

Mn Energy Limited

ACN 169 719 993

Financial Statements

For the Year Ended 30 June 2020

Contents

For the Year Ended 30 June 2020

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Mn Energy Limited
ACN 169 719 993

Corporate Directory

For the Year Ended 30 June 2020

Board

Michael John Kitney Chairman

Annette Spindler Crabbe Director

Suraj Pemji Sanghani Director

Company Secretary

Annette Spindler Crabbe

Principal and registered office

Unit 3

27 Galbraith Loop

Falcon WA 6210

Telephone: (08) 9325 9064

Website: www.mnenergy.com.au

Auditors

Rothsay Auditing

Chartered Accountants

Level 1, Lincoln House

4 Ventnor Avenue

West Perth WA 6005

Directors' Report

30 June 2020

The directors present their report on Mn Energy Limited for the financial year ended 30 June 2020.

1. General information

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

- Annette Spindler Crabbe Miss Crabbe has worked exclusively in the private sector predominately with a family owned Mining Services business. Annette began her career as a Laboratory Technician, managing and running a lab facility at Auvex Resources Ant Hill manganese mine. Annette's role constituted the collection of samples from the site process streams, preparation of samples prior to analysis and analysing the content of manganese as well as impurities utilising an x-ray fluorescence to report grade control to the Site Manager for stockpile blending which ensured correct grades were shipped to world markets. After Auvex was taken over by Mineral Resources, Annette progressed to work in the company's crushing and processing plants initially as an Operator through to Managing the operations and maintenance of various sites.

Moving to England in 2015, Miss Crabbe was employed by Carey Group in their Civil Engineering Branch. Carey's is a privately-owned, industry leading Construction Company. Annette worked primarily in an Office Management Position based on Carey's flagship project, Battersea Power Station, and was relied upon to ensure the site was compliant with legal, environmental and health and safety regulations reporting to the Project Management team.

On moving back to Australia, Annette accepted an offer to complete a Bachelor of Commerce majoring in Finance and Economics at Curtin University and has received a Diploma of Business Management.

- Michael John Kitney
(Appointed 19 March 2020)

Mr. Kitney is an internationally experienced extractive metallurgist with in excess of 40 years' experience in resource evaluation and project development roles in Australia and internationally.

Most recently he held the role of COO for Kasbah Resources Limited, responsible for all aspects of resource development, metallurgical development, project feasibility and stakeholder engagement for the Achmmach Tin Project in Morocco, and is currently Chief Metallurgist for lithium developer Prospect Resources Limited (ASX:PSC).

He has contributed to project development and construction throughout Africa, SE Asia, the CIS and Australia. He presently holds non-executive director positions with Breaker Resources NL (ASX:BRB) and Monument Mining Limited (TSX:MMY). Mr. Kitney holds a Master of Science degree from WA School of Mines (Mineral Economics) and is a member of the Australian Institute of Company Directors.

Directors' Report

30 June 2020

1. General information (continued)

Information on directors (continued)

- | | |
|--|---|
| - Suraj Pemji Sanghani
(Appointed 26 August 2020) | Mr Sanghani has over 14 years' experience in the assurance, financial and corporate governance professions, including roles with EY and numerous ASX listed and unlisted companies operating in Australia and overseas. He has significant experience in managing companies including strategic planning, marketing, fundraising and financial management. He is a member of the Institute of Chartered Accountants in Australia and New Zealand and the Governance Institute of Australia. He holds a Bachelor of Commerce degree from the University of Western Australia. He currently serves as CFO, Director and Company Secretary of Polyline Pipe Systems Ltd. |
| - Melvin Poh Chuan Yeo
(Resigned 30 June 2020) | Mr Yeo is an entrepreneur, experienced company director & corporate lawyer, with more than 20 years' experience in the start-up space, an ASX20 company and a top-tier independent Australian law firm. He has been involved in numerous corporate transactions in the capacities of principal/director or lead/sole counsel with deal values ranging from \$1 million to over \$1 billion, including many cross-border transactions. Melvin has co-founded a number of mineral exploration projects in Africa, Latin America, Central Asia and Europe, some of which have become listed in Australia and Canada. |
| - Robert Paul Mandanici
(Resigned 30 April 2020) | Mr Mandanici has worked in both the Private and Government sector and has extensive knowledge of corporate governance, process and procedure. He was previously a non-executive director of Auvex Resources Limited, a producing manganese miner that was subsequently acquired by Mineral Resources Limited. More recently, Rob was a founding shareholder of Lithex Resources Limited and as Managing Director took the company from privately held, to ASX listing.

