

Mn Energy Limited

ACN 169 719 993

Financial Statements

For the Year Ended 30 June 2022

Mn Energy Limited

ACN 169 719 993

Contents

For the Year Ended 30 June 2022

	Page
Financial Statements	
Corporate Directory	1
Chairman's Letter	2
Directors' Report	3
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	8
Statement of Profit or Loss and Other Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Statement of Cash Flows	12
Notes to the Financial Statements	13
Directors' Declaration	24
Independent Auditor's Report	25

Mn Energy Limited ACN 169 719 993
ACN 169 719 993

Corporate Directory

Board

Michael John Kitney	Chairman
Suraj Premji Sanghani	Director
Robert Shane Sebek	Director (appointed 1 August 2021)
Simon Andrew	Director (appointed 1 August 2022)
Annette Spindler Crabbe	Director (resigned 24 January 2022)

Company Secretary

Suraj Premji Sanghani (appointed 15 September 2021)

Principal and registered office

3 Colombo Street

Victoria Park WA 6100

Telephone: +61 449 966 377 and +61 400 745 539

Website: www.mnenergy.com.au

Auditors

Rothsay Audit & Assurance Pty Ltd



Dear Shareholders

As reported last year, the growth of the EV sector has shown no signs of abating, and this trend underpins our confidence in the future for MN Energy. Ongoing development in battery cathode formulations are leaning towards increasing usage of manganese at the expense of nickel and cobalt, which provides further encouragement for us to continue pushing towards commercialisation of our efforts.

During the year we achieved the breakthrough required to eliminate the last of the obstacles to production of high purity manganese sulphate monohydrate (HPMSM) that met battery grade specifications. The outcome of this work was the successful application for protection in the form of a provisional innovation patent in January 2022.

Since then the Future Battery Industry Cooperative Research centre at Curtin University has successfully employed MNE HPMSM in the production of NMC 811 precursor cathode active material, thus endorsing our product for use in battery cathode formulations. FBICRC is continuing with testing of our product in alternative formulations.

During the year MinSol Engineers completed a preliminary scoping study to assess the capital requirements for a 50,000 tpa production facility in WA. The results of this work have been used as a guide to ongoing testwork during the year to refine technical assumptions so that the study may be updated to better reflect capital and operating costs at 100,000 tpa capacity. Completion of an updated study is planned for Q4 2022.

As during 2021 we have maintained contact with end users and traders of HPMSM. This contact included sending a sample of HPMSM to Europe for independent analysis and assessment. The result was an excellent analysis, which we hope will encourage our European contacts to “stick with us”.

Your Board has maintained momentum towards securing investment in MNE by promoting the Company via presentations, face to face meetings and social media. Our present objective is to secure sufficient short term seed investment to support development activities while we pursue various options for long term funding of our enterprise.

Thank you again for your continued support and encouragement as we continue our journey towards becoming a leading producer of HPMSM in Australia.

Yours faithfully

A handwritten signature in black ink, appearing to read "Mike Kitney", written over a horizontal line.

Mike Kitney

Executive Chairman

Directors' Report

30 June 2022

The directors present their report on Mn Energy Limited for the financial year ended 30 June 2022.

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:

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 Chief Metallurgist for lithium developer Prospect Resources Limited (ASX:PSC), and formerly was COO for Kasbah Resources Limited. Mr Kitney is widely experienced in most aspects of resource development, metallurgical development, project feasibility and stakeholder engagement for mineral resource development project.

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.

Suraj Pemji Sanghani
Director

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.

Robert Shane Sebek
Director (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.

Mn Energy Limited

ACN 169 719 993

Directors' Report

30 June 2022

1. General information (continued)

Information on directors (continued)

Simon Andrew
Director (appointed 1
August 2022)

Mr Andrew has over 20 years' experience in financial markets in Asia and Australia. He has previously held senior management positions at various global investment banks including Deutsche Bank, Lehman Brothers, Merrill Lynch and BNP Paribas. These roles included leading the equity sales desk for BNP Paribas and heading the Refining and Petrochemicals sector research team at Deutsche Bank in Asia as well as spending 5 years as a research analyst at Hartley's covering the oil and gas and industrial sectors.

