



Interim Financial Report

for the half year ended

31 December 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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Directors

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

Joint Company Secretaries

Melissa Chapman
Catherine Grant-Edwards

Registered Office

Level 1, Building B
Garden Office Park
355 Scarborough Beach Road
OSBORNE PARK WA 6017

Principal Place of Business

Level 1, Building B
Garden Office Park
355 Scarborough Beach Road
OSBORNE PARK WA 6017

E-mail: admin@e25.com.au

Internet Address

www.element25.com.au

Stock Exchange Listing

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

Solicitors

House Legal
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MT LAWLEY WA 6050

Bankers

National Australia Bank Limited
1232 Hay Street
WEST PERTH WA 6005

Share Register

Automic Pty Ltd
Level 5, 191 St Georges Terrace
PERTH WA 6000

Telephone: 1300 288 664

Web: www.automicgroup.com.au

Auditors

Rothsay Auditing
Level 1, Lincoln Building
4 Ventnor Avenue
WEST PERTH WA 6005

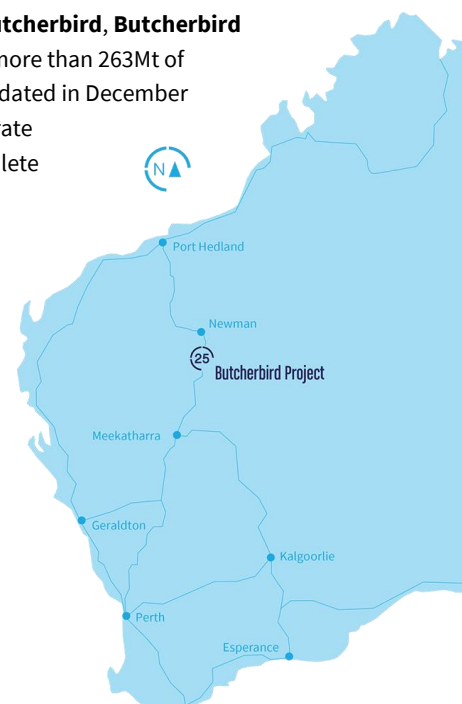
1. The Butcherbird Project

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 ore¹. 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 requirement³. Stage 1 of the project development plan is complete and E25 has commenced shipping ore to offtake partners.

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 a low cost, environmentally benign leach, 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 Company is of the view that the global shift to responsible extraction and supply chain security means that Butcherbird is well placed to become a globally significant producer of high quality, ESG compliant battery grade chemical manganese to supply the electrification the global vehicle fleet. A cleaner, lower carbon flowsheet and a focus on renewable energy will place Butcherbird at the forefront of sustainable high purity manganese production



1.2. Operations

1.2.1. Summary of Operating and Financial Information for Butcherbird

	Unit	H1 FY22	H2 FY21	H1FY21
Ore mined	Tonnes	405,218	349,020	-
Ore processed	Tonnes	74,497	32,014	-
Ore hauled to port	Tonnes	82,248	14,233	-
Ore shipped	Tonnes	93,991	-	-
Inventory				
ROM	Mn (Tonnes)	275,756	210,354	-
Site finished product	Mn (Tonnes)	8,535	16,193	-
Port	Mn (Tonnes)	438	14,515	-
Revenue (FOB)	AUD per tonne	117.89	-	-
Average direct cost of production	AUD per tonne	184.08	116.01	-

1.2.2. Health and Safety

The Company recorded no Lost Time Injuries (**LTI**) during the period. At the half year end, Butcherbird achieved 390 days without an LTI.

1.2.3. Manganese Concentrate Shipments

On 15 July 2021, the Company confirmed the first commercial shipment of 27,000 tonnes of manganese concentrate departed the Utah Point Facility for delivery to offtake partner OM Materials (S) Pte Ltd (OMS), a wholly owned subsidiary of ASX listed company OM

¹ Refer ASX Announcement 17 April 2019

² Refer ASX Announcement 19 May 2020

³ Refer ASX Announcement 3 December 2020

Holdings Limited (ASX: OMH) (**OMH**).

