Annual Report for year ended 30 June 2021

Developing the world class Butcherbird Manganese Project in Western Australia to produce high quality manganese concentrate and high purity manganese products for traditional and new energy markets.

Element 25 Limited

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Contents

Corporate Directory

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

Joint Company Secretaries
Melissa Chapman
Catherine Grant-Edwards

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

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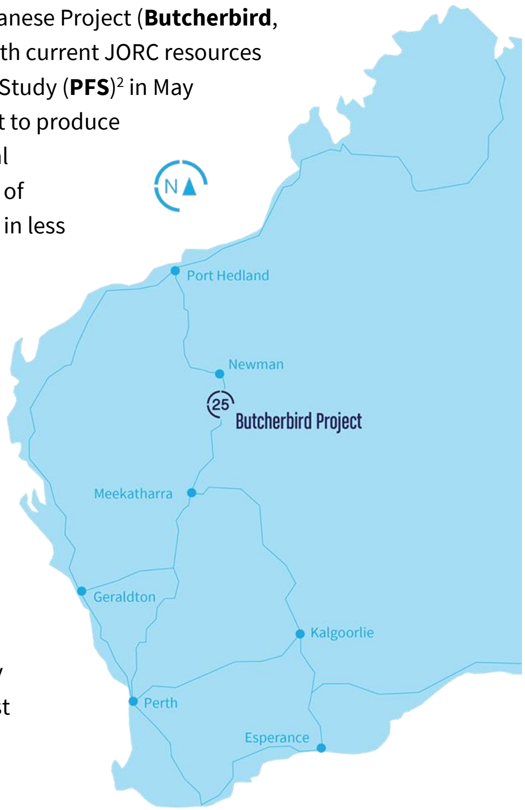
1. The Butcherbird Project

1.1. Introduction

Element 25 Limited (**E25** or **the Company**) is the operator of the Butcherbird Manganese Project (**Butcherbird**, **Butcherbird Project** or **Project**) which hosts a world-class manganese resource with current JORC resources of more than 263Mt of manganese ore[1]. The Company completed a Pre-Feasibility Study (**PFS**)[2] in May 2020, which was updated in December 2020, with respect to developing the deposit to produce manganese concentrate for export to generate early cashflow with a modest capital requirement[3]. The outstanding economics and low capital hurdle for the first stage of development has allowed the Company to deliver first production from the Project in less than twelve months from the publication of the PFS.



The PFS also highlighted the Project's potential for significant growth beyond the initial Stage 1 production volumes (the studies examined the potential for a 2X and 3X expansion to Stage 1 within 12 months of initial commissioning), and the Company expects to expedite the expansion of the Project.

In addition to the concentrate export business, the Company has completed extensive research and development and laboratory test work into the production of high purity manganese products including battery grade manganese sulphate (**HPMSM**) and High Purity Electrolytic Manganese Metal (**HPEMM**). The work has highlighted that the Butcherbird ores are highly amenable to an ambient temperature, atmospheric pressure leach process, resulting in a very efficient extraction of the manganese into solution, the key requirement for the cost effective and sustainable production of HPMSM and HPEMM.

The Project is located 1,050 km north of Perth and 130km south of Newman in the Pilbara region of Western Australia. The Project comprises several defined resource areas, the largest of which is the Yanneri Ridge deposit which straddles the Great Northern Highway and the Goldfields Gas Pipeline, providing turnkey logistics and energy solutions.

The Company plans to integrate renewable energy into the power solution over time to target a zero-carbon footprint for the Project, which is expected to also reduce energy costs. A cleaner, lower carbon flowsheet and high penetration renewable energy will place Butcherbird at the forefront of sustainable high purity manganese production.

1.2. Updated Pre-Feasibility Study

On 3 December 2020, the Company completed and released an update to the PFS filed in May 2020. The updated PFS builds on the initial base case published in May 2020 by looking at expansion opportunities beyond the low capex, rapid startup Stage 1 operation.

The updated PFS includes changes in the macro-economic inputs and other design parameters and includes the results of two options studies which examined the expansion of production at the Project. These parameters include:

- Inclusion of silica and other mineral credits.
- Revised process recovery to 83%, previously 82%.
- Increased plant throughput based around improved plant availability from 1.2Mtpa to 1.3Mtpa.
- Updated exchange rate to 0.70 A$/USD, previously variable.
- Revised capital expenditure reflecting the inclusion of a mining camp in the base case, with an associated increase of A$2.5M in required capital.
- Revised accommodation costs based on terms negotiated with a supplier.

[1] Refer ASX Announcement 17 April 2019
[2] Refer ASX Announcement 19 May 2020
[3] Refer ASX Announcement 3 December 2020

- Revised site organisation chart and updated costs.
- Revised mining costs based on a completed mining tender process.
- Updated sustaining capex involving the TSF and ongoing resource development.
- Inclusion of 2X and 3X manganese production expansion estimates.

The results confirmed that the robust economics are maintained and improved for the base case and the expansion options offer the company opportunities to substantially improve the economics of the Project.

The expansion cases assumed that production will be increased to either 2x or 3x the plant throughput rates of the Base Case, commencing at the start of the second year of production. This results in better utilisation of the large resource/reserve base underpinning the Project. Economies of scale result in better equipment utilisation and operating efficiencies which improve project economics.

Key Economic Metrics	Unit		Base Case Yr 1 + Expansion in Year 2	
		Base Case 1.3Mtpa	2X Throughput 2.6Mtpa	3X Throughput 3.9Mtpa
Ore Mined	**ktpa**	**1,300**	**2,600**	**3,900**
Manganese Concentrate Produced	**ktpa**	**335**	**637**	**931**
Manganese Concentrate Grade	Mn%	33	33	33
Manganese Price (Roskill Sept 2020)	US$/dmtu 33%Mn FOB Port Hedland	4.37	4.37	4.37
Exchange Rate	A$/USD	0.70	0.70	0.70
Undiscounted Cashflow	A$M pa	34.6	76.7	117.2
Mine Life	Years	41	21	15
NPV_5 (Real) (Pre-Tax)	**A$M**	**583**	**926**	**1,138**
NPV_5 (Real) (Post-Tax)	**A$M**	**412**	**651**	**798**
IRR (pre-tax)	**%**	**387**	**342**	**359**
Operating Cost	A$/dmtu 33% FOB Port Hedland	4.85	3.94	3.80
	U$/dmtu 33% FOB Port Hedland	3.39	2.76	2.76
Capital Cost (Base Case)	Project Capital A$M	15.1	15.1	15.1
	Expansion Capital	-	+13.4	+18.0
	Contingency A$M	1.9	+1.7	+2.3
	Working Capital A$M	3.3	0	0
	Total Capital A$M	**20.3**	**35.4**	**40.6**

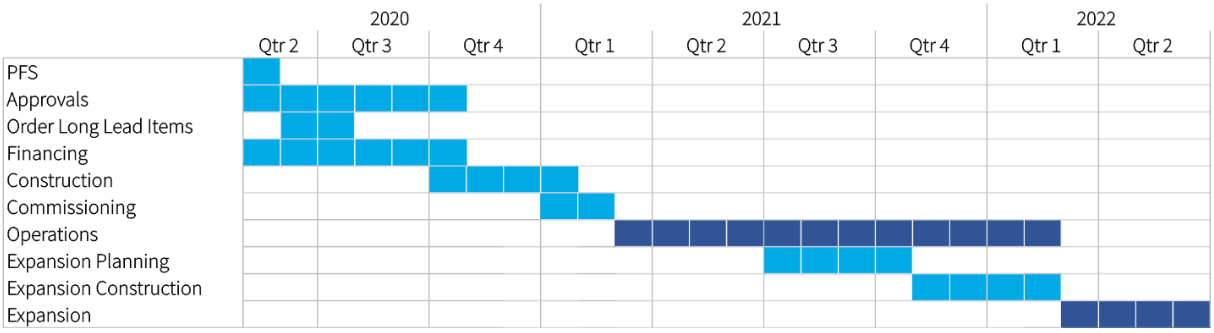
Butcherbird Financial Summary – Life of Project

Key Economic Metrics	Unit		Base Case Yr 1 + + Expansion in Year 2	
		Base Case 1.3Mtpa	2X Throughput 2.6Mtpa	3X Throughput 3.9Mtpa
Ore Mined	ktpa	1,300	2,600	3,900
Manganese Concentrate Produced	ktpa	**335**	**637**	**931**
Manganese Concentrate Grade	Mn%	33	33	33
Manganese Price (base)	US$/dmtu 33%Mn FOB Port Hedland	4.37	4.37	4.37
Undiscounted Cashflow	A$M pa	39.6	72.3	101.7

Key Economic Metrics	Unit		Base Case Yr 1 + + Expansion in Year 2	
		Base Case 1.3Mtpa	2X Throughput 2.6Mtpa	3X Throughput 3.9Mtpa
Mine Life	Years	41	21	15
NPV$_{5}$ Real (Pre Tax)	**A$M**	**583**	**926**	**1,138**
NPV$_{5}$ Real (Post tax)	**A$M**	**412**	**651**	**798**
IRR (Pre-tax)	%	**387**	**342**	**359**
Operating Cost	A$/dmtu 33% FOB Port Hedland	4.15	3.97	3.97
	U$/dmtu 33% FOB Port Hedland	2.91	2.78	2.78

Butcherbird Financial Summary – Years 1 to 5

The initial 5-year of production in the base case utilises 92% Measured resources[4] and 8% Indicated resources. The 40-year Life of Mine scenario for the base case utilises 27% Measured resources, 68% Indicated resources and 5% Inferred resources.



