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Mineral Commodities Ltd

ABN 39 008 478 653

Appendix 4E: Preliminary Financial Report

31 December 2024

Appendix 4E - Preliminary Financial Report

Reporting Period

Your directors present their preliminary financial report on the consolidated entity (referred to hereafter as "MRC" or the "Group") consisting of Mineral Commodities Ltd (the "Company") and the entities it controlled at the end of, or during, the year ended 31 December 2024. The consolidated financial statements are presented in United States Dollars ("\$"), unless otherwise stated, which is the Company's presentation currency.

The previous corresponding reporting period is 31 December 2023.

Results for Announcement to the Market

	31 Dec 2024	31 Dec 2023
	\$	\$
Revenue from ordinary activities	-	-
Loss after tax from ordinary activities attributable to members	(22,055,407)	(11,746,846)
Loss after tax attributable to members	(22,055,407)	(11,746,846)
EBITDA / (negative EBITDA)	(21,011,172)	(11,261,569)

Dividends

No dividend have been declared or paid during the financial year ended 31 December 2024. The directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2024.

The Company does not have a dividend reinvestment plan in operation.

Details of Entities over which control has been lost during the period.

Entity : Mineral Sands Resources Proprietary Limited ("MSR")

During July 2024 the Tormin Mine was directly affected by a maritime incident involving the stranding and eventual breakup of a container ship on high grade mining beaches.

Unfortunately, the financial impact of these events rendered continuing operations at Tormin unviable and the Board of MRC resolved to cease funding the Tormin Operations. This resulted in the Board of MSR, the owner of the Tormin Mine, resolving to appoint business rescue practitioners on 5 August 2024 in line with South African Law. MSR was formally placed into business rescue on 6 August 2024. The Board of MRC considers that it lost control of MSR on this date.

All decisions regarding the operation of Tormin, dealing with its creditors and the future of the business, including ownership, are being made by the business rescue practitioners in accordance with South African law.

Explanation of results

Mineral Sands Resources Proprietary Limited

Operating losses prior to the events of July 2024 were materially affected by unplanned delays in production due to poor equipment availability and interruptions to the processing plant caused by ongoing weather damage to the seawater intake.

Appendix 4E - Preliminary Financial Report

Explanation of results (Continued)

Further losses were recognised in MSR relation to inventory adjustments as follows:

Stockpile adjustment

On 31 March 2021 MSR entered into an agreement with Garnet International Resources Pty Ltd (GMA) to purchase a garnet stockpile at Tormin surveyed to contain 635,958t of garnet. Delivery of this stockpile was completed in May 2024, and the delivered tonnes amount to 498,606t as per truck weighbridge data. MSR has recognised a liability as at 30 June 2024 for the remaining 137,352 tonnes due under the agreement, to the value of \$13,471,071.

Grade Disparity adjustment

Garnet sales to GMA between October 2023 and February 2024 were assayed by the customer as the shipments were delivered and MSR was advised of the bulk average result in Q2 2024. The result of these assays indicated average quartz levels of 6.4%, exceeding the 5% limit prescribed under a 2021 Mineral Sands Agreement. Consequently, MSR has incurred a penalty requiring the delivery of a further 50,773 WMT of garnet. The Company has recognised this liability effective 30 June 2024 at a valuation of \$98.08 per tonne.

The decision to appoint business rescue practitioners to MSR on 5 August and the subsequent loss of control had the effect that MSR accounts were de-consolidated from the Group accounts at that date. This is in accordance with AASB 10.

The 2024 Operating results for MSR up to the date of de-consolidation are classified in the income statement as part of the Profit/(Loss) after income tax from discontinued operations. For further detail see Note 2.4(i) to the Financial Statements.

Skaland Graphite AS ("SKA")

Operations at Skaland during 2024 continued to be restricted by intermittent plant and fleet availability. The failure of a critical drill rig in late October 2024 resulted in no feed for the processing plant in November and December of 2024. This was resolved in late December 2024 and the processing plant re-started in January 2025.