On 1 September 2021, the Company confirmed a second ship containing approximately 27,000 tonnes of high-quality manganese concentrate from the Project departed Utah Point in Port Hedland on Handymax vessel Taokas Wisdom, for delivery to OMH.

In December 2021, E25 completed its third shipment of 41,000 tonnes of high-quality manganese concentrate departed Utah Point, Port Hedland for delivery to offtake partner OMH. The Company's third ore shipment left on board the bulk vessel MV Top Fair.



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

1.2.4 Logwasher Shaft Failure

In November 2021, the processing plant at Butcherbird experienced a logwasher shaft failure.

The logwasher is a critical component of the processing plant and as such the Company shut the plant down to identify and rectify the problem.

The failure was unusual and unexpected and was not due to the normal 'wear and tear'. As a result, no spares were held on site and a replacement was sought from the original equipment manufacturer in Northern Ireland.

The failure has given rise to an insurance claim that is underway and is expected to be settled in the near term.

1.2.5 Plant Modifications

During the period ended 31 December 2021, the Company took the opportunity through the forced shutdown to use the operational data it had gathered over the months of operation to improve and optimise the plant by removing bottlenecks within the plant processes which would assist in increased throughput.

The modifications addressed a range of issues with the aim of enhancing plant access for maintenance, materials flow, noise and dust control and well as overall layout.

1.3. Battery Grade Manganese

1.3.1. Flowsheet Test Work

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 Company has undertaken advanced flowsheet development work which confirmed run-of-mine concentrate product from the Stage 1 beneficiation plant at the Project can be successfully and repeatedly leached to produce a manganese sulphate solution as the first step in producing battery grade High Purity HPMSM for the manufacture of lithium-ion batteries for EV's.

E25 intends to use material produced by its simple low-cost beneficiation process at the Project as feed material for the Company's rapid, simple leach process and test work to date continues to confirm this as a viable development pathway.

In October 2021, E25 confirmed that leaching optimisation tests using run-of-mine concentrate product from the Project had yielded several significant breakthroughs in terms of flowsheet design.

The Company's HPMSM development team has continued to achieve significant progress in optimising the leach process using an alternative organic, low carbon intensity reagent with reduced requirement for secondary reagents.

Optimisation work is focussed on the production of HPMSM for new energy vehicles (NEV) from run-of-mine concentrate from the simple low-cost beneficiation process currently in use at the Project which has now been further confirmed as suitable feedstock.

As in previous test work using material from the Project, high extraction rates of up to 98% have been consistently achieved. Importantly the current round of optimisation tests have utilised an alternative reagent which offers advantages over that used previously both from an availability, cost, process simplification and carbon intensity perspective, in line with the Company's objective of becoming a low cost Zero Carbon Manganese producer

1.3.2. Scoping Study

Subsequent to the period end (refer ASX release dated 18 January 2022), the Company reported that a Scoping Study (**Study**) into the construction and operation of a HPMSM plant has returned a robust set of financial metrics over a 20-year project life.

The Study assumes that the Project will be built in an industrial park located in southeast Asia, leveraging local low cost of power and the local supply of process reagents. A final site has not yet been determined and this will be further considered in the DFS (refer section 1.3.3).

The HPMSM Project includes the construction of a HPMSM conversion plant as well as supporting administrative, packaging and laboratory facilities. The site will most likely be located on an industrial park, near a deep sea, bulk cargo port and will most likely have established water, power and communications facilities.

E25 is investigating several such locations in southeast Asia and a final decision on the location has yet to be reached.

E25 will likely establish a local company in the destination country to manage local ownership. Manganese ore will be sourced from the Project. The Study examines the macro-economic inputs, operational and capital cost parameters and contemplates the progressive expansion of production at the Project.

1.3.3. Definitive Feasibility Study

The Company is moving directly into a Feasibility Study (**FS**) for the development of a HPMSM project to further explore the commercial potential of this opportunity and expects that study to be finalised in the second half of 2022.

