



Mn Energy Limited

ACN 169 719 993

Financial Statements

For the Year Ended 30 June 2021

Mn Energy Limited

ACN 169 719 993

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For the Year Ended 30 June 2021

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Mn Energy Limited

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Corporate Directory

Board

Michael John Kitney	Chairman
Annette Spindler Crabbe	Director
Suraj Premji Sanghani	Director (appointed 26 August 2020)
Robert Shane Sebek	Director (appointed 1 August 2021)

Company Secretary

Annette Spindler Crabbe (resigned 15 September 2021)

Suraj Premji Sanghani (appointed 15 September 2021)

Principal and registered office

Unit 3

27 Galbraith Loop

Erskine 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

Mn Energy Limited

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Directors' Report 30 June 2021

The directors present their report on Mn Energy Limited for the financial year ended 30 June 2021.

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
Director and Company
Secretary (resigned as
company secretary on 15
September 2021)

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
Director

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.

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Directors' Report

30 June 2021

1. General information (continued)

Information on directors (continued)

Suraj Premji Sanghani
Director (appointed 26 August
2020, appointed as company
secretary on 15 September
2021)

Mr Sanghani has over 15 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, a Graduate Diploma in Applied Corporate Governance and a Graduate Diploma in Chartered Accounting. He currently serves as CFO, Director and Company Secretary of Polyline Pipe Systems Ltd.

Sebek, Robert Shane
(appointed 1 August 2021)

Mr. Sebek is a qualified geologist with over 25 years of experience in the resource sector including exposure to import/export analysis and negotiations. He has held senior mining and exploration positions in Western Australia and Victoria as well as consulting roles in the fields of precious metals refining and tenement management within all states in Australia.

Mr. Sebek was the Managing Director of ASX listed Iron Mountain Mining Ltd (ASX:IRM) between 2008-2016 during which he oversaw the discovery and delineation of gold, bauxite and magnetite deposits and the acquisition and sale of bauxite, gold and iron ore projects. During this time, IRM was 100% organically funded resulting in zero capital dilution and maximum shareholder value. Prior to this, Mr. Sebek was employed as a Metals Analyst with Commonwealth Bank Australia providing technical and financial analysis on global and domestic mining and exploration projects.

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 activity occurred during the financial year.

2. Operating results and review of operations for the year

Operating results

The profit of the Company after providing for income tax amounted to \$ 217,418 (2020: \$ (418,247)).

Dividends paid or recommended

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

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Directors' Report

30 June 2021

2. Operating results and review of operations for the year (continued)

Review of operations

The growth of the EV sector has accelerated remarkably during the past year, and with that demand for battery materials has continued to grow. The opportunities for Mn Energy Limited (“MNE”) are growing with this market.

Activity during the year since our last AGM saw us continue working towards our aim of developing MNE as a producer of battery grade manganese sulphate monohydrate (MSM) while maintaining our efforts to build the strength of your Company.

The technical programme initiated with Stimulus in late 2020 has continued, with a number of obstacles to achieving battery grade product being overcome. Sufficient progress with flowsheet development has been made to enable MNE to commence feasibility study work with an experienced specialist engineering house.

Along the way we have maintained contact with end users and traders of MSM, whose inputs will be important to the feasibility process.

Your Board has worked hard to keep the Company healthy, most recently completing a round of fund raising that will underpin the near-term development of the Company. This development includes progressing the strategy of adding to our manganese mineral holdings in Western Australia in a move to ensure we have control over our key raw material requirements.

Looking to the year ahead our objectives are to finalise feasibility study work and translate the results into the basis for construction of an MSM production facility in WA. Additionally, we plan to further strengthen our raw material holdings and together with preparation for project construction and position the Company for listing on the ASX.

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.

Events after the reporting date

On 1 August 2021 Mr Robert Shane Sebek was appointed director of the Company.

On 4 August 2021 a capital raise was completed, raising \$137,000 at \$0.05 per share.

On 15 September 2021 Ms Annette Crabbe resigned as Company Secretary and Mr Suraj Sanghani was appointed as Company Secretary.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could 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 increase its focus on exploration work on manganese tenements as well as seek additional manganese exploration tenements. The Company also expects to continue and progress its testwork program on high purity manganese sulphate for the battery market in the coming year and future years.

Directors' Report

30 June 2021

3. Other items (continued)

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 of Australia.

Directors Benefits

The Company entered into an agreement with Annette Crabbe for the provision of Executive Director services effective 1 July 2020. The agreement entitled Annette to an annual salary of \$36,000 plus superannuation subject to raising a minimum of \$1m in free cash, completing an IPO, RTO or trade sale of the business or as the Board sees fit, having regard to the Company's cash flow. On 1 February 2021 this agreement was varied, and Annette transitioned into the role of Non-Executive Director with an annual salary entitlement of \$30,000 plus superannuation. As at reporting date no amounts were paid and an amount of \$36,683 (including superannuation) remains as a contingency.