Project Development Timeline

1.3. Development

1.3.1 Permitting

During the year the following key permit were approved by the relevant government departments:

- Native Vegetation Clearing Permit - The clearing provisions of the Environmental Protection Act require the clearing of native vegetation to be authorised by a clearing permit. The clearing permit allows for the removal of vegetation in the key work areas such as the open pit, the process plant, and the tails storage facility footprints. The application for this permit was approved by the Department of Mines, industry, Regulation and Safety (**DMIRS**).
- Water Abstraction Licence – This license was approved by the Department of Water and Environmental Regulation (**DWER**), as Western Australia's water resource management agency, has responsibility for assessment and decision making for licences and permits to extract water for the processing plant operations.
- Works Approval – This permit was approved by DWER before initial construction and in accordance with the Environmental Protection Act 1986.
- Great Northern Highway Access - The Company received approval from Main Roads Western Australia for the design of the access road where it intersects the Great Northern Highway.
- Mining Proposal/Mine Closure Plan – The Company received approval of the Mining Proposal and Mine Closure Plan which takes into consideration the environmental aspects of the mining operation and the rehabilitation activities at the conclusion of mining.

[4] Refer ASX Announcement 17 April 2019

- Project Management Plan (PMP) – This plan was approved by the DMIRS under the Mines Safety and Inspection Act 1994 (WA) (MSI Act) prior to the commencement of mining operations. The PMP details the approach to managing hazards associated with the construction and operation of the proposed mine site.

1.3.2. Water Bore Drilling and Pump Testing

A water exploration drilling programme was completed during the year.

Pump testing of a water production bore completed within a shallow (6 - 16m depth) aquifer at the Butcherbird Project has confirmed sufficient process water supply for planned production at the Project.

Yields from the aquifer were higher and depths were shallower than previously assumed potentially allowing sufficient water to be recovered from fewer, shallower bores, thereby reducing capital and operating costs for the borefield.

A number of standard pump tests were conducted to test the aquifer potential and groundwater flow modelling has been completed to analyse a number of potential borefield designs.

Water test bore drilling programme.

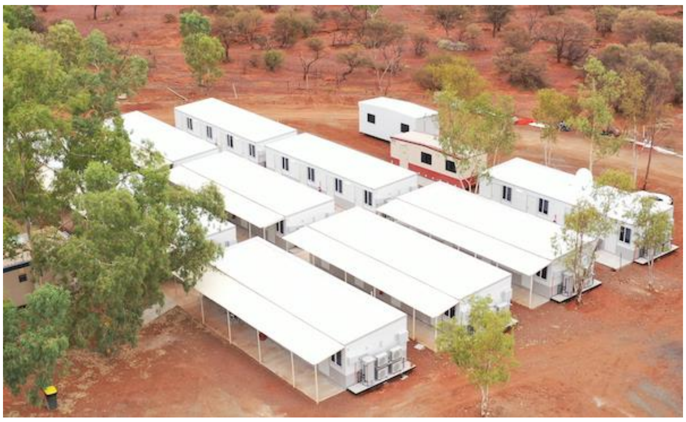
Samples from test bore BBPB03 were analysed for salinity. The groundwater is classified as Marginal Potable, with a salinity of 1,200 mg/L Total Dissolved Solids (TDS). This is ideally suited to the proposed processing method at the Project.

Archaeological and Ethnographic surveys have been completed over the proposed borefield area and no impediments or sites were recorded.

1.3.3. Camp Construction

During the year, the Company entered into an agreement with Refuel Australia (**Refuel**) for the provision of camp management services at their Kumarina Roadhouse (**Kumarina**) facility, located approximately 30km south of the Project. Subsequently, E25 installed a 40-man camp at Kumarina.

Refuel will provide ongoing room servicing and messing through construction and into operations. A separate agreement is also in place for Refuel to supply diesel for the Project.



Camp construction complete and rooms operational.

1.3.4. Mechanical Equipment

Early in the financial year, the Company placed orders for items of equipment with a long lead time. During December 2020, all principal mechanical equipment including the crusher, log washer, wet and dry screens and ore sorters landed in Fremantle Western Australia and cleared customs. The consolidation and mobilisation of this equipment commenced shortly thereafter ahead of stage 1 commissioning.

1.3.5. Stage 1 Commissioning

Delivery of the first stage of a planned multi-stage development at Project has been extremely successful with project build and commencement of commissioning completed within 11 months from the delivery of the Pre-Feasibility Study published in May 2020[5].

The Project team progressed commissioning activities and reported no indications of any significant flaws in processing equipment. Initial commissioning objectives included reliable, consistent operation and optimisation of the plant to the various types of ore feed identified in the starter pits

E25 explored several optimisation opportunities and minor engineering modifications implemented during the normal commissioning process to enhance plant availability, processing throughput and product quality.

Power and water services operated reliably at design rates and tailing storage facility (TSF) commissioning progressed without issue. E25 completed other infrastructure including the access road connection to the Great Northern Highway in preparation for trucking the first cargo to Port Hedland for export via Utah Point export facility.

The Butcherbird mine site progressed to a 24-hour processing operation as part of the scheduled ramp up activities. This produced accelerated production volumes to facilitate the first shipment of product. Importantly, the in-specification 30-35% Mn content concentrate was successfully produced early in the commissioning process.

Completed Stage 1 operation at the Butcherbird mine site in Western Australia

[5] Refer ASX Announcement 28 January 2021

1.4. Operations

1.4.1 Appointment of Key Contractors

During the year the Company appointed the following key contractors:

- Iron Mine Contracting - The Company advised during the year that Iron Mining Contracting Pty Ltd (**IMC**) had been appointed as the preferred mining contractor for the Project. IMC are experienced operators with a track record in both mining and civil works. IMC were mobilised to site in December 2020 to complete the required civil earthworks including access roads, the Tailings Storage Facility (**TSF**) and the processing plant site. On completion of the civil work programme, IMC transitioned to mining to provide material to feed the processing plant.
- Great Energy - Great Energy is a specialist energy infrastructure developer focused on delivering energy to the resources and utilities sectors through Australia and the Asia-pacific. Great Energy designs, constructs, manages, operates and maintains gas, diesel and renewable fuelled power stations and those of selected resources industry clients. Great Energy are providing site power at the Project for an initial contract period of four years with buyout and extension provisions.
- Civilcon - Civilcon are a construction company located in the southwest of Western Australia with extensive experience in remote projects. Civilcon completed a range of site civil works in preparation for the installation of the processing plant and associated infrastructure.

1.4.2. Logistics and Ore Transport

E25 has entered into Letter of Intent executed with AK Evans Group Australia (**AK Evans**) for transportation of manganese concentrate from the Project to Utah Point in Port Hedland. The first trucks departed on 8 June 2021 containing the first manganese concentrate produced at Butcherbird, with a total of 26,200Kt transported to Port Hedland and loaded onto the Shakespeare Bay which departed subsequent to the year end on 14 July 2021.

1.4.3. Port Operations and Shipping

In May 2021, the Company executed a Multi-User Access Agreement (Port Agreement) with the Pilbara Port Authority. The Port Agreement provides for the use of the Port Hedland Utah Point facility for the bulk export of manganese from the Company's production facility at the Project.

Utah Point is a well-regarded multi-user bulk handling and loading facility located in Port Hedland, Western Australia. The terms of the Port Agreement are commercial in confidence, however they are in line with the Pilbara Port Authority's normal operating terms and satisfy the Company's capacity requirement for the first stage of operations up to 390Ktpa.

The Shakespeare Bay docked at Utah Point to load the first shipment of Butcherbird manganese ore

1.4.4. First Manganese Concentrate Shipment

Subsequent to the year end on 15 July 2021, the Company confirmed the first commercial shipment of manganese concentrate departed the Utah Point Facility at Port Hedland late on 14 July 2021.

1.5. Sales and Marketing

1.5.1 OM Materials (S) Pte Ltd

On 12 October 2020 the Company announced that key commercial terms had been agreed under a non-binding term sheet to sell 100% of the manganese ore produced (up to 400,000 tonnes per annum) from the first stage of the Project development to OM Materials (S) Pte Ltd (OMS), a wholly owned subsidiary of ASX listed company OM Holdings Limited (ASX:OMH) (OMH) under a take-or-pay offtake arrangement.

On 28 January 2021, the Company announced that binding take or pay offtake agreements were finalised with OMS. The key terms of the definitive agreements include the following:

- OMS to take 100% of the manganese ore from the Project from Stage 1 up to 400,000 tonnes per annum.
- An ore pricing mechanism which is calculated as a discount against the Fast Markets published 44% Mn benchmark price (adjusted for FOB delivery terms).
- The parties have agreed the specification and pricing formula(e) for delivered ore between a manganese grade of 28%-35%.
- The parties have agreed on minimum and maximum levels/ratios of certain impurities including iron, silica, phosphorous and moisture. Certain pricing adjustments are provided for in the agreement including both discounts and premia, the details of which are commercial in confidence.
- The term of the offtake agreement will be 5 years, with provision for an extension subject to satisfactory performance by OMS measured against agreed KPI's.
- Trade terms will include a provision in the first twenty-four months for payment to be made on delivery of parcel sizes as small as 1,000 tonne to Port Hedland, significantly reducing E25's working capital requirements.
- The ore will be delivered on an FOB basis.
- The offtake agreement includes conditions precedent in relation to board approvals, and the receipt of all necessary regulatory approvals for Stage 1 production.

About OM Holdings Limited

OM Holdings Limited is an integrated manganese and silicon company. It is engaged in the business of mining and trading raw ores, as well as the smelting and marketing of processed ferroalloys. With an established history of over 25 years in the industry, OMH is listed on the ASX and captures value across the entire process chain through operations in Australia, China, Japan, Malaysia, Singapore, and South Africa. Its latest project is a smelter complex in Sarawak, Malaysia, which successfully commenced production in 2014.