On 16 December 2024, the Company announced it had entered into a binding share purchase agreement ("SPA") for the sale of 100% of the SKA to Norge Mineraler Holding AS ("Norge Mineraler"). Key terms of the SPA are as follows:

- Total purchase price of USD\$11.75 million comprising:
- USD\$250k non-refundable exclusivity fee, already received;
- USD\$1 million refundable deposit, which has since been received; and
- USD\$10.5 million to be paid at completion; and
- Norge Mineraler takes on all liability exposure in relation to Skaland, except intercompany loans.

The SPA includes standard conditions precedent for a transaction of this nature, including that:

- SKA has repaid or converted all intercompany loans to equity prior to completion;
- all third party consents have been received (including MRC shareholder approval); and
- no material adverse change in SKA.

The Company is restricted from competing with the business of Skaland in Norway for 3 years.

Settlement of the sale is expected mid-March 2025.

As a result of the sale process, the 2024 net operating losses have been classified as discontinued operations as required under AASB 5. Further information can be found in Note 2.4(iii) to the Financial Statements.

As a further application of AASB 5, the Assets and Liabilities of SKA have been classified as Asset/Liabilities Available for Sale in the Consolidated Balance Sheet.

As a result of the 2 material transactions above, the 2023 prior year financial comparatives have been re-stated to ensure appropriate comparison on financial data year on year.

Appendix 4E - Preliminary Financial Report

Explanation of results (Continued)

Munglinup Graphite Project (51%)

During 2024, negotiations were undertaken to secure terms for the Company to increase its share in the Munglinup Graphite Project. As a result, the Company announced on 25 June 2024 that its wholly owned subsidiary MRC Graphite Pty Ltd ("MRCG") had reached an in-principle agreement with Gold Terrace Pty Ltd ("Gold Terrace"), its joint venture partner in Munglinup, to settle a dispute and acquire the remaining 49% interest in Munglinup. The Company holds an existing 51% interest in Munglinup.

The Company, MRCG and Gold Terrace are currently negotiating a formal sale agreement (Formal Agreement) to document the sale of Gold Terrace's 49% interest in Munglinup and the settlement of the dispute. Gold Terrace has agreed to not pursue any legal claims in respect of the joint venture agreement until completion of the Formal Agreement. The total consideration to be paid to Gold Terrace in exchange for its 49% interest in Munglinup is \$A7.5M in cash.

Completion under the Formal Agreement is subject to market standard conditions precedent to completion including regulatory approvals such as Foreign Investment Review Board Approval and ministerial consent, Gold Terrace agreeing to withdraw certain caveats against the Company's tenements, and any shareholder approval associated with the potential provision of funding from another party to the Company (if required). Upon completion under the Formal Agreement, the joint venture agreement between the Company, MRCG and Gold Terrace will terminate and Gold Terrace will fully release the Company from claims in relation to the joint venture agreement. Obtaining environmental approvals and advancing studies remain the priorities for the Munglinup graphite development and are expected to be achieved by the September 2025 quarter following some delays in the process.

The Munglinup Graphite Project remains a crucial asset in the Company's overall goal to supply natural graphite into the key high-demand battery anode markets, with the DFS (2020) outlining a graphite asset able to produce approximately 52,000tpa of ore over 14 years at an average grade of 12.8%.

Active Anode Plant Project (100%)

Commissioning of the pilot-scale graphite anode pilot plant has delivered encouraging preliminary results with the achievement of battery grade overall purity in a single pass (without optimization) using 898 flake material. The pilot plant is partly financed by the Australian government Critical Minerals Acceleration Initiative ("CMAI") Project. The Company also continues to advance its collaboration with Mitsubishi Chemical Corporation and CSIRO (the Australian government research organisation). In addition to project technical work and studies, the Company has been actively engaging with governments in Australia, Europe and the US regarding potential support for the project.

