October 2018, exercisable at 32 cents	-	(250,000)
Exercised/expired on 19 November 2018, exercisable at 20 cents	-	(2,000,000)
Expired on 20 November 2018, exercisable at 35 cents	-	(200,000)
Exercised/expired on 18 November 2019, exercisable at 21.5 cents	<b>(2,750,000)</b>	-
Expired on 2 December 2019, exercisable at 22 cents	<b>(200,000)</b>	-
Expired on 2 December 2019, exercisable at 30 cents	<b>(200,000)</b>	-
<b>As at 31 December</b>	<b>13,600,000</b>	13,400,000

**ELEMENT 25 LIMITED****31 DECEMBER 2019****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****NOTE 4: EQUITY SECURITIES ISSUED (continued)**

- (1) The weighted average fair value of employee and consultant options granted during the half-year was 6.0 cents (2018: 7.3 cents), for a total value of \$120,400 (2018: \$145,400) included within share-based payments expense. The fair values were calculated by using the Black-Scholes European Option Pricing Model applying the following weighted average inputs:

	<b>2019</b>	<b>2018</b>
Weighted average exercise price (cents)	<b>27.3</b>	26.1
Weighted average life of the option (years)	<b>5.0</b>	5.0
Weighted average underlying share price (cents)	<b>18.5</b>	19.5
Weighted average expected share price volatility	<b>50.0%</b>	50.0%
Weighted average risk free interest rate	<b>0.8%</b>	2.3%

**NOTE 5: CONTINGENCIES**

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

**NOTE 6: SUBSEQUENT EVENTS**

No matter or circumstance has arisen since 31 December 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.

**ELEMENT 25 LIMITED**

**31 DECEMBER 2019**

**DIRECTORS' DECLARATION**

In the directors' opinion:

1. the financial statements and notes set out on pages 5 to 13 are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Element 25 Limited will be able to pay its debts as and when they become due and payable.

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



**Justin Brown**  
Managing Director  
Perth, 14 February 2020





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Phone (08) 9486 7094 www.rothsayresources.com.au

### **Independent Review Report to the Members of Element 25 Ltd**

#### **The financial report and directors' responsibility**

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Element 25 Ltd for the half-year ended 31 December 2019.

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

#### **Review approach**

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2019 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Element 25 Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### **Independence**

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

#### **Conclusion**

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

- giving a true and fair view of the consolidated financial position as at 31 December 2019 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

**Rothsay Auditing**

**Graham Swan FCA  
Partner**

Dated 14 February 2020