1.5.2. Semeru Energy Limited

In addition to the terms agreed with OMS, commercial terms have also been agreed under a non-binding term sheet (Semeru Term Sheet) to sell 50% of the manganese ore produced from the second stage of the Project development to Semeru Energy Limited (Semeru), a company headquartered in Singapore. The Semeru Term Sheet provides for a minimum allocation of 175Kt per annum and a maximum allocation of 200Kt per annum. The Semeru Term Sheet contemplates a 5 year term with provisions for renewal subject to the satisfactory performance by Semeru against agreed KPIs the details which will be negotiated and documented in definitive agreements, still to be drafted (Definitive Agreements).

As part of the offtake arrangements, Semeru will provide USD$5M in project finance to fund the Company's expansion plans as detailed in the expansion PFS announced to the ASX on 3 December 2020.

The offtake terms include obligations on Semeru to achieve the highest price for E25 manganese concentrate and for E25 to direct that concentrate be placed with certain clients in order to achieve the optimal pricing.

The Semeru Term Sheet provides an exclusivity period until 30 June 2021 during which the parties expect to finalise the Definitive Agreements. The Definitive Agreements will include conditions precedent in relation to due diligence, board approvals, shareholder approvals (including any applicable ASX Listing Rules, Chapter 10 or other requirements) and any other regulatory approvals that may be required (including FIRB). Semeru's recent participation in the Company's capital raising by way of a USD$1M investment was also a requirement, which Semeru has satisfied. Subsequent to the end of the reporting period, the exclusivity under the Semeru Term Sheet has been extended to 30 October 2021.

About Semeru

Semeru is a private equity investment firm operating across the Asia-Pacific region with a focus on the natural resources sector. Semeru deploys its capital via equity and debt to both companies and directly into projects with a risk profile reflecting late stage exploration through to development.

Within the Semeru group of companies, Semeru Trading operates as an independent commodity trader with a focus on base metals and bulk commodities. Semeru Trading maintains a capacity to provide offtake facilities in concert with Semeru's investment funds on a case-by-case basis.

1.6. Expansion

The Company is looking towards the future through pursuing the Stage 2 expansion of Butcherbird and opportunities to produce value added products including the production of battery grade High Purity Manganese Sulphate (**HPMSM**) for electric vehicle (EV) batteries to power the global transition away from fossil fuel powered mobility.

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

The Project is ideally placed to feed this potential demand, with advanced flowsheet development work undertaken in 2019 and 2020 confirming a simple, unique, ambient temperature and atmospheric pressure leach process for E25 ores which, when combined with offsets, will target the world's first Zero Carbon ManganeseTM for EV cathode manufacture 6. Flowsheet optimisation for inclusion in upcoming feasibility studies is ongoing.

2. Corporate

2.1 Placement

On 14 July 2020, the Company finalised a placement through the issue of 8,750,000 shares at an issue price of $0.40 per share to raise funds of $3,500,000 (before costs).

During October and November 2020, the Company finalised an equity raising of $9,750,000 (before costs) through the issue of 12,500,000 shares at an issue price of $0.78 per share.

On 31 March 2021, the Company finalised an equity raising totalling $35,500,000 (before costs) at a price of $2.20 per share. Blackwood Capital (Blackwood) acted as lead broker to the placement. Fees of 5% of funds raised were paid to participants in the final book build.

2.2 Controlled Placement Agreement

In May 2021, the Company announced it had raised $9,200,000 (after costs) through the set-off of 4,800,000 collateral shares (Set-off Shares) previously issued to Acuity Capital under the Controlled Placement Agreement (CPA). The Set-off Shares reduce the total 4,800,000 collateral shares which Acuity Capital is otherwise required to return to the Company upon termination of the CPA. These Set-off Shares have a deemed price of $1.9167. The Company has now terminated the CPA. There were no costs associated with terminating the CPA.

2.3 Share Purchase Plan

The Share Purchase Plan (SPP) announced on 6 July 2020 closed on 21 July 2020 heavily oversubscribed with the Company having received applications for over $3.2 million. The SPP booklet outlined that the Company was seeking a target of $1.5 million from the SPP however, given the strong support shown by shareholders, the Board decided to use its discretion under the terms of the SPP and accept all shareholder applications.

[6] Refer ASX Announcement 12 February 2019

2.4 Deferred Consideration

On 27 September 2019, the Company announced the sale of the Cummins Range Rare Earth Project (Cummins Range Project) to RareX Limited (RareX) for total consideration of $3M. The first tranche of $1M was received at settlement and the Company received the second tranche of $1M during the year which was settled via the payment of $500,000 in cash and the issue of 7,462,687 fully paid shares in the capital of RareX at a deemed issue price of 6.7c per share. The shares are subject to a six-month voluntary escrow period.

3. Mineral Resources and Ore Reserves

3.1. Mineral Resource Estimate as at 30 June 2021

Butcherbird Manganese project Mineral Resource Classification as first reported on 17 April 2019. Movements in mineral resource estimate in the year ended 30 June 2021 is as follows:

Category	Tonnes (Mt)	Mn (%)	Si (%)	Fe (%)	Al (%)
30 June 2020					
Measured	16	11.6	20.6	11.7	5.7
Indicated	41	10.0	20.9	11.0	5.8
Inferred	206	9.8	20.8	11.4	5.9
Total	**263**	**10.0**	**20.8**	**11.4**	**5.9**
Less mining					
Measured	0.2	11.7	20.5	11.7	5.6
Indicated	0.1	11.5	20.7	11.7	5.8
Inferred	-	-	-	-	-
Total	**0.3**	**11.6**	**20.6**	**11.7**	**5.7**
+ ROM Stocks[1]					
Measured	0.04	11.7	20.5	11.7	5.6
Total	**0.04**	**11.7**	**20.5**	**11.7**	**5.6**
30 June 2021					
Measured	16	11.6	20.6	11.7	5.7
Indicated	41	10.0	20.9	11.0	5.8
Inferred	206	9.8	20.8	11.4	5.9
Total	**263**	**9.9**	**20.8**	**11.4**	**5.9**

Notes:
[1] Closing ROM stocks at 30 June 2021 included in production figure
- Reported at a 7% Mn cut-off for the Measured and Indicated categories and an 8% Mn cut-off for the Inferred categories.
- All figures rounded to reflect the appropriate level of confidence (apparent differences may occur due to rounding)

3.2. Mining Reserve as at 30 June 2021

Based on the results of the Pre-Feasibility Study completed in May 2020, E25 published a Maiden Ore Reserve for the Project of 50.55Mt in the Proved and Probable categories[7].

[7] Refer ASX Announcement 19 May 2020

Butcherbird Manganese project Mineral Reserve Classification as first reported on 19 May 2020. Movements in mineral reserves in the year ended 30 June 2021 is as follows:

Classification	Tonnes (Mt)	Grade (Mn%)	Contained Mn (Mt)	Recovered Mn (Mt)
30 June 2020				
Proved	14.4	11.5	1.65	1.35
Probable	36.2	9.8	3.56	2.92
Total	**50.6**	**10.3**	**5.21**	**4.27**
less mining				
Measured	0.2	11.7		
Indicated	0.1	11.5		
Inferred	-	-		
Total	0.3	11.6		
plus ROM Stocks[1]				
Measures	0.1	11.7		
Total	0.1	11.7		
30 June 2021				
Proved	14.2	11.2	1.60	1.31
Probable	36.1	9.8	3.54	2.90
Total	**50.3**	**10.2**	**5.13**	**4.21**

Notes:
[1] Closing ROM stocks at 30 June 2021 included in production figure

3.3. Review of Material Changes

The Company updated its Mineral Resource estimates for the Butcherbird Project on 17 April 2019. Total reported Measured, Indicated and Inferred Mineral Resource estimates are 263 million tonnes at 10.0% per cent manganese for 26 million tonnes of contained manganese.

E25 announced a Maiden Reserve for the Project on 19 May 2020. Total Proved and Probable Reserves are 50.6 million tonnes at 10.3% Mn for 5.21 million tonnes of contained manganese.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcements dated 17 April 2019 and 19 May 2020 and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

3.4. Governance controls

E25 reports its Mineral Resources and Ore Reserves on an annual basis, with Mineral Resources inclusive of Ore Reserves. Reporting is in accordance with the 2012 Edition of the Australasian Code for Report of Exploration Results, Mineral Resources and Ore Reserves and the ASX Listing Rules. All Competent Persons named by E25 are suitably qualified and experienced as defined in the JORC Code 2012 Edition.

3.5. Competent Persons Statement

The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves listed in the table below is based on, and fairly represents, information and supporting documentation prepared by the Competent Person whose name appears in the same row. Each person named in the table below has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he/she has undertaken to qualify as a Competent Person as defined in the JORC Code 2012. Each person identified in the list below consents to the inclusion in this announcement of the material compiled by them in the form and context in which it appears.

Activity	Competent Person	Membership Institution
Exploration Results	Justin Brown	Australasian Institute of Mining and Metallurgy
Yanneri Ridge, Coodamudgi, Mundawindi and Ritchies Mineral Resource Estimates	Greg Jones	Australasian Institute of Mining and Metallurgy
Bindi, Ilgarrari, and Cadgies Mineral Resource Estimates	Mark Glassock	Australasian Institute of Mining and Metallurgy
Mining, Metallurgy and Financial Modelling in relation to Mineral Reserves	Ian Huitson	Australasian Institute of Mining and Metallurgy

At the time that the Exploration Results and Exploration Targets were compiled, Mr Brown was an employee of Element 25 Limited. Mr. Greg Jones, who acts as Consultant Geologist for E25 is a full time employee of IHC Robbins. At the time that the Mineral Resources were compiled, Mr Glassock was a consultant to Element 25 Limited. Ian Huitson is employed by Mining Solutions Pty Ltd. Mr Huitson is a shareholder of Element 25 Limited. Mr Huitson has visited site on a number of occasions as part of the ongoing studies of the Project.