Net Tangible (Liabilities)/Assets per Security

	31 Dec 2024	31 Dec 2023
	\$	\$
Net (liabilities)/assets	(2,118,445)	42,890,554
Lees: Intangible assets	-	-
Net tangible (liabilities)/assets of the Company	(2,118,445)	42,890,554

	31 Dec 2024	31 Dec 2023
	Number of shares	Number of shares
Fully paid ordinary shares on issue at balance date	984,472,599	984,472,599

	31 Dec 2024	31 Dec 2023
	US cents	US cents
Net tangible asset (cents per share)	(0.22)	6.83

The decrease in net tangible assets is primarily due to the operating losses in 2024 and the loss recognised on the deconsolidation of MSR.

Appendix 4E - Preliminary Financial Report

Audit

This Appendix 4E is based on the financial report for the financial year ended 31 December 2024, which is un-audited.

The independent Audit report of this information is likely to contain an emphasis of matter relating to material uncertainty around going concern. This will be directly related to the fact that the sale of SKA remains subject to approval of the Company's shareholders on 10 March 2024.

The Preliminary Financial Report for the Group is attached.

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Consolidated income statement

For the year ended 31 December 2024

	Notes	31 Dec 2024 \$	31 Dec 2023 \$
Revenue from continuing operations			
Sale of product	2.1	-	-
Other revenue	2.1	-	1,418
		-	1,418
Expenses			
Mining and processing costs		-	-
Other expenses from ordinary activities			
Administration expenditure	2.2	(3,670,670)	(5,466,257)
Impairment charges	2.3	(12,495,253)	(8,938,322)
Share based payment expense		50,968	172,831
Financial expense (net)		(1,023,908)	(387,799)
Loss before income tax from continuing operations		(17,138,863)	(14,618,127)
Income tax (expense)/benefit		(4,916,544)	2,871,283
Loss after income tax from continuing operations		(22,055,407)	(11,746,846)
(Loss)/Profit after income tax from discontinuing operations	2.4	(27,660,333)	1,684,320
Loss for the year		(49,715,740)	(10,062,526)
Loss is attributable to:			
Owners of Mineral Commodities Ltd		(49,715,740)	(9,950,737)
Non-controlling interest		-	(111,789)
		(49,715,740)	(10,062,526)
Other comprehensive expense			
Exchange differences on translation of foreign operations		4,757,708	(4,195,695)
Other comprehensive expense for the year, net of tax		4,757,708	(4,195,695)
Total comprehensive expense for the year		(44,958,032)	(14,258,221)
Total comprehensive expense for the year is attributable to:			
Owners of Mineral Commodities Ltd		(44,958,032)	(13,944,413)
Non-controlling interest		-	(313,808)
		(44,958,032)	(14,258,221)
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share		(2.24)	(1.37)
Diluted earnings per share		(2.24)	(1.37)

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated balance sheet
as at 31 December 2024

	Notes	31 Dec 2024 \$	31 Dec 2023 \$
ASSETS			
Current assets			
Cash and cash equivalents		534,370	347,934
Trade and other receivables		194,406	10,741,931
Inventories		-	21,533,289
Income tax receivable		23,363	23,821
Assets held for sale	2.4	5,072,350	7,710,895
Total Current Assets		5,824,489	40,357,870
Non-current assets			
Trade and other receivables		-	243,877
Inventories		-	2,200,672
Exploration expenditure		12,300,862	14,600,437
Deferred tax asset		-	-
Property, plant and equipment		-	14,643,333
Total Non-Current Assets		12,300,862	31,688,319
Total Assets		18,125,351	72,046,189
LIABILITIES			
Current liabilities			
Trade and other payables		4,846,676	15,465,593
Unearned revenue		3,643,175	1,787,802
Borrowings		6,890,216	3,165,562
Employee benefits		66,284	338,628
Current tax liabilities		-	146,263
Liabilities associated with assets held for sale	2.4	2,023,923	2,805,406
Total Current Liabilities		17,470,274	23,709,254
Non-current liabilities			
Provisions		-	-
Long term borrowings		-	3,805,195
Employee benefits		1,144	813,767
Deferred tax liabilities		2,272,378	827,419
Total Non-current Liabilities		2,773,522	5,446,381
Total Liabilities		20,243,796	29,155,635
NET ASSETS		(2,118,445)	42,890,554
Equity			
Contributed equity	3(a)	90,914,631	90,914,631
Reserves	3(b)	(35,081,967)	(39,788,707)
Retained earnings/ (losses)	3(c)	(57,951,109)	(8,235,639)
TOTAL EQUITY		(2,118,445)	42,890,554

