Mustang Energy Plc

Annual Report & Financial Statements for the year ended 31 December 2020

Company Registration No. 11155663 (England and Wales)

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Company information

Directors

Alan Broome, AM
Dean L Gallegos
Peter Wale
Simon Holden
Jacqueline Yee

Company Secretary

Simon Holden

Registered Office

48 Chancery Lane,
London, WC2A 1JF

Registered Number

11155663

Independent Auditor

BDO LLP
55 Baker Street
London W1U 7EU

Solicitors

Druces LLP
Salisbury House, London Wall
EC2M 5PS

Principal Bankers

Metro Bank Plc
One Southampton Row
London WC1 5HA

Registrars

Share Registrars Limited
The Courtyard, 17 West Street
Farnham, Surrey, GU9 7DR

Chairman's Statement

As you are aware the Company's shares began trading on the standard list of the London Stock Exchange on the 29 July 2019 after raising £750,000. The Company has only been active in executing the Company's objectives as outlined in the Company's Prospectus.

The Company's determination in identifying a prospective target company or business or asset(s) in the energy or natural resources sectors will not be limited to a specific geographic region, stage of development from exploration through to production. However, it is the Company's preference that the target is generating cashflow or has the capability of generating cash flow within 12-18 months of acquisition.

In early 2020 the Company had initiated discussions with a number of companies in respect to acquiring non-operated, minority interests in assets located in western Europe. In the first half of 2020 the effects of COVID-19 virus and an oil price war between Saudi Arabia and Russia meant oil prices declined significantly and for a short period of time were negative. It was at that time the Company announced its intention to diversify its search for an acquisition away from purely the energy sector to any sector.

In March 2021 the Company announced a Strategic Alliance and Placing to Acacia Resources Limited ("Acacia"). Acacia was established in 2012 with a current focus on minerals involved in the energy transition process. The principal purposes of the Placing and the Strategic Investment will be for the Company and Acacia:

- To invest together in manufacturing assets involved in the energy transition process with a relative focus on the energy storage/battery value chain; and
- To invest in the development of renewable energy projects where there is scope to include stationary energy storage.

Acacia also acquired existing shares from two shareholders and as a result of the Placing and these purchases became the Company's largest shareholder with 24.03%.

In late April 2021 the Company announced the acquisition of a 22.1% interest in VRFB Limited ("VRFB"). VRFB owns a 50% interest in Enerox Holdings Limited ("EHL") with EHL owning a 100% interest in Enerox GMbH ("Enerox"). Enerox is an Austrian-based vanadium redox flow battery manufacturer. Enerox has invested more than 20 years of research and development into its CellCube energy storage system. Their vanadium-based technology is known to be state-of-the-art in the battery market and has already deployed more than 130 systems / 23 MWh across 5 continents.

The Directors collectively have an interest of 23.8% in the Company and therefore have a vested interest to ensure the Company's first acquisition is the right one. The Company will remain diligent in minimising its overheads by reducing administration charges wherever possible.

For financial review results refer to Strategic statement below.



Alan Broome, AM
Chairman

10 May 2021

Board of Directors and Senior Management

Alan John Broome, AM (Non-Executive Chairman), aged 70

Alan Broome is a metallurgist with over 40 years experience in mining and metals. A well-known figure in the Australian mining industry, Alan has extensive board experience, both as a director and chairman, of a number of listed and unlisted energy, mining and mining technology companies. Over the last 20 years, Alan has had in-depth experience in oil exploration and production, coal mining, equipment, services and research sectors, in the UK, Australia and abroad. Alan is currently non-executive chairman of Strategic Minerals, a minerals production and development company incorporated and registered in England and Wales and listed on the AIM market of the London Stock Exchange and New Age Exploration Limited an Australian based globally diversified minerals and metals exploration and development company focused on gold projects and listed on the Australian Stock Exchange.

Dean Lloyd Gallegos (Managing Director), aged 53

Dean Gallegos has significant experience in financial markets in both institutional/retail advisory and corporate advisory roles. This included being a founder and principal of an Australian based stockbroking and corporate advisory firm between 1995 and 2002. Since that time he has acted in an executive capacity in numerous mineral and energy focused public companies in Australia and Singapore. Since 2006, he has focused on energy-related projects, principally in the US (including Texas, Louisiana and Alaska) in both the onshore and offshore environments. Dean specialises in the identification of projects and the funding of the development of those projects through equity, debt and mezzanine financing. He has in-depth experience from both an operational and financial perspective in respect to the requirements of the exploration, discovery and subsequent production of oil and gas projects.

Peter Verdun Wale (Non-Executive Director), aged 51

Peter Wale brings a thorough understanding of financial markets and investment management with a career of diverse professional investing experience across developed and emerging markets with a smaller companies bias. He has worked for various American fund managers, including Fidelity Investments, and was a partner at an international hedge fund for 12 years. Peter remains an investor, mainly in the resources sector, and has an extensive network of contacts. He is an executive director and significant shareholder of Strategic Minerals (AIM: SML) and a director of Cornwall Resources Limited, where he has been actively involved in the development of the companies' strategy and investor communications.