1.3.4. Innovation Patent

During the period ended 31 December 2021, E25 confirmed the grant of an Innovation Patent for a flowsheet it designed for the extraction of manganese from run-of mine concentrate from the Project.

The patent is based on a process-proven ambient temperature and atmospheric pressure leach with multiple rounds of testing successfully leaching Butcherbird ores to produce a manganese sulphate solution, achieving high recoveries and excellent selectivity against undesirable impurities. This solution is further processed to produce battery-grade HPMSM for the manufacture of lithium-ion batteries for EVs.

1.4. Outlook

Since the restart of the plant in December 2021, we have experienced days where the production volumes have met or exceeded nameplate production. This is pleasing to see, as it validates the original assumptions about the capability of the plant.

However, the operations team is fully cognisant of the requirement for volumes and grades to be consistently achieved to underpin the

commercial outcomes of the business. To date E25 has been unable to consistently achieve the level of output that would generate regular operating profits and cashflows however the Company remains of the view that nameplate production is achievable and is focusing on several areas of the operation to achieve consistently daily and monthly volumes with a particular focus on preventative maintenance and maximising plant availability.

Primary comminution is an area where the Company is looking to optimise processes in terms of minimising downtime and maximising throughput. Ore Sorter throughput is also an area of focus to minimise dilution and the operations team is also particularly focussed on identifying and rectifying the occurrence of disruptive unplanned maintenance related issued.

From current production information, there are opportunities to review the data that has been gathered to optimise processes that will assist in achieving targeted outcomes in line with our expectations particularly in relation to unplanned downtime which directly impacts production. Preventative maintenance is improving with systems being built around the data that has been gathered.

The Company, like most others in Western Australia has found the labour market extremely challenging. The difficulties in hiring skilled staff in a range of technical trades and disciplines is beginning to impact the overall performance of the Butcherbird site. The Company is hopeful that the reopening of our state borders will go some way to alleviating this bottleneck.

Separate to the operational aspects which are under the control of the operations team, several extraneous factors directly impact on the efficiency and margins of the operating business including:

- Through the pandemic, the availability and quality of labour resources has been a significant challenge and it may be a while before we return to more 'normal' conditions.
- Due to the global geopolitical events, fuel costs are at all-time highs which adds cost pressure to the operational and logistics aspects of the business.
- Conversely, geopolitical conditions in Europe have seen spot prices of manganese up approximately 40% which has a direct and positive impact on revenues.

It is very difficult to predict whether these conditions are short term or will remain with us for a sustained time, however we are hopeful that conditions will begin to normalise in coming months.

Notwithstanding these challenges we are focused on achieving consistent name plate production as quickly as we can and then moving to expand capacity that will support our ambitions to produce high purity manganese products including battery grade manganese sulphate (**HPMSM**).

Your directors submit their financial report of the consolidation entity (the **Group**, the **Company** or **E25**) consisting of Element 25 Limited and its controlled entities for the half-year ended 31 December 2021.

DIRECTORS

The names of Directors who held office during or since the end of the half-year are set out below. Directors were in office for this entire period unless otherwise stated.

Seamus Cornelius

Justin Brown

John Ribbons

JOINT COMPANY SECRETARIES

Melissa Chapman

Catherine Grant-Edwards

REVIEW OF RESULTS AND OPERATIONS

Principal Activities

The principal activity of the Group during the half-year was advancing the Company's 100% owned Butcherbird Manganese Project located in Australia towards first stage production.

Results

During the half year ended 31 December 2021, the Company recognised revenue of \$11,080,159 in respect to the first shipments of ore from the Group's 100% owned Butcherbird Manganese Project located in Australia and other income of \$371,999 in respect to the sale of minerals properties, research and development tax incentives and interest income.

During the period the Group incurred cost of sales of \$19,828,961 (2020: \$0) in respect to direct material and production costs attributable to the extraction, processing and transportation of manganese ore.