Mr Andrew is currently a director of ASX listed Mamba Exploration Limited (ASX: M24), Riversgold Limited (ASX:RGL), Recharge Metals Limited (ASX:REC) and Olynpio Metals Limited (ASX:OLY).

Mr Andrew holds a Bachelor of Science (Chemistry) with second class Honours.

Annette Spindler Crabbe
Director and Company
Secretary (resigned 24
January 2022)

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.

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 was 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.

Mn Energy Limited

ACN 169 719 993

Directors' Report

30 June 2022

2. Operating results and review of operations for the year

Operating results

The loss of the Company after providing for income tax amounted to \$ (854,648) (2021: profit \$ 217,418).

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.

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 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 high purity manganese sulphate monohydrate (HPMSM) for use in battery manufacture while maintaining our efforts to build the strength of your Company

The technical programme continued with Simulus throughout 2021-22 with the successful application for an innovation patent for a key process purification step being granted in January 2022. A preliminary scoping study was completed in January 2022 and this together with the results of recently completed locked cycle testing will form the basis for an updated study to be commenced during Q4 2022.

Importantly, the FBICRC at Curtin University successfully produced high-specification precursor cathode material using our HPMSM. This programme produced NMC 811 formulation, and FBICRC is presently testing our product in the preparation of NMC 622 formulation.

During the year MNE acquired approximately 50 km² of prospective manganese ground in the Stockyard Creek area of the Pilbara. An application for tenements at Mt Miller in Queensland is pending, with grant expected during Q4 2022.

Looking to the year ahead our objectives are to finalise plans for building financial strength with a number of options before us. Following a successful investment outcome we plan to advance to detailed feasibility work while pursuing commercial opportunities in the battery supply chain.

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 2022 Mr Simon Andrew was appointed director of the Company.

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.

Mn Energy Limited

ACN 169 719 993

Directors' Report

30 June 2022

3. Other items (continued)

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.

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.

Share Options

No options were issued during the year. As at the date of this report there were no options on issue.

Performance Shares

The Company has on issue 20,700,000 performance shares which will convert to ordinary shares on completion of the following conditions.

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.

The Tranche A performance shares were converted to 6,400,000 ordinary shares during the year.

A total of 500,000 ordinary shares were issued to Robert Sebek during the year for service provided as Director.

Refer to Note 16 to the financial statements for further details.

Mn Energy Limited

ACN 169 719 993

Directors' Report

30 June 2022

Meetings of directors

During the financial year, 34 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
Directors' Meetings	
Number eligible to attend	Number attended
Michael John Kitney	34
Suraj Premji Sanghani	34
Robert Shane Sebek	31
Simon Andrew	-
Annette Spindler Crabbe	25

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 2022 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 2 November 2022

ROTHSAY

AUDIT & ASSURANCE PTY LTD

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

To the directors of Mn Energy Limited

As lead auditor for the audit of Mn Energy Limited for the year ended 30 June 2022, 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 Audit & Assurance Pty Ltd



Daniel Dalla
Director

Sydney, 2 November 2022

A Level 1/6 O'Connell Street
Sydney NSW 2000

A Level 1, Lincoln Building,
4 Ventnor Avenue, West Perth WA 6005

E info@rothsay.com.au
W www.rothsay.com.au

ABN 14 129 769 151

Liability limited by a scheme approved under Professional Standards Legislation



Mn Energy Limited

ACN 169 719 993

Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2022

		2022	2021
	Note	\$	\$
Revenue	4	197,452	895,176
Finance income		1,138	-
Finance expenses		(84)	(25,543)
Employee benefits expense		(120,450)	-
Share based payments expense		(345,000)	(345,814)
Consulting expenses		(26,250)	(95,210)
Other expenses		(563,654)	(211,191)
Profit (loss) before income tax		(856,848)	217,418
Income tax expense	5	-	-
Profit/(loss) for the year		(856,848)	217,418
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income/(loss) for the year		(856,848)	217,418

The accompanying notes form part of these financial statements.