The Company entered into a variation agreement with Michael Kitney for the provision of Executive Director services effective 1 July 2020. The agreement entitled Michael to an annual salary of \$36,000 plus superannuation subject to raising a minimum of \$1m in free cash, completing an IPO, RTO or trade sale of the business or as the Board sees fit, having regard to the Company's cash flow. As at reporting date no amounts were paid and an amount of \$39,420 (including superannuation) remains as a contingency.

The Company entered into an agreement with Suraj Sanghani for the provision of Non-Executive Director services effective 1 July 2020. The agreement entitled Suraj to an annual salary of \$30,000 plus superannuation subject to raising a minimum of \$1m in free cash, completing an IPO, RTO or trade sale of the business or as the Board sees fit, having regard to the Company's cash flow. On 1 February 2021 this agreement was varied and Suraj transitioned into the role of Executive Director with an annual salary entitlement of \$36,000 plus superannuation. As at reporting date no amounts were paid and an amount of \$35,588 (including superannuation) remains as a contingency. Suraj was also issued performance shares during the year, refer to 'Performance Shares' section below.

Following approval at the Company's Annual General Meeting, the Company issued 1,000,000 shares each to current Directors Michael Kitney and Suraj Sanghani resulting in a total expense of \$100,000.

The Company entered into a periodic lease arrangement for office storage space and as a registered address with Mr Steve Crabbe, a related person of Annette Crabbe. The lease entitles Mr Crabbe to a monthly payment of \$200 per month. Total payments under this arrangement for the year were \$2,182.

The Company had previously entered into a Consultancy Service Agreement with Mining Services Processing Technologies (MSPT) for Engineering and Consulting Services. 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 had previously entered into deeds of termination and release with various current and former consultants and employees. During the year a number of these were varied. As part of these varied agreements a maximum amount of \$233,028 (2020: \$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 or as the Directors see fit having regard to the Company's cash flow. A further \$41,812 is payable on an additional \$1 million. During the year the Company elected to pay \$30,000 of this amount to Mr Steve Crabbe a Director related person of Annette Crabbe.

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

Share Options

On 30 June 2021 6,039,601 options with an exercise price of \$0.25 and 6,039,601 options with an exercise price of \$0.40 expired unexercised. No additional options were issued during the year. As at the date of this report there were no options on issue.

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Directors' Report

30 June 2021

3. Other items (continued)

Performance Shares

The Company has on issue 27,100,000 performance shares which will convert to ordinary shares on completion of the following conditions.

Tranche A

- 6,400,000 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.

Tranche B

- 6,400,000 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.

Tranche C

- 7,150,000 ordinary shares on achieving financial close for sufficient funding to commence construction of the plant before 31 December 2024.

Tranche D

- 7,150,000 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.

A total of 800,000 Tranche A, 800,000 Tranche B, 1,050,000 Tranche C and 1,050,000 Tranche D were issued to a Director related entity of Suraj Sanghani during the year.

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

Refer to Note 15 to the financial statements for further details.

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Directors' Report 30 June 2021

Meetings of directors

During the financial year, 40 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

Directors' Meetings	
Number eligible to attend	Number attended
Annette Spindler Crabbe	40
Michael John Kitney	40
Suraj Premji Sanghani	35

Indemnification of officers and auditors

The Company has insured 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).

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts as such disclosure is prohibited under the terms of the contract.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2021 has been received and can be found on page 8 of the financial report.

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

Director: 
.....
Michael John Kitney

Dated 29 September 2021



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

To the members of MN Energy Limited

As lead auditor for the audit of MN Energy 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.

Rothsay Auditing

Daniel Dalla

Daniel Dalla
Partner

Perth, 29 September 2021



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Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2021

		2021	2020
	Note	\$	\$
Revenue	4	895,176	445,137
Finance expenses		(25,543)	(130)
Employee benefits expense		-	(201,518)
Share based payments expense		(345,814)	(77,500)
Consulting expenses		(95,210)	(135,446)
Other expenses		(211,191)	(448,790)
Loss before income tax		217,418	(418,247)
Income tax expense	5	-	-
Profit/(loss) for the year		217,418	(418,247)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income/(loss) for the year		217,418	(418,247)

The accompanying notes form part of these financial statements.