During the period, stage 2 expansion costs, tenement acquisition and exploration expenditure incurred by the Group amounted to \$277,631 (2020: \$1,565,561). The Group recognised a net fair value loss on financial assets of \$107,923 (2020: \$810,538 fair value loss) and administration expenditure incurred amounted to \$1,340,470 (2020: \$864,055). Share based payment expense was \$nil (2020: \$1,733,900). This has resulted in an operating loss after income tax for the half year ended 31 December 2021 of \$11,294,975 (2020: \$4,836,576).

The Group had a cash balance of \$28,237,946 at 31 December 2021.

Summarised operating results are as follows:

	31 Dec 2021 Revenue \$	31 Dec 2021 Profit/(Loss) \$
Groups revenues and profit/(loss) from ordinary activities before income tax expense	11,080,159	(11,294,975)

Shareholder Return

	2021 \$	2020 \$
Basic and diluted loss per share (cents)	(7.5)	(4.0)

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No other matters or circumstances, besides those disclosed at note 22, have arisen since the end of the period 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 periods.

DIVIDENDS

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

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 10.

Signed in accordance with a resolution of the directors



Justin Brown
Managing Director
Perth, 15 March 2022



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

As lead auditor of the review of Element 25 Limited for the half-year ended 31 December 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 half-year.

Rothsay Auditing

A handwritten signature in black ink, appearing to read 'Dalla', written over a horizontal line.

**Daniel Dalla
Partner**

15 March 2022

**Consolidated Statement of Comprehensive Income
For the Half-Year Ended 31 December 2021**



	Note	31 Dec 2021 \$	31 Dec 2020 \$
REVENUE AND OTHER INCOME			
Sales revenue	3	11,080,159	-
Other income	4	371,999	148,317
		11,452,158	148,317
COST OF SALES			
Cost of sales	5	(19,828,961)	-
EXPENDITURE			
Exploration and pre-feasibility expenditure		(277,631)	(1,565,561)
Administration expenses	6	(1,340,470)	(864,055)
Depreciation expense	12	(940,613)	(3,704)
Foreign exchange expense		(222,953)	-
(Gain) / loss of modification of lease		2,631	-
Finance costs on lease liabilities		(31,213)	(7,135)
Fair value losses on financial assets		(107,923)	(810,538)
Share-based payment expense		-	(1,733,900)
		(11,294,975)	(4,836,576)
LOSS BEFORE INCOME TAX			
		(11,294,975)	(4,836,576)
INCOME TAX EXPENSE			
		-	-
LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF E25			
		(11,294,975)	(4,836,576)
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		7,654	1,907
Other comprehensive income for the period, net of tax		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF E25			
		(11,287,321)	(4,834,669)
LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted loss per share (cents per share)	20	(7.5)	(4.0)

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

Consolidated Statement of Financial Position
As at 31 December 2021



	Note	31 Dec 2021 \$	30 Jun 2021 \$
CURRENT ASSETS			
Cash and cash equivalents	7	28,237,946	34,822,585
Trade and other receivables	8	1,018,114	787,533
Inventory	9	3,950,154	5,438,698
Financial assets at fair value through profit or loss	10	3,221,980	3,329,903
TOTAL CURRENT ASSETS		36,428,194	44,378,719
NON-CURRENT ASSETS			
Restricted cash	11	701,535	783,215
Plant and equipment	12	21,727,775	22,416,095
Assets under construction	13	762,336	176,774
Deferred exploration and evaluation expenditure		200,426	94,021
Right of use asset	14	1,009,394	1,122,205
TOTAL NON-CURRENT ASSETS		24,401,466	24,592,310
TOTAL ASSETS		60,829,660	68,971,029
CURRENT LIABILITIES			
Trade and other payables	15	7,336,668	4,899,441
Provisions	17	399,352	438,818
Right of use liability	16	331,431	376,376
TOTAL CURRENT LIABILITIES		8,067,451	5,714,635
NON-CURRENT LIABILITIES			
Right of use liability	16	721,731	781,437
TOTAL NON-CURRENT LIABILITIES		721,731	781,437
TOTAL LIABILITIES		8,789,182	6,496,072
NET ASSETS		52,040,478	62,474,957
EQUITY			
Issued capital	18	77,641,399	76,788,557
Reserves	19	5,841,956	5,834,302
Accumulated losses		(31,442,877)	(20,147,902)
TOTAL EQUITY		52,040,478	62,474,957