Rob also owns and manages a successful boutique property agency & advisory business. |

Directors' Report

30 June 2020

1. General information (continued)

Information on directors (continued)

- Simon Malcolm Andrew
(Resigned 10 September
2019)

Mr Andrew has 20 years' experience in financial markets in Asia and Australia. He has worked in various roles including as an equity research analyst for several global investment banks including Deutsche Bank and BoA Merrill Lynch. In addition he was a founding director of an ASX listed company Emmerson Resources Limited (ASX:ERM) Mr Andrew completed his Bachelor of Science (Applied Chemistry) and honours thesis at Curtin University of Technology. Mr Andrew's honours thesis involved the development of an ion-selective electrode for the analysis iron levels in sea water, with an additional eight years as a non-executive director.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

The principal activity of Mn Energy Limited during the financial year were the development of its Manganese & Chemical Processing Technology and associated plans for a Manganese & Chemical Processing Plant in Western Australia.

No significant changes in the nature of the Company's activities occurred during the financial year.

2. Operating results

The loss of the Company after providing for income tax amounted to \$ 418,247 (2019: \$ 1,001,106).

Review of operations

Mn Energy Limited has seen some significant changes and activity over the financial year and to date. We have graduated from a privately held entity to an unlisted public company in line with our plan to list on the Australian stock exchange. Similarly, our change of name from Pilbara Metals Group to Mn Energy Limited better reflects our intention to become a pre-eminent producer of battery grade manganese sulphate.

During the last 6 months we have reconstituted the Board with the departure of past Chairman Melvin Yeo and MD Rob Mandanici, both of whom we thank for their contributions to the progress of Mn Energy. We welcomed Non-executive Director Suraj Sanghani as part of the process of strengthening the Board's technical, financial and administrative capabilities following review of our financial position and technical operations.

A primary technical programme of flowsheet development was completed with the aid of SGS during the first half of this year. Knowledge gained from this work has enabled us to progress towards our goal of producing battery grade manganese sulphate.

We recently engaged Simulus Laboratories to execute a complete programme of ore testing that will process a parcel of manganese ore through successive stages to produce our target product. Our aim is to generate sufficient material to provide samples to potential off-take customers and to develop design data to support the commencement of a prefeasibility study around the middle of 2021.

We are heading into exciting times for the manganese business and the Directors want to thank you for your continued support as we move forward.

Directors' Report

30 June 2020

3. Other items

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

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

Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Future developments and results

The company expects to maintain the present status and level of operations and hence there are no likely developments in the operations in future financial years.

Environmental issues

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

Dividends

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

Share Options

Share options have been approved and authorised by the directors for the issue of one free attaching option with an exercise price of \$0.25 and one free attaching option with an exercise price of \$0.40 for every one seed share applied for, up to a maximum number of 6,039,601 of each class of option issued. These options have been authorised for issue to non-related parties. There were 6,039,601 options with an expiry date of 30 June 2021 at an exercise price of \$0.25 and 6,039,601 options with an expiry date of 30 June 2021 at an exercise price of \$0.40 at the date of this report.

Directors Benefits

The Company entered into an Executive Service Agreement with Robert Paul Mandanici to pay a salary of \$150,000 per annum plus superannuation, with payments made in the financial year totalling \$70,710. During the year Mr Mandanici was issued 600,000 shares, ascribed at a value of \$30,000.