Mn Energy Limited

ACN 169 719 993

Statement of Financial Position

As At 30 June 2022

	Note	2022 \$	2021 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	240,043	371,319
Trade and other receivables	7	4,125	-
Other assets	8	4,048	3,140
TOTAL CURRENT ASSETS		<u>248,216</u>	<u>374,459</u>
TOTAL ASSETS		<u>248,216</u>	<u>374,459</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	192,962	175,537
TOTAL CURRENT LIABILITIES		<u>192,962</u>	<u>175,537</u>
TOTAL LIABILITIES		<u>192,962</u>	<u>175,537</u>
NET ASSETS		<u>55,254</u>	<u>198,922</u>
EQUITY			
Issued capital	10	2,128,094	1,414,914
Reserves		36,000	36,000
Retained earnings		(2,108,840)	(1,251,992)
TOTAL EQUITY		<u>55,254</u>	<u>198,922</u>

The accompanying notes form part of these financial statements.

Mn Energy Limited

ACN 169 719 993

Statement of Changes in Equity For the Year Ended 30 June 2022

2022

	Issued Capital	Retained Earnings	Option Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2021	1,414,914	(1,251,992)	36,000	198,922
Loss for the year	-	(854,648)	-	(854,648)
Transactions with owners in their capacity as owners				
Shares issued during the year	719,000	-	-	719,000
Transaction costs	(5,820)	-	-	(5,820)
Balance at 30 June 2022	2,128,094	(2,106,640)	36,000	57,454

2021

	Issued Capital	Retained Earnings	Option Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2020	869,100	(1,469,410)	36,000	(564,310)
Profit 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

The accompanying notes form part of these financial statements.

Mn Energy Limited

ACN 169 719 993

Statement of Cash Flows For the Year Ended 30 June 2022

	2022	2021
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from government grants	204,126	947,939
Payments to suppliers and employees	(703,498)	(762,699)
Interest paid	(84)	(25,543)
Net cash provided by/(used in) operating activities	17 <u>(499,456)</u>	<u>159,697</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	368,180	200,000
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>368,180</u>	<u>200,000</u>
Net increase/(decrease) in cash and cash equivalents held	(131,276)	359,697
Cash and cash equivalents at beginning of year	<u>371,319</u>	<u>11,622</u>
Cash and cash equivalents at end of financial year	6 <u><u>240,043</u></u>	<u><u>371,319</u></u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2022

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 2022

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 2022

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 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 2022

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 a 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 2022, 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.

Notes to the Financial Statements
For the Year Ended 30 June 2022

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

	2022	2021
	\$	\$
- Government grants	197,452	895,176
	197,452	895,176

5 Income Tax Expense

Reconciliation of income tax to accounting profit:

	2022	2021
	\$	\$
Prima facie tax payable on profit from ordinary activities before income tax at 25% (2021: 26%)	(214,212)	56,529
Tax effect of:		
- tax losses not recognised (unrecognised tax losses utilised)	214,212	(56,529)
Income tax expense	-	-

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

	2022	2021
	\$	\$
Tax losses	171,930	68,247

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 2022

6 Cash and Cash Equivalents

	2022	2021
	\$	\$
Cash at bank and in hand	240,043	371,319
	<u>240,043</u>	<u>371,319</u>

7 Trade and Other Receivables

	2022	2021
	\$	\$
CURRENT		
GST receivable	4,125	-
	<u>4,125</u>	<u>-</u>

8 Other assets

	2022	2021
	\$	\$
CURRENT		
Other asset	4,048	3,140
	<u>4,048</u>	<u>3,140</u>

9 Trade and Other Payables

	2022	2021
	\$	\$
CURRENT		
Trade payables	43,359	168,636
GST payable	-	901
Accrued expense	149,603	6,000
	<u>192,962</u>	<u>175,537</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.

Notes to the Financial Statements
For the Year Ended 30 June 2022

10 Issued Capital

	2022	2021
	\$	\$
51,021,000 (2021: 37,251,000) Ordinary shares	2,133,914	1,414,914
Share issue costs	(5,820)	-
	<u>2,128,094</u>	<u>1,414,914</u>

(a) Ordinary shares

	2022	2021
	No.	\$
At the beginning of the reporting period	37,251,000	1,414,914
Shares issued during the year		
Shares issued as a conversion of Tranche A performance shares	6,400,000	320,000
Share based payment	500,000	25,000
Other shares issued - capital raised	7,370,000	374,000
At the end of the reporting period	<u>51,521,000</u>	<u>2,133,914</u>

	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 notice of meeting	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>

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

No options were issued during the year. As at the date of this report there were no options on issue.