Please note with regard to exploration targets, the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

Your directors submit their report on the consolidated entity (the **Group**, the **Company** or **E25**) consisting of Element 25 Limited and the entities it controlled at the end of, or during, the year ended 30 June 2021.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Where applicable, all current and former directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Seamus Cornelius

(Non-Executive Chairman, Chairman of remuneration committee, audit committee member)

Mr Cornelius is an experienced international corporate lawyer and company director. He was a partner with a major international law firm from 2000 to 2010 and resided in China from 1993 until 2017. In 2010, Mr Cornelius commenced his public company career as company director and is currently a director and non-executive chairman of Buxton Resources Limited and Duketon Mining Limited and is executive chairman of Danakali Limited. Mr Cornelius has not held any former directorships in the last three years.

Justin Brown

B.Sc. (Hon), (Managing Director, audit committee member)

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

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

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 the ASX. Mr Ribbons has experience in capital raising, ASX and TSX compliance and regulatory requirements. Mr Ribbons has not held any former directorships in the last three years.

Mr Ribbons performed the role of Company Secretary during the period until 31 December 2020.

JOINT COMPANY SECRETARIES

Effective from 1 January 2021, Ms Grant-Edwards and Ms Chapman were appointed Joint Company Secretaries.

Ms Grant-Edwards is the co-founder and an Executive Director of Bellatrix Corporate Pty Ltd (Bellatrix), a company providing outsourced accounting and company secretarial services. Ms Grant-Edwards has over 15 years' experience in the profession and with ASX/LSE-listed companies, private entities, and has a background in big-four public practice (Ernst & Young). Ms Grant-Edwards holds a Bachelor of Commerce degree (UWA) majoring in Accounting and Finance and is a qualified Chartered Accountant (CAANZ).

Ms Chapman is the co-founder and an Executive Director of Bellatrix. Ms Chapman has over 20 years' experience in the accounting and company secretarial profession, and has worked in Perth and London across a diverse range ASX/LSE listed companies, private entities and working with high net worth individuals. Ms Chapman holds a Bachelor of Commerce from Murdoch University, majoring in Accounting, and is a qualified Certified Practicing Accountant with CPA Australia. She has also completed a Graduate Diploma of Corporate Governance with the Governance Institute of Australia and a Company Directors Course.

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	5,755,177	2,050,000
Justin Brown	6,405,360	4,100,000
John Ribbons	1,000,000	2,050,000

PRINCIPAL ACTIVITIES

During the year the Group completed the development phase at the Group's 100% owned Butcherbird Manganese Project located in Australia to advance towards first stage production.

DIVIDENDS

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

RESULTS

The Group began the financial year with a cash reserve of $2,697,175 and had surplus funds of $34,822,585 at 30 June 2021. During the year the Company raised $62,759,000 via placements, share purchase plan, a controlled placement facility and the exercise of unlisted options. Funds were used to complete the development phase at the Group's 100% owned Butcherbird Manganese Project located in Australia to advance towards first stage production. In addition, proceeds will be used to fund the planned stage 2 expansion.

During the year the Group recognised other income of $1,246,530 (2020: $3,833,353) which included income of $560,000 (2020: $2,635,000) on the sale of mineral properties, research and development tax incentive of $636,515 (2020: $615,465) and other government grants totalling $50,000 (2020: $539,922).

During the year the Group incurred cost of sales of $1,516,261 (2020: $0) with direct material and production costs attributable to the extraction, processing and transportation of manganese being allocated to inventories in line with the first shipment of ore which occurred subsequent to 30 June 2021.

During the year tenement acquisition and exploration expenditure incurred by the Group amounted to $1,654,747 (2020: $3,491,939). The Group recognised a net fair value loss on financial assets of $16,711 (2020: $919,553 fair value loss) and administration expenditure incurred amounted to $2,154,769 (2020: $956,422). Share based payment expense was $2,105,900 (2020: $291,831). This has resulted in an operating loss after income tax for the year ended 30 June 2021 of $6,494,415 (2020: $1,821,271).

Summarised operating results are as follows:

	2021 Revenue	2021 Results
	$	$
Consolidated entity revenues and profit from ordinary activities before income tax expense	1,246,530	(6,494,415)

Shareholder Return

	2021	2020
	$	$
Basic and diluted loss per share (cents)	(4.96)	(1.90)

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 28, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group expects to continue the mining operations at the Butcherbird Manganese Project located in Australia as well as advancing the planned stage 2 expansion.

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.

COVID-19 IMPACT

The impact of the COVID-19 pandemic is ongoing. COVID-19 has had an impact on the Group to 30 June 2021 in terms of increased shipping and freight costs. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

REMUNERATION REPORT (AUDITED)

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

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of E25 has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of E25 believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group.

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

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

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

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

The executive directors and executives (if any) receive a superannuation guarantee contribution required by the government, which was 9.5% for the 2021 financial year, and do not receive any other retirement benefits. Some individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

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

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $350,000). Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Performance based remuneration

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

Group performance, shareholder wealth and key management personnel remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and key management personnel performance. Currently, this is facilitated through the issue of options to the majority of key management personnel to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth. 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 2021.

Voting and comments made at the Company's 2020 Annual General Meeting

The Company received approximately 97% of "yes votes on its remuneration report for the 2020 financial year. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

Details of remuneration

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

	Short-Term		Post-Employment	Long-Term	Share-based Payments	Total
	Salary & Fees	Non-Monetary	Superannuation	Long Service Leave	Options	
	$	$	$	$	$	$
Seamus Cornelius						
2021	**56,410**	**-**	**5,359**	**-**	**140,225**	**201,994**
2020	56,573	-	1,902	-	30,100	88,575
Justin Brown						
2021	**220,000**	**6,487**	**21,516**	**4,378**	**280,450**	**532,831**
2020	220,000	5,714	20,900	4,015	60,200	310,829
John Ribbons						
2021	**42,000**	**-**	**-**	**-**	**140,225**	**182,225**
2020	42,000	-	-	-	30,100	72,100
Total key management personnel compensation						
2021	**318,410**	**6,487**	**26,875**	**4,378**	**560,900**	**917,050**
2020	318,573	5,714	22,802	4,015	120,400	471,504

Service agreements

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

Justin Brown, Managing Director:

- Term of agreement – until terminated in accordance with the agreement. The Company may terminate without cause at any time by giving six months' written notice, whilst the executive must provide three months' written notice of termination (unless breach or agreement by the Company). The agreement contains standard clauses on immediate termination for breach of contract or misconduct.
- Annual salary of $220,000 (plus statutory superannuation), plus the provision of income protection insurance. Mr Brown's salary is reviewed on an annual basis.
- In the event the Managing Director is terminated as a result of one of the following circumstances the Company will make a six calendar months termination payment at the base salary and any unvested incentive options will vest immediately:
    - The executive is demoted from his position as executive director of the Company;
    - The executive is terminated by reason of the liquidation of the Company for the purpose of reconstruction or amalgamation;
    - The executive is requested to assume responsibilities or perform tasks not reasonably consistent with his position as executive director of the Company; or
    - The Company is subject to a change of control event as described by the Corporations Act including but not limited to a takeover, merger or a resolution is passed at a general meeting of the Company which results in a change to the majority of the board of directors.

Share-based compensation

Options

Options are issued to key management personnel as part of their remuneration. The options are not issued based on performance criteria but are issued to the majority of key management personnel of E25 to increase goal congruence between key management personnel and shareholders. The following options were granted to or vesting with key management personnel during the year:

	Grant Date	Granted Number	Vesting Date	Expiry Date	Exercise Price	Value per option at grant date (1)	Exercised Number	% of Remuneration
Seamus Cornelius	04/11/2020	250,000	04/11/2020	4/11/2025	$1.209	$0.56	Nil	69%
Justin Brown	04/11/2020	500,000	04/11/2020	4/11/2025	$1.209	$0.56	Nil	53%
John Ribbons	04/11/2020	250,000	04/11/2020	4/11/2025	$1.209	$0.56	Nil	77%

(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	Exercise Price	Volatility	Risk Free Interest Rate	Valuation Date	Expiry Date
Directors	$0.885	$1.209	50.0%	0.26%	5/11/2020	4/11/2025

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

	Number of ordinary shares issued on exercise of options during the year	Amount paid per ordinary share	Value exercised ($) (1)
Seamus Cornelius	500,000	$0.35	$275,000
Justin Brown	1,000,000	$0.35	$550,000
John Ribbons	500,000	$0.35	$275,000

(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 based on the share price on the date of exercise, less exercise price.

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

Equity instruments held by key management personnel

Share holdings

The number of shares in the Company held during the financial year by each director of E25 and other key management personnel of the Group, including their personally related parties, and any nominally held, are set out below. There were no shares granted during the reporting period as compensation.