The Company entered into a periodic lease arrangement for office space, registered address and printing services with Paddington Realty, a company that is related to Robert Paul Mandanici. Total payments under this arrangement for the year were \$4,334.

The Company entered into an Executive Service Agreement with Annette Spindler Crabbe to pay a salary of \$120,000 per annum plus superannuation, with payments made in the financial year totalling \$48,737.

Directors' Report

30 June 2020

3. Other items (continued)

Directors Benefits (continued)

The Company had previously entered into a Consultancy Service Agreement with Mining Services Processing Technologies (MSPT) for Engineering and Consulting Services. The value of this contract was for \$420,000 per annum. MSPT is a related party company to Annette Spindler Crabbe. The contract arrangement with MSPT was brought to an end as at 31 December 2018. No payments were made during the year.

The company entered into a Consultancy Service Agreement with Luard Consulting Pty Ltd, a related company of Simon Malcolm Andrew. During the year Mr Andrew received payments totalling \$10,000 and was issued 950,000 shares, ascribed at a value of \$47,500.

The Company entered into various deeds of termination and release with consultants and employees. As part of these agreements a maximum amount of \$710,051 is payable upon raising at least \$1 million from equity, debt or asset sale or generating net revenue of at least \$1 million.

Refer to Note 14 to the financial statements for further details.

The Company has also issued 23,400,000 performance shares which will convert to ordinary shares on completion of the following conditions.

- 5,600,000 ordinary shares on successful completion of test work in relation to the laboratory production of manganese sulphate which meets the then current standards for battery grade manganese sulphate before 31 December 2021.
- 5,600,000 ordinary shares on completion of a Bankable Feasibility Study in relation to construction of the East Rockingham Manganese Sulphate Processing Plant (Plant), which indicates a capital payback period of 4 years or less (calculated from the date of first production) before 31 December 2023.
- 6,100,000 ordinary shares on achieving financial close for sufficient funding to commence construction of the plant before 31 December 2024.
- 6,100,000 ordinary shares on completion of commissioning of the Plant, defined as production of a minimum of 1,000 tonnes of manganese sulphate before 31 December 2026.

No performance shares have been converted or cancelled during the financial year.

Refer to Note 17 to the financial statements for further details.

Directors' Report

30 June 2020

3. Other items (continued)

Indemnifying Officer or Auditor

The Company has indemnified current Directors and officers for any loss arising from any claim by reason of any wrongful act committed by them in their capacity as a director or officer (subject to certain exclusions as required by law).

No other indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, to any person who is or has been an officer or auditor of the company.

Proceedings on Behalf of Company

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

Meetings of directors

During the financial year, 16 meetings of directors were held. Attendances by each director during the year were as follows:

Directors' Meetings		
Number eligible to attend	Number attended	
- Robert Paul Mandanici	4	4
- Annette Spindler Crabbe	16	16
- Michael John Kitney	13	13
- Suraj Pemji Sanghani	-	-
- Melvin Poh Chuan Yeo	15	15
- Simon Malcolm Andrew	1	1

Signed in accordance with a resolution of the Board of Directors:

Director: *Michael Kitney*
.....
Michael John Kitney

Dated 20 November 2020



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

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

To the directors of Mn Energy Limited:

As lead auditor of Mn Energy Limited for the year ended 30 June 2020, 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.