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

**Consolidated Statement of Changes in Equity
For the Half-Year Ended 31 December 2021**



	Note	Contributed Equity \$	Share-Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
BALANCE AT 1 JULY 2021		76,788,557	5,874,424	(40,122)	(20,147,902)	62,474,957
Loss for the period		-	-	-	(11,294,975)	(11,294,975)
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		-	-	7,654	-	7,654
TOTAL COMPREHENSIVE LOSS		-	-	7,654	(11,294,975)	(11,287,321)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the period	18	857,500	-	-	-	857,500
Share issue transaction costs	18	(4,658)	-	-	-	(4,658)
BALANCE AT 31 DECEMBER 2021		77,641,399	5,874,424	(32,468)	(31,442,877)	52,040,478
BALANCE AT 1 JULY 2020		16,403,737	4,140,524	(42,257)	(13,653,487)	6,848,517
Loss for the period		-	-	-	(4,836,576)	(4,836,576)
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		-	-	1,907	-	1,907
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		-	-	1,907	(4,836,576)	(4,834,669)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the period	18	18,044,001	-	-	-	18,044,001
Share issue transaction costs	18	(559,947)	-	-	-	(559,947)
Employee and consultant share-based payments		-	1,733,900	-	-	1,733,900
BALANCE AT 31 DECEMBER 2020		33,887,791	5,874,424	(40,350)	(18,490,063)	21,231,802

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

Consolidated Statement of Cash Flows
For the Half-Year Ended 31 December 2021



	Note	31 Dec 2021 \$	31 Dec 2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		11,080,159	-
Expenditure of mining interest		(913,665)	(2,363,377)
Payments to suppliers and employees		(17,632,937)	(997,511)
Interest received		29,097	8,088
Proceeds on sale of mining interests		205,000	590,000
Interest paid		-	(7,135)
Proceeds from disposal of financial assets at fair value through profit or loss		-	498,297
Government grant funding received		137,902	50,000
Movement cash from restricted to non-restricted		81,680	-
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(7,012,764)	(2,221,638)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for feasibility and development expenditure		-	(6,436,579)
Payment for security bond		-	(120,000)
Payments for plant and equipment		(166,823)	(11,317)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(166,823)	(6,567,896)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares	18	857,500	18,044,000
Payment of share issue transaction costs	18	(4,658)	(559,946)
Principal elements of lease payments		(177,596)	(122,365)
NET CASH INFLOW FROM FINANCING ACTIVITIES		675,246	17,361,689
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(6,504,341)	8,572,155
Cash and cash equivalents at the beginning of the period		34,822,585	2,697,175
Effects of exchange rate changes on cash and cash equivalents		(80,298)	(318)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7	28,237,946	11,269,012

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These half-year consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with AASB 134 ensures compliance with IAS 34 Interim Financial Reporting.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by European Lithium Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The half-year financial report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2021

In the half-year ended 31 December 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2021. As a result of this review, the Directors have applied all new and amended Standards and Interpretations that were effective as at 1 July 2021 with no material impact on the amounts or disclosures included in the financial report.

Significant accounting judgments and key estimates

The preparation of the half-year financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2021.

2. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and in determining the allocation of resources. The Group has only one operating segment, being mining activities and operates in one geographical location (Australia).

3. REVENUE

	31 Dec 2021	31 Dec 2020
	\$	\$
Sale of manganese	11,080,159	-
Total	11,080,159	-

4. OTHER INCOME

	31 Dec 2021	31 Dec 2020
	\$	\$
Interest received	29,097	8,317
Net gain on sale of mining interests	205,000	90,000
Government grants received	137,902	50,000
Total	371,999	148,317

5. COST OF SALES

	31 Dec 2021	31 Dec 2020
	\$	\$
Mining costs	(3,933,825)	-
Processing costs	(4,716,229)	-
Site administration costs	(1,665,578)	-
Haulage costs	(5,150,980)	-
Port and shipping costs	(1,775,968)	-
Sales and marketing costs	(135,297)	-
Royalty costs	(810,171)	-
Depreciation of right of use assets	(131,364)	-
Inventory movement	(1,509,549)	-
Total	(19,828,961)	-

Inventory movement is based on the difference between ore shipped and ore extracted and represents the change in inventory held by E25.