	Balance at start of the year 1 July 2020	Acquired during the year on the exercise of options	Additions	Disposals	Balance at end of the year 30 June 2021
Seamus Cornelius	5,180,177	500,000	75,000	-	5,755,177
Justin Brown	5,255,360	1,000,000	150,000	-	6,405,360
John Ribbons	585,715	500,000	75,000	(160,715)	1,000,000

Option holdings

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

2021	Balance at start of the year 1 July 2020	Granted as compensation	Exercised	Balance at end of the year 30 June 2021	Vested and exercisable	Unvested
Seamus Cornelius	2,300,000	250,000	(500,000)	2,050,000	2,050,000	-
Justin Brown	4,600,000	500,000	(1,000,000)	4,100,000	4,100,000	-
John Ribbons	2,300,000	250,000	(500,000)	2,050,000	2,050,000	-

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

	Directors Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Meetings Attended	Meetings Eligible to Attend	Meetings Attended	Meetings Eligible to Attend	Meetings Attended	Meetings Eligible to Attend
Seamus Cornelius	20	20	2	2	0	0
Justin Brown	20	20	2	2	N/A	N/A
John Ribbons	20	20	2	2	0	0

SHARES UNDER OPTION

Unissued ordinary shares of E25 under option at the date of this report are as follows:

Date options granted	Expiry date	Exercise price (cents)	Number of options
26 June 2020	25 June 2025	50.0	500,000
7 April 2020	1 April 2025	20.0	500,000
22 November 2019	20 November 2024	27.3	2,000,000
22 February 2019 and 26 June 2020	22 February 2024	26.0	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
4 November 2020	4 November 2025	120.9	2,000,000
22 December 2020	13 July 2025	0.44	1,000,000
Total number of options outstanding at the date of this report			**13,400,000**

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, E25 paid a premium of $66,600 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 Auditing, 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 23.

Signed in accordance with a resolution of the directors

Justin Brown
Managing Director
Perth, 30 September 2021

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.rothsay.com.au

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

As lead auditor of the audit of Element 25 Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

- **no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and**
- **no contraventions of any applicable code of professional conduct in relation to the audit.**

This declaration is in respect of Element 25 Limited and the entities it controlled during the year.

Rothsay Auditing

Daniel Dalla
Partner
30 September 2021

The Company's Corporate Governance Statement for the year ended 30 June 2021 which reports against ASX Corporate Governance Council's Principles and Recommendations may be accessed from the Company's website at www.element25.com.au.

Consolidated Statement of Comprehensive Income
For the Year Ended 30 June 2021

	Note	2021	2020
		$	$
REVENUE	4	**34,944**	10,677
Other income	5	**1,246,530**	3,833,353
COST OF SALES			
Cost of sales	6	**(1,516,261)**	-
EXPENDITURE			
Exploration and pre-feasibility expenditure	15	**(1,654,747)**	(3,491,939)
Administration expenses	7	**(2,154,769)**	(956,422)
Depreciation expense	14	**(165,437)**	(5,556)
Foreign exchange expense		**(37,612)**	-
(Gain) / loss of modification of lease	16	**(91,824)**	-
(Gain) / loss of sale of asset	14	**559**	-
Fair value gain/(losses) on financial assets		**16,711**	(919,553)
Finance expense		**(66,609)**	-
Share-based payment expense	31(b)	**(2,105,900)**	(291,831)
LOSS BEFORE INCOME TAX		**(6,494,415)**	(1,821,271)
INCOME TAX EXPENSE	8	**-**	-
LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF E25		**(6,494,415)**	(1,821,271)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**2,135**	(5,803)
Other comprehensive income for the year, net of tax		**2,135**	(5,803)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF E25		**(6,492,280)**	(1,827,074)
LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted loss per share (cents per share)	30	**(4.96)**	(1.90)

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

	Note	2021 $	2020 $
CURRENT ASSETS			
Cash and cash equivalents	9	34,822,585	2,697,175
Trade and other receivables	10	787,533	1,184,417
Inventory	11	5,438,698	-
Financial assets at fair value through profit or loss	12	3,329,903	4,302,502
TOTAL CURRENT ASSETS		**44,378,719**	**8,184,094**
NON-CURRENT ASSETS			
Restricted cash	13	783,215	-
Plant and equipment	14	22,416,095	6,868
Assets under construction		176,774	-
Deferred exploration and evaluation expenditure	15	94,021	-
Right of use asset	16	1,122,205	-
TOTAL NON-CURRENT ASSETS		**24,592,310**	**6,868**
TOTAL ASSETS		**68,971,029**	**8,190,962**
CURRENT LIABILITIES			
Trade and other payables	17	4,899,441	1,106,194
Provisions	18	438,818	235,443
Right of use liability	19	376,376	
TOTAL CURRENT LIABILITIES		**5,714,635**	**1,341,637**
NON-CURRENT LIABILITIES			
Provisions	18	-	808
Right of use liability	19	781,437	-
TOTAL NON-CURRENT LIABILITIES		**781,437**	**808**
TOTAL LIABILITIES		**6,496,072**	**1,342,445**
NET ASSETS		**62,474,957**	**6,848,517**
EQUITY			
Issued capital	20	76,788,557	16,403,737
Reserves	21	5,834,302	4,098,267
Accumulated losses		(20,147,902)	(13,653,487)
TOTAL EQUITY		**62,474,957**	**6,848,517**

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

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2021

	Note	Contributed Equity $	Share-Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
BALANCE AT 1 JULY 2019		15,841,862	3,848,693	(36,454)	(11,832,216)	**7,821,885**
Loss for the year		-	-	-	(1,821,271)	**(1,821,271)**
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		-	-	(5,803)	-	**(5,803)**
TOTAL COMPREHENSIVE LOSS		**-**	**-**	**(5,803)**	**(1,821,271)**	**(1,827,074)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	20	581,875	-	-	-	**581,875**
Share issue transaction costs	20	(20,000)	-	-	-	**(20,000)**
Employee and consultant share-based payments	31(b)	-	291,831	-	-	**291,831**
BALANCE AT 30 JUNE 2020		**16,403,737**	**4,140,524**	**(42,257)**	**(13,653,487)**	**6,848,517**
Loss for the year		-	-	-	(6,494,415)	**(6,494,415)**
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		-	-	2,135	-	**2,135**
TOTAL COMPREHENSIVE LOSS		**-**	**-**	**2,135**	**(6,494,415)**	**(6,492,280)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	20	62,759,000	-	-	-	62,759,000
Share issue transaction costs	20	(2,374,180)	-	-	-	(2,374,180)
Employee and consultant share-based payments	31(b)	-	1,733,900	-	-	**1,733,900**
BALANCE AT 30 JUNE 2021		**76,788,557**	**5,874,424**	**(40,122)**	**(20,147,902)**	**62,474,957**

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

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2021

	Note	2021	2020
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(6,179,148)	(829,374)
Interest received		35,248	11,445
Proceeds on sale of mining interests		1,060,000	635,000
Expenditure on mining interests		(24,023,275)	(3,266,215)
Proceeds from disposal of financial assets at fair value through profit or loss		1,602,973	1,893,754
Payments for financial assets at fair value through profit or loss		-	(60,000)
Research and development tax incentive received		-	615,465
Other government grants received		686,515	539,922
Movement of cash from non-restricted to restricted		(783,215)	-
Royalties received		-	42,966
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	29	**(27,600,902)**	**(417,037)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(282,118)	(267)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(282,118)**	**(267)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares	20	62,744,000	581,875
Payment of share issue transaction costs	20	(2,374,180)	(20,000)
Principal elements of lease payments		(325,911)	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		**60,043,909**	**561,875**
NET INCREASE IN CASH AND CASH EQUIVALENTS		32,160,889	144,571
Cash and cash equivalents at the beginning of the financial year		2,697,175	2,552,400
Effects of exchange rate changes on cash and cash equivalents		(35,479)	204
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	9	**34,822,585**	**2,697,175**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of **E25** and its subsidiaries. The financial statements are presented in the Australian currency. E25 is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 30 September 2021. The directors have the power to amend and reissue the financial statements.

a. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. E25 is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the E25 Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

The Group has reviewed all new, revised or amending Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. The Group has determined that there are no new, revised or amending Accounting Standards and Interpretations issued by the AASB that has an impact on the Group in the current reporting period.

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is that they are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(iv) Historical cost convention

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

b. Principles of consolidation

(i) Subsidiaries

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

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of E25.

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

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

c. Segment reporting

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

d. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is E25 functional and presentation currency.

(ii) Transactions and balances

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

(iii) Group companies

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

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

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

e. Revenue recognition

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

f. Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

g. Income tax

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

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

h. Leases

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

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

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

Liabilities arising from contractual arrangements which contain leases are initially measured at the present value of the future lease payments. These payments include the present value of fixed payments prescribed in the contract; variable lease payments based on an index or prescribed rate; amounts expected to be payable by the lessor under residual value guarantees; and exercise price of a purchase option if it is reasonably certain that the option will be exercised.

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

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

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

i. Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

j. Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

k. Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income or expenses. Impairment losses are presented as a separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash

flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income or expenses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income or expenses and impairment losses are presented as a separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income or expenses in the period in which it arises.

Equity instruments

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

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

(iv) Impairment

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

l. Inventories

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

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

Manganese ore stockpiles represent manganese ore that has been extracted and is available for further processing or sale. Quantities are assessed primarily through internal and third party surveys. Where there is an indication that inventories are obsolete or damaged, these inventories are written down to net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

m. Plant and equipment

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

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

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

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

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

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

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

n. Assets under construction

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

o. Exploration and evaluation costs

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

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

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

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

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

p. Trade and other payables

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

q. Employee benefits

(i) Wages and salaries and annual leave

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

(ii) Other long-term employee benefit obligations

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

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

(iii) Share-based payments

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

r. Issued capital

Ordinary shares are classified as equity.

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

s. Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

t. Goods and Services Tax (GST)

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

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

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

u. Critical accounting judgements, estimates and assumptions

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

(i) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 31.