Rothsay Auditing

Daniel Dalla

Daniel Dalla

Director

Perth, 20 November 2020



Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2020

		2020	2019
	Note	\$	\$
Revenue	4	445,137	127,875
Finance cost		(130)	(543)
Distribution expenses		-	(28)
Marketing		(2,958)	(12,399)
Selling expenses		(135,446)	(39,013)
Other expenses		(445,832)	(765,707)
Employee benefits expense		(279,018)	(311,291)
Loss before income tax		(418,247)	(1,001,106)
Income tax expense	5	-	-
Loss for the year		(418,247)	(1,001,106)
Other comprehensive income		-	-
Total comprehensive loss for the year		(418,247)	(1,001,106)

Statement of Financial Position
As At 30 June 2020

	2020	2019
Note	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	6 11,622	49,824
Trade and other receivables	7 -	128,739
Other assets	8 15,572	64,700
TOTAL CURRENT ASSETS	<u>27,194</u>	243,263
TOTAL ASSETS	<u><u>27,194</u></u>	<u>243,263</u>
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	9 591,504	467,026
TOTAL CURRENT LIABILITIES	<u>591,504</u>	467,026
TOTAL LIABILITIES	<u>591,504</u>	467,026
DEFICIENCY IN NET ASSETS	<u><u>(564,310)</u></u>	<u>(223,763)</u>
EQUITY		
Issued capital	10 869,100	791,400
Reserves	36,000	36,000
Retained earnings	<u>(1,469,410)</u>	(1,051,163)
DEFICIENCY IN EQUITY	<u><u>(564,310)</u></u>	<u>(223,763)</u>

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 30 June 2020

2020

	Ordinary Shares	Retained Earnings	Option Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2019	791,400	(1,051,163)	36,000	(223,763)
Loss for the year	-	(418,247)	-	(418,247)
Issue of shares	77,700	-	-	77,700
Balance at 30 June 2020	869,100	(1,469,410)	36,000	(564,310)

2019

	Ordinary Shares	Retained Earnings	Option Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2018	70,920	(50,057)	36,000	56,863
Loss for the year	-	(1,001,106)	-	(1,001,106)
Issue of shares	720,480	-	-	720,480
Balance at 30 June 2019	791,400	(1,051,163)	36,000	(223,763)

Statement of Cash Flows
For the Year Ended 30 June 2020

	2020	2019
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	632,250	-
Payments to suppliers and employees	(735,297)	(565,119)
Other receipts	64,645	(11,362)
Net cash provided by/(used in) operating activities	16 <u>(38,402)</u>	<u>(576,481)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	<u>200</u>	570,480
Net cash provided by/(used in) financing activities	<u>200</u>	<u>570,480</u>
Net increase/(decrease) in cash and cash equivalents held	(38,202)	(6,001)
Cash and cash equivalents at beginning of year	<u>49,824</u>	55,825
Cash and cash equivalents at end of financial year	6 <u>11,622</u>	<u>49,824</u>

Notes to the Financial Statements

For the Year Ended 30 June 2020

The financial report covers Mn Energy Limited as an individual entity. Mn Energy Limited is a for-profit public Company, incorporated and domiciled in Australia.

The functional and presentation currency of Mn Energy Limited is Australian dollars.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

2 Summary of Significant Accounting Policies

(a) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

(b) Financial instruments

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Company classifies its financial assets at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(b) Financial instruments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less allowance for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss ("ECL") basis for financial assets measured at amortised cost.

When determining whether the credit risk of a financial assets has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Company uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Company in full, without recourse to the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(b) Financial instruments (continued)

Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired.

The Company's financial liabilities trade and other payables which are measured at amortised cost using the effective interest rate method.

(c) Impairment of non-financial assets

At the end of each reporting period the Company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(d) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(e) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Adoption of new and revised accounting standards

The Company has adopted all standards which became effective for the first time at 30 June 2020, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Company.

(g) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(h) Going concern

Notwithstanding the Company's deficiency in net assets, the financial report has been prepared on the going concern basis. This basis has been adopted as the Company expects cash flows from tax incentives and government grants to be sufficient to enable the Company to pay its debts as they become due and payable. Should the amounts received from these tax incentives and government grants be lower than forecast there is a material uncertainty related to the ability of the Company to continue as a going concern.

(i) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards, but does not expect the adoption of these standards to have any impact on the reported position or performance of the Company.