Notes to the Financial Statements

For the Year Ended 30 June 2022

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.

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:

	2022	2021
	\$	\$
Short-term employee benefits	102,000	-
Post-employment benefits	10,200	-
Share-based payments	105,000	158,922
	217,200	158,922

13 Auditors' Remuneration

	2022	2021
	\$	\$
Remuneration of the auditor, Rothsay Audit & Assurance Pty Ltd (2021: Rothsay Auditing), for:		
- audit of the financial report	6,000	6,000
	6,000	6,000

Notes to the Financial Statements

For the Year Ended 30 June 2022

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 current and former directors, consultants and employees. These deeds were varied in prior 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 2022. As at balance date a maximum amount of \$315,406 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 raising an additional \$1 million in equity. The Board has the discretion to pay these earlier having regard to cash flow.

The amounts payable are as follows:

	2022	2021
	\$	\$
Simon Andrew	30,000	30,000
Michael John Kitney	39,600	39,420
Melvin Yeo	25,000	25,000
Annette Crabbe	94,339	88,495
Jarrold Worme	74,935	74,935
Ryan Curtis	63,094	63,094
Suraj Sanghani	30,250	30,113
Total	357,218	351,057

15 Related Parties

The Company's main related parties are as follows:

Key management personnel - refer to Note 12.

Included in Note 16 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.

Notes to the Financial Statements

For the Year Ended 30 June 2022

16 Share-based Payments

At 30 June 2022 Mn Energy Limited has the following share-based payments:

The Company issued 6,400,000 shares to current directors and former directors, employees and consultants as part of conversion of Tranche A performance shares. These shares were valued at \$0.05 per share, resulting in a total expense of \$320,000.

An additional 500,000 ordinary shares were issued to Robert Sebek during the year for service provided as Director. These were valued at \$0.05 per share, consistent with capital raised by the Company prior to this issue.

The Company has on issue 20,700,000 performance shares which will convert to ordinary shares on completion of the following conditions:

- 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.

The following performance shares are outstanding at year end:

	Tranche B	Tranche C	Tranche D	Total
	No.	No.	No.	No.
Michael John Kitney (Director)	800,000	1,050,000	1,050,000	2,900,000
Melvin Yeo	800,000	1,050,000	1,050,000	2,900,000
Suraj Sanghani (Director)	800,000	1,050,000	1,050,000	2,900,000
Steven David Crabbe	2,000,000	2,000,000	2,000,000	6,000,000
Annette Crabbe	2,000,000	2,000,000	2,000,000	6,000,000
	<u>6,400,000</u>	<u>7,150,000</u>	<u>7,150,000</u>	<u>20,700,000</u>

In the prior year 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.

Notes to the Financial Statements

For the Year Ended 30 June 2022

17 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:

	2022	2021
	\$	\$
Profit/(loss) for the year	(856,848)	217,418
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- share based payments	345,000	345,814
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(7,233)	12,432
- increase/(decrease) in trade and other payables	19,625	(415,967)
Cashflows from operations	<u>(499,456)</u>	<u>159,697</u>

18 Events Occurring After the Reporting Date

The financial report was authorised for issue on by the board of directors.

On 1 August 2022 Mr Simon Andrew was appointed director of the Company.

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.

19 Statutory Information

The registered office and principal place of business of the company is:

Mn Energy Limited
3 Colombo Street
Victoria Park WA 6100

Mn Energy Limited

ACN 169 719 993

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2022 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 Director

Dated 2 November 2022

ROTHSAY

AUDIT & ASSURANCE PTY LTD

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 2022 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 2022 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 *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (“the Code”) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

A Level 1/6 O’Connell Street
Sydney NSW 2000

A Level 1, Lincoln Building,
4 Ventnor Avenue, West Perth WA 6005

E info@rothsay.com.au
W www.rothsay.com.au

ABN 14 129 769 151

Liability limited by a scheme approved under Professional Standards Legislation



CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND



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 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 Audit & Assurance Pty Ltd

A handwritten signature in black ink, appearing to read 'Dalla', written in a cursive style.

Daniel Dalla
Director

Perth, 2 November 2022