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Statement of Financial Position As At 30 June 2021

	Note	2021 \$	2020 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	371,319	11,622
Other assets	7	3,140	15,572
TOTAL CURRENT ASSETS		<u>374,459</u>	<u>27,194</u>
TOTAL ASSETS		<u>374,459</u>	<u>27,194</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	175,537	591,504
TOTAL CURRENT LIABILITIES		<u>175,537</u>	<u>591,504</u>
TOTAL LIABILITIES		<u>175,537</u>	<u>591,504</u>
NET ASSETS		<u>198,922</u>	<u>(564,310)</u>
EQUITY			
Issued capital	9	1,414,914	869,100
Reserves		36,000	36,000
Retained earnings		(1,251,992)	(1,469,410)
TOTAL EQUITY		<u>198,922</u>	<u>(564,310)</u>

The accompanying notes form part of these financial statements.

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

2021

	Issued Capital	Retained Earnings	Option Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2020	869,100	(1,469,410)	36,000	(564,310)
Loss for the year	-	217,418	-	217,418
Transactions with owners in their capacity as owners				
Issue of shares	545,814	-	-	545,814
Balance at 30 June 2021	1,414,914	(1,251,992)	36,000	198,922

2020

	Issued Capital	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)
Transactions with owners in their capacity as owners				
Issue of shares	77,700	-	-	77,700
Balance at 30 June 2020	869,100	(1,469,410)	36,000	(564,310)

The accompanying notes form part of these financial statements.

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Statement of Cash Flows For the Year Ended 30 June 2021

	2021	2020
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from government grants	947,939	632,250
Payments to suppliers and employees	(762,699)	(735,297)
Interest paid	(25,543)	-
Other receipts	-	64,645
Net cash provided by/(used in) operating activities	16 <u>159,697</u>	<u>(38,402)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash provided by/(used in) investing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	200,000	200
Proceeds from borrowings - advance on research and development tax incentive	369,913	-
Repayment of borrowings - repayment on advance of research and development tax incentive	(369,913)	-
Net cash provided by/(used in) financing activities	<u>200,000</u>	<u>200</u>
Net increase/(decrease) in cash and cash equivalents held	359,697	(38,202)
Cash and cash equivalents at beginning of year	11,622	49,824
Cash and cash equivalents at end of financial year	6 <u><u>371,319</u></u>	<u><u>11,622</u></u>

The accompanying notes form part of these financial statements.

Mn Energy Limited

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Notes to the Financial Statements For the Year Ended 30 June 2021

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

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

The financial report was authorised for issue by the Directors on [].

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

Grant revenue

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(b) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies (continued)

(b) Income Tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(c) 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.

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.

(d) 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 2021

2 Summary of Significant Accounting Policies (continued)

(d) 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 that 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 provision 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 asset 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 2021

2 Summary of Significant Accounting Policies (continued)

(d) Financial instruments (continued)

Financial assets measured at amortised cost

Impairment of 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

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Company comprise trade payables, bank and other loans and lease liabilities.

(e) 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.

(f) 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.

(g) Going concern

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, government grants and the issue of share capital 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, government grants and issue of share capital be lower than forecast there is a material uncertainty related to the ability of the Company to continue as a going concern.

(h) Adoption of new and revised accounting standards

The Company has adopted all standards which became effective for the first time at 30 June 2021, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Company.

(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.

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Notes to the Financial Statements For the Year Ended 30 June 2021

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 estimate and judgement made have been described below.

Key estimates - share based payments

Equity-settled share awards are recognised as an expense based on their fair value at date of grant. The fair value of equity-settled share awards is estimated through the use of valuation models.

4 Revenue and Other Income

	2021	2020
	\$	\$
- Government grants	895,176	445,137
	<u>895,176</u>	<u>445,137</u>

5 Income Tax Expense

Reconciliation of income tax to accounting profit:

	2021	2020
	\$	\$
Prima facie tax payable on profit from ordinary activities before income tax at 26% (2020: 27.5%)	56,529	(115,018)
Tax effect of:		
- tax losses not recognised (unrecognised tax losses utilised)	(56,529)	115,018
Income tax expense	<u>-</u>	<u>-</u>

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

	2021	2020
	\$	\$
Tax losses	<u>68,247</u>	<u>72,582</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.

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Notes to the Financial Statements For the Year Ended 30 June 2021

6 Cash and Cash Equivalents

	2021	2020
	\$	\$
Cash at bank and in hand	371,319	11,622
	<u>371,319</u>	<u>11,622</u>

7 Other assets

	2021	2020
	\$	\$
CURRENT Other asset	3,140	15,572
	<u>3,140</u>	<u>15,572</u>

8 Trade and Other Payables

	2021	2020
	\$	\$
CURRENT Trade payables	168,636	591,504
GST payable	901	-
Accrued expense	6,000	-
	<u>175,537</u>	<u>591,504</u>

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.