Notes to the Financial Statements

For the Year Ended 30 June 2020

3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment allowance is based on the best information at the reporting date.

4 Revenue and Other Income

	2020	2019
	\$	\$
Revenue from other sources		
- Government grants	445,137	127,875
	<u>445,137</u>	<u>127,875</u>

5 Income Tax Expense

Reconciliation of income tax to accounting profit:

	2020	2019
	\$	\$
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2019: 27.5%)	(115,018)	(275,304)
Tax effect of:		
- tax losses not recognised	115,018	275,304
Income tax expense	<u>-</u>	<u>-</u>

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following:

	2020	2019
	\$	\$
Tax losses	<u>792,331</u>	<u>677,313</u>

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which Mn Energy Limited can utilise the benefits therein.

Notes to the Financial Statements
For the Year Ended 30 June 2020

6 Cash and Cash Equivalents

	2020	2019
	\$	\$
Cash at bank and in hand	11,622	49,824
	11,622	49,824

7 Trade and Other Receivables

	2020	2019
	\$	\$
CURRENT		
Other receivables	-	128,739
	-	128,739

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

8 Other assets

	2020	2019
	\$	\$
CURRENT		
Other assets	15,572	64,700
	15,572	64,700

9 Trade and Other Payables

	2020	2019
	\$	\$
CURRENT		
Trade payables	591,504	467,026
	591,504	467,026

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

Notes to the Financial Statements
For the Year Ended 30 June 2020

10 Issued Capital

	2020	2019
	\$	\$
26,334,721 (2019: 24,369,721) Ordinary shares	869,100	791,400
	869,100	791,400

Ordinary shares

	2020	2020
	No.	\$
At the beginning of the reporting period	24,369,721	791,400
Shares issued during the year		
Other shares issued	415,000	200
Shares issued in accordance with deeds of termination and release	1,550,000	77,500
At the end of the reporting period	26,334,721	869,100

	2019	2019
	No.	\$
At the beginning of the reporting period	13,770,120	70,920
Shares issued during the year	10,599,601	720,480
At the end of the reporting period	24,369,721	791,400

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

Share Options on Issue

In a prior period share options have been approved and authorised by the directors for the issue of one free attaching option with an exercise price of \$0.25 and one free attaching option with an exercise price of \$0.40 for every one seed share applied for, up to a maximum number of 6,039,601 of each class of option issued. These options have been authorised for issue to non-related parties. There were 6,039,601 options with an expiry date of 30 June 2021 at an exercise price of \$0.25 and 6,039,601 options with an expiry date of 30 June 2021 at an exercise price of \$0.40 at the date of this report.

11 Reserves

Share option reserve

This reserve records the cumulative value of employee service received for the issue of share options. When the option is exercised the amount in the share option reserve is transferred to share capital.

Notes to the Financial Statements
For the Year Ended 30 June 2020

12 Key Management Personnel Remuneration

The totals of remuneration paid to the key management personnel of Mn Energy Limited during the year are as follows:

	2020	2019
	\$	\$
Short-term employee benefits	181,367	147,417
Post-employment benefits	20,151	13,874
Share-based payments	77,500	150,000
	279,018	311,291

13 Auditors' Remuneration

	2020	2019
	\$	\$
Remuneration of the auditor Rothsay Auditing, for:		
- audit of the financial report	6,000	3,000
Total	6,000	3,000

14 Contingencies

Contingent Liabilities

Mn Energy Limited had the following contingent liabilities at the end of the reporting period:

The Company entered into various deeds of termination and release with directors, consultants and employees. As part of these agreements a maximum amount of \$710,051 is payable upon raising at least \$1 million from equity, debt or asset sale or generating net revenue of at least \$1 million.

The amounts are payable as follows:

	2020
	\$
Simon Andrew	50,000
Michael John Kitney	7,110
Melvin Yeo	47,250
Annette Crabbe	207,248
Jarrod Worme	159,435
Ryan Curtis	63,094
Steven David Crabbe	175,914
Total	710,051

The Company did not have any contingencies at 30 June 2019.