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 31 December 2024

	Notes	31 Dec 2024	31 Dec 2023
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		1,267,064	28,800,522
Payments to suppliers and employees		(2,042,096)	(35,713,539)
Income tax paid		(23,363)	-
Net cash outflow from operating activities of discontinued operations		1,035,056	-
Net cash inflow/(outflow) from operating activities		236,660	(6,913,017)
Cash flows from investing activities			
Payments for exploration expenditure		-	(1,080,359)
Payments for property, plant and equipment		(12,815)	(1,611,344)
Proceeds from property, plant and equipment		-	234,503
Payments for development expenditure		-	(296,309)
Acquisition of non-controlling interest in Skaland Graphite AS		-	(1,900,000)
Advance received for disposal of Skaland Graphite AS		1,250,000	-
Interest received		1,260	10,284
Net cash used in discontinued operation		(421,924)	-
Net cash inflow/(outflow) from investing activities		816,520	(4,643,225)
Cash flows from financing activities			
Proceeds from issue of new shares (net of costs)		-	11,989,519
Proceeds from borrowings		2,482,619	5,045,699
Proceeds from government grants		1,079,428	-
Repayment of borrowings		-	(5,108,835)
Interest paid on borrowings		(29,144)	(515,953)
Net cash flow used in discontinued operation		(4,459,583)	-
Net cash (outflow) / inflow from financing activities		(926,680)	11,410,430
Net decrease in cash and cash equivalents		126,501	(145,812)
Cash and cash equivalents at beginning of financial year		1,129,794	1,142,141
Effects of exchange rate changes on cash and cash equivalents		(134,781)	133,466
Cash and cash equivalents at end of financial year		1,121,514	1,129,794
Cash and cash equivalent consists of:			
Continuing operations		534,370	1,129,794
Assets held for sale		587,144	-
Cash and cash equivalents at end of financial year		1,121,514	1,129,794

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity
For the year ended 31 December 2024

	Contributed equity	Reserves	Retained earnings/ (accumulated losses)	Totals	Non-controlling interest	Total equity
For the year ended 31 December 2024	\$	\$	\$	\$	\$	\$
At 1 January 2024	90,914,631	(39,788,707)	(8,235,369)	42,890,554	-	42,890,554
Loss for the year	-	-	(49,715,740)	(49,715,740)	-	(49,715,740)
Other comprehensive income for the year	-	4,757,708	-	4,757,708	-	4,757,708
Total comprehensive income for the year	-	4,757,708	(49,715,740)	(44,958,032)	-	(44,958,032)
Transaction with owners in their capacity as owners:						
Share Issue, net of costs	-	-	-	-	-	-
Share based payments	-	(50,968)	-	(50,968)	-	(50,968)
Balance at the end of the year	90,914,631	(35,081,967)	(57,951,109)	(2,118,445)	-	(2,118,445)

	Contributed equity	Reserves	Retained earnings	Totals	Non-controlling interest	Total equity
For the year ended 31 December 2023	\$	\$	\$	\$	\$	\$
At 1 January 2023	78,925,112	(32,810,841)	1,715,369	47,829,639	(597,552)	47,232,088
Loss for the year	-	-	(9,950,737)	(9,950,737)	(111,789)	(10,062,526)
Other comprehensive income for the year	-	(3,993,676)	-	(3,974,976)	(202,019)	(4,195,695)
Total comprehensive income for the year	-	(3,993,676)	(9,950,737)	(13,944,413)	(313,808)	(14,258,221)
Transaction with owners in their capacity as owners:						
Share Issue, net of costs	11,989,519	-	-	11,989,519	-	11,989,519
Acquisition of non-controlling interest	-	(2,811,359)	-	(2,811,359)	911,360	(1,900,000)
Share based payments	-	(172,831)	-	(172,831)	-	(172,831)
Balance at the end of the year	90,914,631	(39,788,707)	(8,235,369)	42,890,554	-	42,890,554

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

1. Basis of Preparation

This section provides information about the overall basis of preparation that is considered to be useful in understanding these financial statements. Accounting policies specific to the various components of the financial statements are located within the relevant section of the report.