(ii) Environmental Issues

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

(iii) Taxation

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

2. FINANCIAL RISK MANAGEMENT

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

Risk management is carried out by the full board of directors as the Group believes that it is crucial for all board members to be involved in this process. The managing director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

a. Market risk

(i) Foreign exchange risk

The Group operates internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the 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 2021, if the value of the equity instruments held had increased/decreased by 15% with all other variables held constant, post-tax loss for the Group would have been $499,485 lower/higher, with no changes to other equity balances, as a result of gains/losses on equity securities classified as financial assets at fair value through profit or loss (2020: $645,375 lower/higher post-tax loss).

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group $34,822,585 (2020: $2,697,175) is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group was 0.16% (2020: 0.5%).

Sensitivity analysis

At 30 June 2021, 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 $113,000 higher/lower (2020: $10,300 lower/higher post-tax loss on +/- 50 basis points) as a result of higher/lower interest income from cash and cash equivalents.

b. Credit risk

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

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

c. Liquidity risk

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

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

d. Fair value estimation

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

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

	2021	2020
	$	$
Financial Assets		
Cash and cash equivalents	34,822,585	2,697,175
Restricted cash	783,215	-
Trade and other receivables	787,533	1,184,417
Financial assets at fair value through profit or loss	3,329,903	4,302,502
Total Financial Assets	**39,723,236**	**8,184,094**
Financial Liabilities		
Trade and other payables	4,899,441	1,106,194
TOTAL Financial Liabilities	**4,899,441**	**1,106,194**

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 2021				
Financial assets at fair value through profit or loss	3,329,903	-	-	3,329,903
Total	3,329,903	-	-	3,329,903
30 June 2020				
Financial assets at fair value through profit or loss	4,302,502	-	-	4,302,502
Total	4,302,502	-	-	4,302,502

3. SEGMENT INFORMATION

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

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

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

	Australia		France		Total	
	2021 $	2020 $	2021 $	2020 $	2021 $	2020 $
Segment Revenue						
Revenue	**34,944**	10,677	**-**	-	**34,944**	10,677
Total revenue	**34,944**	10,677	**-**	-	**34,944**	10,677
Segment Results						
Revenue	**34,944**	10,677	**-**	-	**34,944**	10,677
Other income	**1,246,530**	3,833,353	**-**	-	**1,246,530**	3,833,353
Other cost of sales and expenses	**(7,713,266)**	(5,595,891)	**(62,623)**	(69,410)	**(7,775,889)**	(5,665,301)
Net (loss) before tax	**(6,431,792)**	(1,751,861)	**(62,623)**	(69,410)	**(6,494,415)**	(1,821,271)
Operating Assets						
Segment operating assets	**68,957,229**	8,176,022	**13,800**	14,940	**68,971,029**	8,190,962
Total assets	**68,957,229**	8,176,022	**13,800**	14,940	**68,971,029**	8,190,962

4. REVENUE

	2021 $	2020 $
Interest revenue	34,944	10,677
Total	**34,944**	**10,677**

5. OTHER INCOME

	2021 $	2020 $
Net gain on sale of mining interests	560,000	2,635,000
Research and development tax incentive	636,515	615,465
Government grant funding	50,000	539,922
Royalties	-	42,966
Other income	15	-
Total	**1,246,530**	**3,833,353**

6. COST OF SALES

	2021 $	2020 $
Mining costs	(2,856,303)	-
Processing costs	(1,416,922)	-
Site administration costs	(1,199,260)	-
Haulage costs	(847,308)	-
Sales and marketing costs	(73,096)	-
Royalty costs	(141,555)	-
Depreciation of right of use assets	(340,116)	
Inventory movement	5,358,299	-
Total	**(1,516,261)**	**-**

Cost of sales for the year ended 30 June 2021 reflect site overhead costs in relation to the mining operation.

7. ADMINISTRATION EXPENSES

	2021 $	2020 $
Director fees, salaries and wages and other staff costs	(741,030)	(227,124)
Consultants	(489,391)	(249,358)
ASX and other compliance costs	(266,696)	(94,586)
Insurance	(96,971)	(30,707)
Occupancy	(90,250)	(103,261)
Investor relation expenses	(138,026)	(87,688)
Other administration expenses	(332,405)	(163,698)
Total	**(2,154,769)**	**(956,422)**

8. INCOME TAX

	2021	2020
	$	$
a) Income tax benefit		
Current tax	-	-
Deferred tax	-	-
Total	-	-
b) Reconciliation of income tax expense/(benefit) to prima facie tax payable		
(Loss) from continuing operations before income tax expense	(6,494,415)	(1,821,271)
Prima facie tax (benefit)/expense at the Australian tax rate of 26.0% (2020: 27.5%)	(1,688,548)	(500,850)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	547,534	80,254
Other	(153,578)	468
Total	(1,294,592)	(420,128)
Movements in unrecognised temporary differences	501,927	381,720
Tax effect of current year tax losses for which no deferred tax asset has been recognised	792,665	38,408
Income tax expense/(benefit)	-	-
c) Unrecognised temporary differences		
Deferred Tax Assets at 26.0% (2020: 27.5%)		
On Income Tax Account		
Capital raising expenses	496,950	16,236
Capitalised mine development costs	403,363	-
Accruals and provisions	236,040	88,265
Lease liabilities	50,768	-
Foreign carry forward tax losses	233,034	246,478
Australian carry forward tax losses	2,320,597	2,003,745
Total	3,740,752	2,354,724
Deferred Tax Liabilities at 26.0% (2020: 27.5%)		
Financial assets at fair value through profit or loss	179,993	295,256
Accrued income	48,422	117
Total	228,415	295,373

Net deferred tax assets were not brought to account as it was not considered probable within the immediate future that tax profits would be available against which deductible temporary differences and tax losses could be utilised.

The Group's ability to use losses in the future is subject to each Group company satisfying the relevant tax authority's criteria for using these losses.

In April 2017, the Australian Government enacted legislation which reduces the corporate rate for small and medium business (base rate) entities from 30% to 25% over the next decade. For the 2017 financial year the corporate tax rate reduced to 27.5% for small business entities with turnover less than $10 million. This turnover threshold will progressively increase until it reaches $50 million in the 2020 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 base rate entity.

9. CASH AND CASH EQUIVALENTS

	2021	2020
	$	$
Cash at bank and in hand	34,822,585	2,557,520
Short-term deposits	-	139,655
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**34,822,585**	**2,697,175**

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

10. TRADE AND OTHER RECEIVABLES

		2021	2020
		$	$
Sundry receivables		563,683	173,770
Prepayments		223,850	10,647
Deferred consideration due on tenement sale	(a)	-	1,000,000
Total		**787,533**	**1,184,417**

(a) Under the terms of the sale agreement with RareX Pty Ltd and its parent company Sagon Resources Ltd, since renamed RareX Ltd (RareX, ASX code REE), to sell tenement E80/5092, RareX must pay $500,000 cash and issue $500,000 in shares or pay $1,000,000 in cash (**Deferred Consideration**) within 12 months of settlement of the acquisition. The Deferred Consideration was received by the Group during the year ended 30 June 2021.

11. INVENTORY

	2021	2020
	$	$
Manganese ore stockpiles	5,358,299	-
Warehouse stores and materials	80,399	-
Total	**5,438,698**	**-**

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	$	$
Australian listed equity securities	3,329,903	4,302,502
Total	**3,329,903**	**4,302,502**

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

13. RESTRICTED CASH

	2021	2020
	$	$
Bank guarantees and term deposits	783,215	-
Total	**783,215**	**-**

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	IT Equipment	Mine Properties and Development	Plant and Equipment	Total
	$	$	$	$	$
Carrying amount – at cost					
At 30 June 2019	-	24,960	-	67,143	92,103
Additions	-	267	-	-	267
At 30 June 2020	-	25,227	-	67,143	92,370
Additions	4,773,729	282,860	6,303,844	11,214,414	22,574,847
Disposals	-	(11,850)	-	-	(11,850)
Other	-	(9,378)	-	-	(9,378)
At 30 June 2021	4,773,729	286,859	6,303,844	11,281,557	22,645,989
Accumulated depreciation					
At 30 June 2019	-	(12,803)	-	(67,143)	(79,946)
Depreciation expense	-	(5,556)	-	-	(5,556)
At 30 June 2020	-	(18,359,)	-	(67,143)	(85,502)
Depreciation expense	(40,978)	(15,914)	(15,925)	(92,620)	(165,437)
Disposals	-	12,409	-	-	12,409
Other	-	8,636	-	-	8,636
At 30 June 2021	(40,978)	(13,228)	(15,925)	(159,763)	(229,894)
Net book value					
At 30 June 2019	-	12,157	-	-	12,157
Additions	-	267	-	-	267
Depreciation expense	-	(5,556)	-	-	(5,556)
At 30 June 2020	-	6,868,	-	-	6,868
Additions	4,773,729	282,860	6,303,844	11,214,414	22,574,847
Depreciation expense	(40,978)	(15,914)	(15,925)	(92,620)	(165,437)
Disposals	-	559	-	-	559
Other	-	(742)	-	-	(742)
At 30 June 2021	4,732,751	273,631	6,287,919	11,121,794	22,416,095

15. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	2021 $	2020 $
Balance at the beginning of the period	-	-
Expenditure incurred	1,748,768	3,491,939
Impairment expense	(1,654,747)	(3,491,939)
Balance at the end of the period	**94,021**	**-**