6. ADMINISTRATION EXPENSES

	31 Dec 2021	31 Dec 2020
	\$	\$
Director fees, salaries and wages and other staff costs	(284,180)	(305,716)
Consultants	(392,365)	(30,565)
ASX and other compliance costs	(44,105)	(100,840)
Insurance	(90,440)	(54,139)
Occupancy	(122,905)	(35,180)
Investor relation expenses	(108,507)	(90,542)
Other administration expenses	(297,968)	(247,073)
Total	(1,340,470)	(864,055)

7. CASH AND CASH EQUIVALENTS

	31 Dec 2021	30 Jun 2021
	\$	\$
Cash at bank and in hand	28,288,126	34,822,585
Less cash held for unissued shares	(50,180)	-
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	28,237,946	34,822,585

8. TRADE AND OTHER RECEIVABLES

	31 Dec 2021	31 Jun 2021
	\$	\$
Sundry receivables	697,228	563,683
Prepayments	320,886	223,850
Total	1,018,114	787,533

9. INVENTORY

	31 Dec 2021	30 Jun 2021
	\$	\$
Manganese ore stockpiles	3,848,749	5,358,299
Warehouse stores and materials	101,405	80,399
Total	3,950,154	5,438,698

Manganese ore stockpiles represent manganese ore that has been extracted and is available for further processing or sale. 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 and depreciation of property, plant and equipment used in the extraction, processing and transportation of manganese.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 Dec 2021	30 Jun 2021
	\$	\$
Australian listed equity securities	3,221,980	3,329,903
Total	3,221,980	3,329,903

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.

11. RESTRICTED CASH

	31 Dec 2021	30 Jun 2021
	\$	\$
Bank guarantees and term deposits	701,535	783,215
Total	701,535	783,215

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	IT Equipment	Mine Properties and Development	Plant and Equipment	Total
	\$	\$	\$	\$	\$
Carrying amount – at cost					
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
Additions	(3,852)	(164)	373,316	24,143	393,443
Disposals	-	-	-	-	-
Other	(135,000)	(6,150)	-	-	(141,150)
At 31 December 2021	4,634,877	280,545	6,677,160	11,305,700	22,898,282
Accumulated depreciation					
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)
Depreciation expense	(240,021)	(46,591)	(96,900)	(557,101)	(940,613)
Disposals	-	-	-	-	-
Other	-	-	-	-	-
At 31 December 2021	(280,999)	(59,819)	(112,825)	(716,864)	(1,170,507)
Net book value					
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
Additions	(3,852)	(164)	373,316	24,143	393,443
Depreciation expense	(240,021)	(46,591)	(96,900)	(557,101)	(940,613)
Disposals	-	-	-	-	-
Other	(135,000)	(6,150)	-	-	(141,150)
At 31 December 2021	4,353,878	220,726	6,564,335	10,588,836	21,727,775

13. ASSETS UNDER CONSTRUCTIONS

	31 Dec 2021	30 Jun 2021
	\$	\$
Assets under construction	762,336	176,774
Total	762,336	176,774

14. RIGHT OF USE ASSET

	31 Dec 2021	30 Jun 2021
	\$	\$
Cost	2,693,172	2,462,257
Accumulated depreciation	(1,683,778)	(1,340,052)
	1,009,394	1,122,205
Balance as at beginning of period	1,122,205	-
Acquisition of plant and equipment by means of finance leases	230,915	2,462,257
Depreciation of right of use assets	(157,489)	(340,116)
Lease liability on modification of lease	(186,237)	(908,112)
(Gain) / loss of modification of lease	-	(91,824)
Balance at end of period	1,009,394	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.