Notes to the Financial Statements
For the Year Ended 30 June 2020

15 Related Parties

The Company's main related parties are as follows:

Key management personnel - refer to Note 12.

Share based payments - refer to Note 17.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

The Company entered into a periodic lease arrangement for office space, registered address and printing services with Paddington Realty, a company that is related to Robert Paul Mandanici. Total payments under this arrangement for the year were \$4,334.

16 Cash Flow Information

Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2020	2019
	\$	\$
Profit for the year	(418,247)	(1,001,106)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- share based payments	77,500	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	177,867	(167,875)
- increase/(decrease) in trade and other payables	124,478	467,026
- increase/(decrease) in provisions	-	(24,526)
- increase/(decrease) in capital provisions	-	150,000
Cashflows from operations	<u>(38,402)</u>	<u>(576,481)</u>

Notes to the Financial Statements
For the Year Ended 30 June 2020

17 Share-based Payments

At 30 June 2020 Mn Energy Limited has the following share-based payments:

The Company issued 1,550,000 shares to former directors, Mr Simon Andrew and Mr Robert Paul Mandanici, as part of their deeds of termination and release. These shares were valued at \$0.05 per share, resulting in a total expense of \$77,500.

The Company has also issued 23,400,000 performance shares which will convert to ordinary shares on completion of the following conditions:

- 5,600,000 ordinary shares on successful completion of test work in relation to the laboratory production of manganese sulphate which meets the then current standards for battery grade manganese sulphate before 31 December 2021.
- 5,600,000 ordinary shares on completion of a Bankable Feasibility Study in relation to construction of the East Rockingham Manganese Sulphate Processing Plant (Plant), which indicates a capital payback period of 4 years or less (calculated from the date of first production) before 31 December 2023.
- 6,100,000 ordinary shares on achieving financial close for sufficient funding to commence construction of the plant before 31 December 2024.
- 6,100,000 ordinary shares on completion of commissioning of the Plant, defined as production of a minimum of 1,000 tonnes of manganese sulphate before 31 December 2026.

No performance shares have been converted or cancelled during the financial year.

The performance shares have been issued on the following basis:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Total
	No.	No.	No.	No.	No.
Michael John Kitney	800,000	800,000	1,050,000	1,050,000	3,700,000
Melvin Yeo	800,000	800,000	1,050,000	1,050,000	3,700,000
Steven David Crabbe	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
Annette Crabbe	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
Total	5,600,000	5,600,000	6,100,000	6,100,000	23,400,000

18 Events after the end of the Reporting Period

The financial report was authorised for issue on by the Board of Directors.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 9 to 23, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards as stated in Note 1; and
 - (b) give a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 2 to the financial statements.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable with the continuing support of creditors.

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

Director 
Michael John Kitney

Dated 20 November 2020

MN ENERGY LIMITED

INDEPENDENT AUDITOR'S REPORT

To the members of MN Energy Limited

Opinion

We have audited the financial report of MN Energy Limited (“the Company”), which comprises the statement of financial position as at 30 June 2020 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors’ declaration.

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

- giving a true and fair view of the Company’s financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Emphasis of Matter -Material Uncertainty Related to Going Concern

We draw attention to note 2 (h) in the financial report, which describes the conditions that raise doubts about the Company’s ability to continue as a going concern. The conditions along with other matters disclosed in note 2 (h) indicates that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern and therefore whether it will be able to realise its assets and extinguish its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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.



MN ENERGY LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

Responsibilities of Those Charged with Governance

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards to the extent described in Note 1 to the financial statements and for such internal control as the directors determine is necessary to enable the preparation of the financial report is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability 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 intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities 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 the 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



MN ENERGY LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

- Conclude on the appropriateness of the directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

Rothsay Auditing

Daniel Dalla

Daniel Dalla
Partner

Perth, 20 November 2020