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

16. RIGHT OF USE ASSET

		2021 $	2020 $
Cost		2,462,257	-
Accumulated depreciation		(1,340,052)	-
		1,122,205	**-**
Balance as at beginning of year		-	-
Acquisition of plant and equipment by means of finance leases		**2,462,257**	-
Depreciation of right of use assets		**(340,116)**	-
Lease liability on modification of lease	(a)	**(908,112)**	-
(Gain) / loss of modification of lease	(a)	**(91,824)**	-
Balance at end of year		**1,122,205**	-

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

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

17. TRADE AND OTHER PAYABLES

	2021 $	2020 $
Trade payables	755,569	566,652
Other payables and accruals	4,143,872	539,542
	4,899,441	**1,106,194**

18. PROVISIONS

	2021 $	2020 $
Current		
Employee entitlements	338,045	235,443
Provision for payroll tax	100,773	-
	438,818	235,443
Non-Current		
Employee entitlements	-	808
	-	808

19. INTEREST BEARING LEASE LIABILITIES

	2021 $	2020 $
Current		
Lease liabilities	376,376	-
	376,376	-
Non-Current		
Lease liabilities	781,437	-
	781,437	-

20. ISSUED CAPITAL

		2021 Number of Shares	2021 $	2020 Number of Shares	2020 $
Ordinary shares fully paid	20(a)	**148,790,369**	76,788,557	**98,362,274**	16,403,737
Total issued capital		**148,790,369**	76,788,557	**98,362,274**	16,403,737

		2021 Number of Shares	2021 $	2020 Number of Shares	2020 $
a) Movement in ordinary share capital					
Balance at the beginning of the financial year		**98,362,274**	16,403,737	**91,907,274**	15,841,862
– Controlled placement agreement collateral shares		-	-	**1,530,000**	555,000
– Controlled placement agreement collateral shares	(a)	-	9,200,000	**4,800,000**	-
– Exercise of options		-	-	**125,000**	26,875
– Placement	(b)	**37,386,364**	48,750,000	-	-
– Exercise of options	(c)	**4,950,000**	1,565,000	-	-
– Share purchase plan	(d)	**8,072,500**	3,229,000	-	-
– Shares issued in settlement of liabilities		**19,231**	15,000	-	-
Transaction costs		-	(2,374,180)	-	(20,000)
Total issued capital		**148,790,369**	76,788,557	**98,362,274**	16,403,737

(a) The 4,800,000 collateral shares were issued pursuant to a controlled placement agreement (CPA) with Acuity Capital that provided up to $2 million of standby equity capital to 31 January 2022. Under the terms of the CPA, the Company retained full control of all aspects of the placement process: having sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any). As collateral for the CPA, the Company agreed to place 4,800,000 fully paid ordinary shares at nil consideration to Acuity Capital. During the year, the Company agreed to set-off the collateral shares at a deemed price of $1.9167 per share to raise funds of $9,200,000.

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

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

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

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

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

	2021 $	2020 $
b) Movement in options on issue		
Beginning of the financial year	15,350,000	14,750,000
Issued during the year		
– Exercisable at 20 cents, on or before 1 April 2025	-	500,000
– Exercisable at 26 cents, on or before 22 February 2024	-	750,000
– Exercisable at 27.3 cents, on or before 20 November 2024	-	2,000,000
– Exercisable at 50 cents, on or before 25 June 2025	-	500,000
– Exercisable at 120.90 cents, on or before 4 November 2025	2,000,000	-
– Exercisable at 44 cents, on or before 13 July 2025	1,000,000	-
Exercised during the year		
– At 21.5 cents, on or before 18 November 2019		(125,000)
– At 30.0 cents, on or before 22 August 2020	(2,000,000)	-
– At 26.0 cents, on or before 22 February 2024	(750,000)	-
– At 35.0 cents, on or before 20 November 2020	(2,200,000)	-
Expired during the year		
– On 18 November 2019, exercisable at 21.5 cents	-	(2,625,000)
– On 2 December 2019, exercisable at 22 cents	-	(200,000)
– On 2 December 2019, exercisable at 30 cents	-	(200,000)
	13,400,000	**15,350,000**

c) Ordinary shares

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

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

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

d) Capital risk management

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

Due to the nature of the Group's activities, 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 operating expenditure and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements. The working capital position of the Group at 30 June 2021 and 30 June 2020 are as follows:

	2021	2020
	$	$
Cash and cash equivalents	34,822,585	2,697,175
Restricted cash	783,215	-
Trade and other receivables	787,533	1,184,417
Financial assets at fair value through profit or loss	3,329,903	4,302,502
Trade and other payables	(4,899,441)	(1,106,194)
Employee benefit obligations (current)	(438,818)	(235,443)
Working capital position	**34,384,977**	6,842,457

21. RESERVES

		2021	2020
		$	$
Foreign currency translation reserve	(a)	(40,122)	(42,257)
Share-based payments reserve	(b)	5,874,424	4,140,524
		5,834,302	**4,098,267**

a. Foreign currency translation reserve

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

b. Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options and performance rights granted. The movement in share-based payment reserve during the year ended 30 June 2021 of $1,733,900 excludes an amount of $372,000 which is included in trade and other payables in the statement of financial position.

22. DIVIDENDS

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

23. REMUNERATION OF AUDITORS

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

	2021	2020
	$	$
Rothsay Auditing - audit and review of financial reports	54,000	39,500
Total remuneration for audit services	**54,000**	**39,500**

24. CONTINGENCIES

There are no material contingent liabilities of the Company at balance date. The Company has contingent assets at balance date resulting from tenement sales as follows:

Mt Venn Cobalt-Nickel-Copper Project

Under the terms of the sale agreement with Magmatic Resources Ltd (Magmatic, ASX code MAG), to sell tenement E38/2961 the following contingent consideration is outstanding:

- Should Magmatic define a JORC 2012 Mineral Resource of 20Mt @ >= 1% CuEq on the sale tenement, Magmatic will pay the Company $350,000 in cash and $350,000 in MAG shares; and
- Should Magmatic make a decision to mine at the sale tenement, Magmatic will pay the Company $350,000 in cash and $350,000 in MAG shares.

25. COMMITMENTS

a) Exploration commitments

The Company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

	2021	2020
	$	$
Within one year	476,600	508,300
Later than one year but not later than five years	816,800	1,162,700
Later than five years	2,185,500	2,478,600
	3,479,000	**4,149,600**

26. RELATED PARTY TRANSACTIONS

a) Parent entity

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

b) Subsidiaries

Interests in subsidiaries are set out in note 27.

c) Key management personnel compensation

	2021	2020
	$	$
Short-term benefits	324,897	324,287
Post-employment benefits	26,875	22,802
Other long-term benefits	4,378	4,015
Share-based payments	560,900	120,400
	917,050	**471,504**

d) Loans to related parties

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

27. SUBSIDIARIES

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

Name	Country of Incorporation	Class of Shares	2021 Equity Holding %	2020 Equity Holding %
Cordier Mines SAS	France	Ordinary	**100**	100
Element 25 Butcherbird Project Pty Ltd	Australia	Ordinary	**100**	100

28. SUBSEQUENT EVENTS

On 15 July 2021, the Company announced the first commercial shipment of manganese concentrate was loaded with the ship departing the Port Hedland port on 14 July 2021.

On 1 September 2021, the Company announced the second commercial shipment of manganese concentrate was loaded with the ship departing the Port Hedland port on 30 August 2021.

On 20 September 2021, the Company confirmed that it had been granted an innovation patent for a flowsheet it designed for the extraction of manganese from run of mine concentrate from the Company's Butcherbird Project.

No other matter or circumstance has arisen since 30 June 2021, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

29. CASHFLOW INFORMATION

	2021 $	2020 $
Reconciliation of (loss)/profit after income tax to net cash outflow from operating activities		
(Loss) for the year	(6,494,415)	(1,821,271)
Non-cash items		
– Depreciation of non-current assets	165,436	5,556
– Employee and consultants share-based payments	2,105,900	291,831
– Fair value of financial assets received on sale of mining interests	500,000	(1,000,000)
– Fair value of financial assets disposed as consideration for expenses	613,663	30,000
– Lease payments	325,910	-
– Net exchange differences and other	(64,517)	(5,989)
Change in operating assets and liabilities:		
– (Increase)/decrease in trade and other receivables	396,884	(108,834)
– Decrease in financial assets at fair value through profit or loss	972,599	1,868,063
– Increase in trade and other payables	(3,793,246)	297,527
– (Increase)/decrease in development costs	(22,126,550)	-
– Increase in employee benefit obligations	(202,566)	26,080
Net cash outflow from operating activities	**(27,600,902)**	**(417,037)**

30. LOSS PER SHARE

a) Reconciliation of earnings used in calculating loss per share

	2021 $	2020 $
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	**(6,494,415)**	**(1,821,271)**

b) Weighted average number of shares used as the denominator

	2021 $	2020 $
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**130,874,588**	**93,481,823**

c) Information on the classification of options

As the Group made a loss for the year ended 30 June 2021, the options on issue were considered anti-dilutive and were not included in the calculation of diluted earnings per share. The options currently on issue could potentially dilute basic earnings per share in the future

31. SHARE-BASED PAYMENTS

a) Reconciliation of earnings used in calculating loss per share

The Company provides benefits to employees (including directors) and contractors of the Company in the form of share-based payment transactions, whereby employees render services in exchange for options to acquire ordinary shares. The exercise price of the options granted and on issue at 30 June 2021 range from 20 cents to 120.90 cents per option, with expiry dates ranging from 24 November 2021 to 4 November 2025.