1.1 Corporate information

Mineral Commodities Ltd (the 'Company') is a company limited by shares, domiciled, and incorporated in Australia. Its shares are publicly traded (but currently suspended from trading) on the Australian Securities Exchange ("ASX"). The nature of the operations and principal activities of the Company and its controlled entities are described in the directors' report.

1.2 Basis of accounting

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the *Corporations Act 2001*. Mineral Commodities Ltd is a for-profit entity for the purpose of preparing the financial statements. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

The ability of the Group to continue as a going concern is dependent upon managing its creditors and overheads in line with available cash resources, generating sale proceeds from the sale of Skaland Graphite AS ("SKA") and raising additional working capital. These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have reviewed the Group's financial position and are of the opinion that there are sufficient funds to meet the entity's working capital requirements as at the date of this report.

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The funds from the sale of SKA described above
- The settlement of Mineral Commodities Limited ("MRC") creditors from the proceeds of this sale;
- On 6 August 2024, Mineral Sands Resources Proprietary Limited ("MSR") was placed into business rescue. MRC has issued no Parent Company Guarantee's to MSR creditors other than to Garnet International Resources ("GMA") in relation to the loan of US\$5.4 million. Final amounts owing will be subject to confirmation on settlement;
- Once the company's suspension of trading on ASX is lifted, the Company has the ability to issue additional securities to raise further working capital; and
- The Company has the ability to raise additional working capital from entering into new debt facilities.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the normal course of business, and at amounts that differ from those stated in the financial report. The financial report does not include any adjustments relating to the recoverability or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

(i) Compliance with IFRS

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

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- financial assets and liabilities recognised at fair value.

Notes to the consolidated financial statements

1. Basis of Preparation (Continued)

1.2 Basis of accounting (Continued)

(iii) *Presentation currency*

The consolidated financial statements are presented in United States dollars ("USD"), which is the Company's presentation currency.

1.3 Comparative Information

Certain comparatives have been reclassified to conform to current year presentation.

2. Financial Performance

This section highlights key financial performance of the Group for the reporting period including, where applicable, the accounting policies applied and the key estimates and judgements made.

2.1 Revenue

Accounting Policies

Revenue is recognised when the significant control of products has been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The timing of the transfer of control varies depending on the individual terms of the sales agreement. Generally, for the Group, this is based on free-on-board ("FOB") sales where transfer of control passes at port of origin or cost, insurance and freight ("CIF") sales where control passes at port of destination. Sales revenue is recognised for FOB and CIF sales on bill of lading date. Sales revenue comprises gross revenue earned from the provision of product to customers. Sales are initially recognised at estimated sales value when the product is delivered. Adjustments are made for variations in metals price, assay, weight and moisture content between the time of delivery and the time of final settlement of sales proceeds.

The majority of the Group's revenue is derived from product sales with revenue recognised at a point in time when control of the goods has transferred to the customer.

	31 Dec 2024	31 Dec 2023
	\$	\$
From continuing operations		
<i>Sales revenue</i>		
Sale of product	-	-
<i>Other revenue</i>		
Other income	-	1,418

(i) *Contract liabilities*

A reconciliation of contract liabilities is below:

	2024	2023
	\$	\$
As at 1 January	-	-
Cash received in advance of performance and not recognised in revenue during the period	400,000	1,787,802
As at 31 December	400,000	1,787,802

Notes to the consolidated financial statements

2. Financial Performance (continued)

2.2 Administration expenses

Administration expenses include the following material expenditure items:

Directors and key management personnel remuneration	1,201,649	1,393,280
Depreciation – corporate assets	20,327	97,477

2.3 Impairment charges

Impairment charges include write off of intercompany balances with Mineral Sands Resources Proprietary Limited.