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Notes to the Financial Statements For the Year Ended 30 June 2021

9 Issued Capital

	2021	2020
	\$	\$
37,251,000 (2020: 26,334,721) Ordinary shares	1,414,914	869,100
	<u>1,414,914</u>	<u>869,100</u>

(a) Ordinary shares

	2021	2021
	No.	\$
At the beginning of the reporting period	26,334,721	869,100
Shares issued during the year		
Shares issued in accordance with deeds of release and variation	4,916,279	245,814
Shares issued in accordance with resolutions passed at the 2020 AGM	2,000,000	100,000
Other shares issued - capital raised	4,000,000	200,000
At the end of the reporting period	<u>37,251,000</u>	<u>1,414,914</u>

	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
Share issued in accordance with deeds of termination and release	1,550,000	77,500
At the end of the reporting period	<u>26,334,721</u>	<u>869,100</u>

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.

(b) Share Options on Issue

On 30 June 2021 6,039,601 options with an exercise price of \$0.25 and 6,039,601 options with an exercise price of \$0.40 expired unexercised. No additional options were issued during the year. As at the date of this report there were no options on issue.

Mn Energy Limited

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Notes to the Financial Statements For the Year Ended 30 June 2021

10 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.

11 Key Management Personnel Remuneration

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

	2021	2020
	\$	\$
Short-term employee benefits	-	181,367
Post-employment benefits	-	20,151
Share-based payments	158,922	77,500
	158,922	279,018

12 Auditors' Remuneration

	2021	2020
	\$	\$
Remuneration of the auditor, Rothsay Auditing for:		
- audit of the financial report	6,000	6,000
	6,000	6,000

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Notes to the Financial Statements For the Year Ended 30 June 2021

13 Contingencies

Contingent Liabilities

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

In the prior year the Company entered into various deeds of termination and release with current and former directors, consultants and employees. These deeds were varied during the year. In addition to these varied deeds of release there are amounts relating to the current serving directors for the financial year ended 30 June 2021. As at balance date a maximum amount of \$309,245 is payable upon raising at least \$1 million from equity, debt or asset sale or generating net revenue of at least \$1 million. A further \$41,812 is payable on generating an additional \$1m. The Board has the discretion to pay these earlier having regard to cash flow.

The amounts payable are as follows:

	2021	2020
	\$	\$
Simon Andrew	30,000	50,000
Michael John Kitney	39,420	7,110
Melvin Yeo	25,000	47,250
Annette Crabbe	88,495	207,248
Jarrod Worme	74,935	159,435
Ryan Curtis	63,094	63,094
Suraj Sanghani	30,113	-
Steven David Crabbe	-	175,914
Total	351,057	710,051

14 Related Parties

The Company's main related parties are as follows:

Key management personnel - refer to Note 11.

Included in Note 15 are share based payments related to current directors.

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.

Mn Energy Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2021

15 Share-based Payments

At 30 June 2021 Mn Energy Limited has the following share-based payment:

The Company issued 4,916,279 shares to current directors (1,178,442 shares) and former directors, employees and consultants as part of their respective deeds of variation and deeds of termination and the Company's AGM results. These shares were valued at \$0.05 per share, resulting in a total expense of \$245,814.

The Company issued 1,000,000 shares each to current Director's Michael Kitney and Suraj Sanghani resulting in a total expense of \$100,000.

The Company has on issue 27,100,000 performance shares which will convert to ordinary shares on completion of the following conditions:

- 6,400,000 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.
- 6,400,000 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.
- 7,150,000 ordinary shares on achieving financial close for sufficient funding to commence construction of the plant before 31 December 2024.
- 7,150,000 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.

A total of 800,000 Tranche A, 800,000 Tranche B, 1,050,000 Tranche C and 1,050,000 Tranche D were issued to a Director related entity of Suraj Sanghani during the year.

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 Kitney (Director)	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
Suraj Sanghani (Director)	800,000	800,000	1,050,000	1,050,000	3,700,000
Steven Crabbe	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
Annette Crabbe (Director)	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
	6,400,000	6,400,000	7,150,000	7,150,000	27,100,000

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Notes to the Financial Statements For the Year Ended 30 June 2021

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:

	2021	2020
	\$	\$
Profit/(loss) for the year	217,418	(418,247)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- share based payments	345,814	77,500
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	12,432	177,867
- increase/(decrease) in trade and other payables	(415,967)	124,478
Cashflows from operations	<u>159,697</u>	<u>(38,402)</u>

17 Events Occurring After the Reporting Date

On 1 August 2021 Mr Robert Shane Sebek was appointed director of the Company.

On 4 August 2021 a capital raise was completed, raising \$137,000 at \$0.05 per share.

On 15 September 2021 Ms Annette Crabbe resigned as Company Secretary and Mr Suraj Sanghani was appointed as Company Secretary.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

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Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2021 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the Company;
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.

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

Director 
Michael John Kitney

Dated 29 September 2021



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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 2021 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 2021 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 (g) 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 (g) 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, 29 September 2021