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

Fair value of options granted

The weighted average fair value of the options granted during the year was 57.8 cents (2020: 9.7 cents). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2021 $	2020 $
Weighted average exercise price (cents)	**120.90**	29.1
Weighted average life of the option (years)	**3.6**	4.7
Weighted average underlying share price (cents)	**88.50**	24.8
Expected share price volatility	**89.5%**	50.0%
Risk free interest rate	**0.26%**	0.6%

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:

	2021 Number of options	2021 Weighted average exercise price cents	2020 Number of options	2020 Weighted average exercise price cents
Outstanding at the beginning of the year	**15,350,000**	28.8	**14,750,000**	27.3
Granted	**3,000,000**	95.3	**3,750,000**	29.1
Forfeited	**-**	-	**-**	-
Exercised	**(4,950,000)**	31.6	**(125,000)**	21.5
Expired	**-**	-	**(3,025,000)**	22.1
Outstanding at year-end	**13,400,000**	42.6	**15,350,000**	28.8
Exercisable at year-end	**13,400,000**	42.6	**15,350,000**	28.8

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 2.7 years (2020: 2.4 years), and the exercise prices range from 20 cents to 120.90 cents.

b) Expenses arising from share-based payment transactions

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

	2021 $	2020 $
Options granted to employees and contractors expensed to profit or loss	**2,105,900**	**291,831**

32. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Element 25 Limited, at 30 June 2021. The information presented here has been prepared using accounting policies consistent with those presented in note 1.

	2021	2020
	$	$
Current assets	**44,364,919**	8,169,154
Non-current assets	**24,592,310**	6,868
Total assets	**68,957,229**	8,176,022
Current liabilities	**5,707,317**	1,330,880
Non-current liabilities	**781,437**	808
Total liabilities	**6,488,754**	1,331,688
Issued capital	**76,416,557**	16,403,737
Share-based payments reserve	**5,874,424**	4,140,524
Accumulated losses	**(19,822,506)**	(13,699,927)
Total equity	**62,468,475**	6,844,334
Loss for the year	**(6,122,579)**	(1,801,027)
Total comprehensive loss for the year	**(6,122,579)**	(1,801,027)

In the directors' opinion:

(a) the financial statements and notes set out on pages 25 to 52 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date;

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

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

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

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

Justin Brown
Managing Director
Perth, 30 September 2021

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

ELEMENT 25 LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Element 25 Limited ("the Company") and its controlled entities ("the Group") which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

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

Key Audit Matters

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

Key Audit Matter - Property, Plant and Equipment ("PPE")	*How our Audit Addressed the Key Audit Matter*
The carrying value of the Group's PPE amounted to $22.4 million as at 30 June 2021, almost entirely added during the second half of the year. The existence and valuation of PPE was identified as a key audit matter due to the significance of this balance to the financial statements.	Our procedures included but were not limited to: • We ascertained the existence of a sample of PPE items by sighting during the visit to the production site of the Group; • We selected a sample of costs capitalised as PPE and agreed the balance to supporting documentation; • We confirmed that classification of the PPE items is in line with AASB 116 Property, Plant and Equipment; and We assessed the adequacy of the related disclosure in the financial statements.
Key Audit Matter - Recoverable Value of Inventory	*How our Audit Addressed the Key Audit Matter*
The Company's inventory amounted to $5.4 million as at 30 June 2021. The Group is required to carry its inventory of the lower of cost or net realisable value in accordance with AASB 102 Inventories. The Group's accounting policy is disclosed in Note 1(l). This is a key audit matter due to the materiality of inventory in the Statement of Financial Position, and the significant level of estimation involved in applying the lower of cost and net realisable value measurement methodology.	Our procedures included but were not limited to: • We ascertained the existence of inventory during the visit to the production site of the Group; • We assessed the Group's inventory valuation methodology for compliance with the requirements of the Australian Accounting Standards; • We selected a sample of costs capitalised as inventory and agreed the balances to supporting documentation; • We reviewed the accuracy of the inventory valuation model and inputs against the third party documentation; • We assessed whether the recorded cost was at the lower of cost and net realisable value; and We assessed the adequacy of the related disclosure in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

ELEMENT 25 LIMITED (continued)

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/Home.aspx.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

ELEMENT 25 LIMITED (continued)

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2021.

In our opinion the remuneration report of Element 25 Limited for the year ended 30 June 2021 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 30 September 2021

Daniel Dalla
Partner

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 17 September 2021.

a) Distribution of equity securities

			Ordinary shares	
			Number of holders	Number of shares
1	-	1,000	873	471,208
1,001	-	5,000	1,162	3,217,722
5,001	-	10,000	436	3,503,599
10,001	-	100,000	794	24,355,755
100,001		and over	177	117,242,085
			3,442	148,790,369

The number of equity security holders holding less than a marketable parcel of securities are:	131	14,054

b) Twenty largest shareholders

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

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	13,219,874	8.88
2	RANGUTA LIMITED	7,165,440	4.82
3	ARADIA VENTURES PTY LTD <J & A BROWN FAMILY A/C>	5,598,215	3.76
4	ALPHA BOXER LIMITED	5,354,006	3.60
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,356,540	2.93
6	DUKETON MINING LIMITED	4,177,974	2.81
7	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	3,080,339	2.07
8	SINO WEST ASSETS PTY LTD	2,709,629	1.82
9	MR PAUL HARTLEY WATTS	2,600,000	1.75
10	MR JACOBUS GERARDUS DE JONG	2,411,808	1.62
11	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	2,109,762	1.42
12	CITICORP NOMINEES PTY LIMITED	2,037,285	1.37
13	DUKETON CONSOLIDATED PTY LTD	2,032,024	1.37
14	DANE PASTORAL COMPANY PTY LIMITED	1,925,475	1.29
15	AUSTRADE HOLDINGS PTY LTD	1,800,000	1.21
16	METZ CORPORATION	1,736,596	1.17
17	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	1,528,702	1.03
18	KAPT ENTERPRISES PTY LTD	1,419,063	0.95
19	MR PHILLIP RICHARD PERRY	1,400,000	0.94
20	MR SEAMUS IAN CORNELIUS	1,382,733	0.93
		68,045,465	45.75

c) Substantial shareholders

There were no substantial shareholders at 30 June 2021 who have notified the Company in accordance with section 671B of the Corporations Act 2001.

d) Voting rights

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

e) Schedule of interests in mining tenements as at 17 September 2021

Tenement Reference	Location	Percentage held / earning
E09/2415	Isle Bore WA	100%
E20/659	Eelya Hill WA	10%
E28/2577	Pinnacles WA	100%
E28/2761	Flanker South WA	100%
E46/1366	Black Hill WA	100%
E52/1529	Mt Padbury WA	100% (Note 1)
E52/2350	Butcher Bird WA	100%
E52/3606	Yanneri Bore WA	100%
E52/3706	Yanneri Pool WA	100%
E52/3735	Limestone Bore WA	100%
E52/3738	Mt Padbury WA	100%
E52/3769	Kumarina WA	100%
E52/3779	Beyondie Bluff WA	100%
E52/3789	Coner Bore WA	100%
E52/3840	Woolgatharra Pool WA	100%
E52/3858	Yanneri Well WA	100%
E52/3947	Weelarrana WA	100%
E52/3973	Neds Gap	100%
L52/211	Limestone Bore WA	100%
L52/215	Butcherbird East 1 WA	100%
L52/216	Butcherbird East 2 WA	100%
L52/217	Butcherbird East 3 WA	100%
L52/218	Butcherbird East 4 WA	100%
L52/220	Butcherbird East 5 WA	100%
L52/221	Butcherbird East 6 WA	100%
L52/225	Butcherbird East 7 WA	100%
M52/1074	Yaneri Ridge WA	100%
E57/1060	Victory Well WA	20%
E63/2027	Lake Johnston WA	100%
E80/5056	Eileen Bore WA	100%

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

f) **Unquoted Securities**

At 17 September 2021, the **Company** had the following unlisted securities on issue:

Name	Unlisted options exercisable at $0.261 expiring 28/11/23	Unlisted options exercisable at $0.20 expiring 24/11/21	Unlisted options exercisable at $0.325 expiring 3/11/22	Unlisted options exercisable at $0.355 expiring 28/11/22	Unlisted options exercisable at $0.26 expiring 22/02/24
Arcadia Ventures Pty Ltd	1,000,000	1,000,000	-	600,000	-
Mr John George Ribbons	500,000	-	-	-	-
Mrs Antoinette Janet Ribbons	-	500,000	-	300,000	-
Mr Seamus Cornelius	500,000	500,000	-	300,000	-
Mr Liam Cornelius	-	-	300,000	-	-
Pato Negro Pty Ltd	-	-	200,000	-	-
Duketon Consolidated Pty Ltd	-	-	-	-	1,000,000
Kumarina Holdings Pty Ltd	-	-	-	-	500,000
Holders < 20%	-	-	100,000	-	100,000
	2,000,000	2,000,000	600,000	1,200,000	1,600,000

Name	Unlisted options exercisable at $0.273 expiring 20/11/24	Unlisted options exercisable at $0.20 expiring 1/4/25	Unlisted options exercisable at $0.50 expiring 25/6/25	Unlisted options exercisable at $1.209 expiring 4/11/25	Unlisted options exercisable at $0.44 expiring 13/7/25
Arcadia Ventures Pty Ltd	1,000,000	-	-	500,000	-
Mr John George Ribbons	500,000	-	-	-	-
Mr Seamus Cornelius	500,000	-	-	-	-
Mrs Andrea Gertrud Graham	-	500,000	-	-	-
Zoetmelksvlei (Pty) Ltd	-	-	500,000	-	-
Karlka Nyiyaparlia Aboriginal Corporation RNTBC	-	-	-	-	1,000,000
Holders < 20%	-	-	-	1,500,000	-
	2,000,000	500,000	500,000	2,000,000	1,000,000