15. TRADE AND OTHER PAYABLES

	31 Dec 2021	30 Jun 2021
	\$	\$
Trade payables	4,346,375	755,569
Other payables and accruals	2,990,293	4,143,872
	7,336,668	4,899,441

16. INTEREST BEARING LEASE LIABILITIES

	31 Dec 2021	30 Jun 2021
	\$	\$
Current		
Lease liabilities	331,431	376,376
	331,431	376,376
Non-Current		
Lease liabilities	721,731	781,437
	721,731	781,437

17. PROVISIONS

	31 Dec 2021	30 Jun 2021
	\$	\$
Employee entitlements	384,905	338,045
Provision for payroll tax	14,447	100,773
	399,352	438,818

18. ISSUED CAPITAL

	31 Dec 2021	30 Jun 2021
	\$	\$
152,590,369 fully paid ordinary shares (30 June 2021: 148,790,369)	18(a) 77,641,399	76,788,557
Ordinary fully paid shares		
	Number	\$
a) Movement in ordinary share capital		
Balance at the beginning of the period	148,790,369	76,788,557
Exercise of options	(b) 3,800,000	857,500
Transaction costs	-	(4,658)
Total issued capital	152,590,369	77,641,399

(a) During the half year ended 31 December 2021, the Company issued the following shares upon the exercise of options:

- On 23 November 2021, the Company issued 2,000,000 shares upon the exercise of options (\$0.20; expiring 24 November 2021)
- On 23 November 2021, the Company issued 1,000,000 shares upon the exercise of options (\$0.26; expiring 22 February 2024)
- On 23 November 2021, the Company issued 300,000 shares upon the exercise of options (\$0.325; expiring 3 November 2022)
- On 23 November 2021, the Company issued 500,000 shares upon the exercise of options (\$0.20; expiring 1 April 2025)

19. RESERVES

	31 Dec 2021	30 Jun 2021
	\$	\$
Foreign currency translation reserve	(32,468)	(40,122)
Share-based payments reserve	5,874,424	5,874,424
	5,841,956	5,834,302

20. LOSS PER SHARE

a) Reconciliation of earnings used in calculating loss per share

	31 Dec 2021	31 Dec 2020
	\$	\$
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	(11,294,975)	(4,836,576)

b) Weighted average number of shares used as the denominator

	31 Dec 2021	31 Dec 2020
	\$	\$
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	149,579,440	120,702,342

c) Information on the classification of options

As the Group made a loss for the half year ended 31 December 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.

21. CONTINGENCIES

There have been no changes in contingent liabilities since the last annual reporting date.

22. RELATED PARTY

Subsequent to the period end, and in recognition of the Company commencing mining operations at the Butcherbird Project, the base salary of the Managing Director (Justin Brown) was increased from \$220,000 plus superannuation to \$275,000 plus superannuation, effective 1 February 2022. In addition, the Company has provided the following bonus incentives to Justin Brown:

- Cash bonus of \$27,500 upon the Company achieving steady state nameplate production at the Butcherbird Project for a continuous period of not less than three months; and
- Cash bonus of \$27,500 upon the Company achieving a cashflow position quarter as reported in the Company's Appendix 3B to the ASX.

There were no other significant changes in the nature of related party transactions since 30 June 2021.

23. SUBSEQUENT EVENTS

On 19 January 2022, the Company issued 120,000 shares upon the exercise of 100,000 options (\$0.26 expiring 22 February 2024) and 20,000 options (\$1.209 expiring 4 November 2025).

No other matter or circumstance has arisen since 31 December 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 periods.

In the opinion of the directors:

(a) The financial statements and notes of the Group for the half-year ended 31 December 2021 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting*, International Financial Reporting Standard, IAS 34 Interim Financial Reporting and the Corporations Regulations 2001, and other mandatory professional reporting requirements.

(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.

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



Justin Brown
Managing Director
Perth, 15 March 2022



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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
ELEMENT 25 LIMITED**

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Element 25 Limited ("the Company"), and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our 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 annual 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 review report.





Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's Responsibility for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Rothsay Auditing

Dated 15 March 2022

**Daniel Dalla
Partner**