2.4 Discontinued operations

Deconsolidation of Mineral Sands Resources Proprietary Limited (“MSR”)

(i) Financial performance

	2024	2023
	\$	\$
Revenue	16,201,060	22,178,622
Expenses	(43,514,140)	(21,002,313)
(Loss)/Profit before income tax	(27,313,080)	1,176,309
Income tax	-	217,104
(Loss)/Profit after income tax	(27,313,080)	1,393,413

(ii) Carrying amounts of assets and liabilities at the date of de-recognition

	2024
	\$
Current assets	30,458,101
Non-current assets	9,857,699
Total assets	40,315,800
Current liabilities	(41,420,595)
Non-current liabilities	(3,632,325)
Total liabilities	(45,052,920)
Details of the de-consolidation of the subsidiary	
Net liabilities	4,737,120
Loss after tax for the period	(27,313,080)
Loss on de-consolidation of net assets of MSR	(22,575,960)

Notes to the consolidated financial statements

2. Financial Performance (continued)

2.4 Discontinued operations (Continued)

Skaland Graphite AS ("SKA")

(iii) Financial performance

	2024	2023
	\$	\$
Revenue	4,905,865	6,086,195
Expenses	<u>(9,990,236)</u>	<u>(7,158,965)</u>
Loss before income tax	(5,084,371)	(1,072,770)
Income tax	-	1,363,681
(Loss)/Profit after income tax	<u>(5,084,371)</u>	<u>290,911</u>

(iv) Carrying amounts of assets and liabilities at the reporting date

	2024	2023
	\$	\$
Current assets	1,192,371	891,129
Non-current assets	<u>3,879,979</u>	<u>6,819,766</u>
Total assets	<u>5,072,350</u>	<u>7,710,895</u>
Current liabilities	(1,839,733)	(2,391,244)
Non-current liabilities	<u>(184,190)</u>	<u>(414,163)</u>
Total liabilities	<u>(2,023,923)</u>	<u>(2,805,407)</u>
Details of the available for sale of SKA		
Net liabilities	-	-
(Loss)/Profit after tax for the period	<u>(5,084,373)</u>	<u>290,911</u>
(Loss)/Profit on available for sale of SKA	<u>(5,084,373)</u>	<u>290,911</u>

Profit from discontinued operations

Reconciliation of profit from discontinued operation

	2024	2023
	\$	\$
Profit from de-consolidation of MSR	(22,575,960)	1,393,411
Profit from available for sale of SKA	<u>(5,084,373)</u>	<u>290,909</u>
(Loss)/Profit from discontinued operations	<u>(27,660,333)</u>	<u>1,684,320</u>

2.5 Dividends

Accounting policies

Dividends are recognised as a liability at the time the Directors resolve to pay or declare the dividend.

No dividend was declared for the year ended 31 December 2024.

Notes to the consolidated financial statements

3. Equity

(a) Contributed equity

Accounting Policies

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(i) *Share capital*

	2024	2023	2024	2023
	Number of shares	Number of shares	\$	\$
Ordinary shares				
Fully paid	984,472,599	984,472,599	90,914,631	90,914,631

(ii) *Movements in ordinary share capital*

Details	Number of shares	\$
At 1 January 2024	984,472,599	90,914,631
Shares issued, net of costs	-	-
At 31 December 2024	984,472,599	90,914,631

(iii) *Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(iv) *Capital risk management*

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets in order to maintain sufficient funds necessary to continue its operations.

Notes to the consolidated financial statements

3. Equity (continued)

(b) Reserves

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided in the table below.

	General reserve	Foreign currency translation reserve	Share based payment reserve	Total
	\$	\$	\$	\$
At 1 January 2023	1,363,393	(34,717,576)	543,342	(32,810,841)
Share based payments	-	-	(172,831)	(172,831)
Conversion of performance rights	(2,811,359)	-	-	(2,811,359)
Exchange differences on translation of foreign operations	-	(3,993,676)	-	(3,993,676)
At 1 January 2024	(1,447,966)	(38,711,252)	370,511	(39,788,707)
Share based payments	-	-	(50,968)	(50,968)
Exchange differences on translation of foreign operations	-	4,757,708	-	4,757,708
At 31 December 2024	(1,447,966)	(33,953,544)	319,543	(35,081,967)

Nature and purpose of reserves

General reserve

The General reserve in the prior period arose from the issue of shares in MRC Resources Proprietary Limited ("MRCR") to an entity outside the economic entity.

Foreign currency translation reserve

The foreign currency translation reserve records the unrealised foreign currency differences arising from the translation of operations into the presentation currency of the Group.

Share based payment reserve

Records the amounts received in a prior year together with the amounts amortised for employee options in the current year from the issue of listed options and performance rights.

(c) Retained Earnings/ (Accumulated Losses)

	31 Dec 2024	31 Dec 2023
	\$	\$
At 1 January	(8,235,369)	1,715,368
Loss for the year	(49,715,740)	(9,950,737)
At 31 December	(57,951,109)	(8,235,369)

Notes to the consolidated financial statements

4. Group structure

4.1 Consolidated entities

Accounting Policies

Subsidiaries

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

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

Associates

Associates are entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Non-controlling interests

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

The Company, via its wholly owned subsidiary MRCR, has a 50% interest in the issued capital in MSR. Whilst the Group controls 50% of the share voting power, it has been determined that the Group effectively has 100% control due to its control over the relevant activities for accounting purposes, controls the management of MSR, and also controls the Board of MSR due to provisions set out in the Shareholders Agreement entered into between the shareholders of MSR.

Notes to the consolidated financial statements

4. Group structure (continued)

4.1 Consolidated entities (continued)

Therefore, these financial statements include 100% of the results of MSR up until the date of deconsolidation.

In addition to the holding of the issued capital, the Group also holds Class A and B preference shares in MSR which effectively provides for the repayment of the capital investment and deemed investment by the Company's Black Empowerment partner. Due to the terms attached to these A and B Preference Shares, they are categorised as an equity instrument. As the A preference shares and B preference shares would be redeemed out of distributable profits and net assets of MSR before all other ordinary shareholders, until such time as the net assets exceed the value of the unredeemed A and B preference shares, no value has been attributed to the non-controlling interest. Until that time, the non-controlling interest has no rights to the assets or results of the Company, and therefore has not been allocated any value in these financial statements.

The Company, via its wholly owned subsidiary MRC Graphite (Norway) Pty Ltd ("MRCGN"), has a 100% interest in the issued capital in SKA.

(i) Material subsidiaries

The Group's principal subsidiaries at 31 December 2024 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business / country of incorporation	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
		2024 %	2023 %	2024 %	2023 %
Rexelle Pty Ltd	Australia	100	100	-	-
MRC Trading (Aust) Pty Ltd	Australia	100	100	-	-
MRC Cable Sands Pty Ltd	Australia	100	100	-	-
Blackhawk Oil and Gas Pty Ltd	Australia	100	100	-	-
Queensland Minex Pty Ltd	Australia	100	100	-	-
Q Smelt Pty Ltd	Australia	90	90	-	10
Mincom Waste Pty Ltd	Australia	100	100	-	-
MRC Graphite Pty Ltd	Australia	100	100	-	-
MRC Exploration Australia Pty Ltd	Australia	100	100	-	-
MRC Graphite (Norway) Pty Ltd	Australia	100	100	-	-
MRC Downstream Pty Ltd	Australia	100	100	-	-
MRC Anode Pty Ltd	Australia	100	100	-	-
Skeleton Coast Resources (Pty) Ltd	Namibia	100	100	-	-
Skaland Graphite A.S.	Norway	100	100	-	-
MRC Resources Proprietary Limited	South Africa	100	100	-	-
Mineral Sands Resources Proprietary Limited	South Africa	50	50	50	50
Tormin Mineral Sands Proprietary Limited	South Africa	50	50	50	50
Skeleton Coast Mining (Pty) Ltd	South Africa	100	100	-	-
Transworld Energy and Minerals Resources (SA) Proprietary Limited	South Africa	56	56	44	44
Skaland Graphite (Netherlands) BV	Netherlands	100	100	-	-