Simon William Holden (Non-Executive Director), aged 45

Simon Holden is an experienced corporate finance and capital markets lawyer. He advises issuers in connection with initial public offerings and secondary fundraisings, start-ups and growth companies on alternative finance, and public and private companies in respect of domestic and cross border mergers and acquisitions. Simon has an in-depth understanding of the UK quoted company sector, having advised on a significant number of AIM and Main Market transactions; acting for issuers, nominated advisers and brokers. He was called to the Bar of England & Wales (Lincoln's Inn) in 1999 and was subsequently admitted as a Solicitor in England & Wales in 2002. He currently serves as company secretary of Iofina plc (AIM: IOF), Primorus Investments plc (AIM: PRIM) and Synairgen plc (AIM: SNG).

Jacqueline Yee (Non-Executive Director), aged 51

Ms Yee is based in Singapore after relocating from Australia in 2019. She has a global track record in M&A, restructurings, capital markets structured finance and alternative investments, and she is a recipient of the Money 20/20 RiseUp Leadership Award. Over her 30 year career, she has worked in the United Kingdom, Europe, USA, Asia, Middle East, Australia and New Zealand; and, has gained a global network, and insights and local knowledge in multiple sectors. Ms Yee currently serves as Non-Executive Director and Chair of the Finance & Audit Committee of Wellteq Digital Health Inc (CSE:WTEQ), Treasurer of Kidney Dialysis Foundation SG, SG Community Partner of Global Fintech Connector; and, she serves on the Financial Services Transformation Jury for SwissCham SG and the Bio-Med-HealthTech Jury for Enterprise SG SWITCH Slingshot. She is multilingual and she has authored reports that have been implemented in institutional and public policies.

Directors' Report

The Directors present their report with the audited financial statements of the Company for the year ended 31 December 2020. A commentary on the business for the year is included in the Chairman's Statement on page 4. A review of the business is also included in the Strategic Report on pages 14 to 20.

The Company's Ordinary Shares were admitted to listing on the London Stock Exchange, on the Official List pursuant to Chapters 14 of the Listing Rules, which sets out the requirements for Standard Listings.

Directors

The Directors of the Company during the period and their beneficial interest in the Ordinary shares of the Company at 31 December 2020 were as follows:

Director	Position	Appointed	Ordinary shares	Options
Alan Broome	Non-Executive Chairman	17 January 2018	140,000	90,000
Dean Gallegos	Managing Director	17 January 2018	1,630,000	630,000
Peter Wale	Non-Executive Director	17 January 2018	340,000	90,000
Simon Holden	Non-Executive Director	1 August 2018	340,000	90,000
Jacqueline Yee	Non-Executive Director	18 May 2020	-	350,000

Qualifying Third Party Indemnity Provision

At the date of this report, the Company has a third-party indemnity policy in place for all five Directors.

Substantial shareholders

As at 31 December 2020, the total number of issued Ordinary Shares with voting rights in the Company was 8,400,000. Details of the Company's capital structure and voting rights are set out in note 12 to the financial statements.

As at the date of approval of this report the Company had a total number of issued Ordinary Shares with voting rights in the Company of 10,281,600. The Company has been notified of the following interests of 3 per cent or more in its issued share capital.

Party Name	Number of Ordinary Shares	% of Share Capital
Acacia Resources Limited	2,471,600	24.0%
Dean L Gallegos	1,630,000	15.6%
Richard Corsie MBE	1,050,000	10.2%
The Australian Special Opportunity Fund, LP	1,000,000	9.7%
Matthew Lumb	500,000	4.9%
Simon Holden	340,000	3.3%
Peter Wale	340,000	3.3%

Directors' Report (continued)

Financial Instruments

Details of the use of the Company's financial risk management objectives and policies as well as exposure to financial risk are contained in the Accounting policies and note 1 of the financial statements.

Greenhouse Gas (GHG) Emissions

The Company is aware that it needs to measure its operational carbon footprint in order to limit and control its environmental impact. However, given the very limited nature of its operations during the period under review, it has not been practical to measure its carbon footprint.

In the future, the Company will only measure the impact of its direct activities, as the full impact of the entire supply chain of its suppliers cannot be measured practically.

The Company does not meet Streamlined Energy & Carbon Reporting (SECR) requirements since energy consumption is less than 40,000 kWh of energy in the reporting year.

Dividends

The Directors do not propose a dividend in respect of the period ended 31 December 2020. No dividend was paid in the period to 31 December 2019.

Future developments and events subsequent to the period end

Further details of the Company's future developments and events subsequent to the period-end are set out in the Strategic Report on pages 14 to 20.

Corporate Governance

The Governance report forms part of the Director's Report and is disclosed on pages 21 to 25.

Going Concern

The Company's business activities, together with facts likely to affect its future operations and financial and liquidity positions are set out in the Chairman's Statement and also the Strategic Report. In addition, note 18 to the financial statements disclose the Company's financial risk management policy.

As noted in the Chairman's report the impact of the ongoing COVID-19 pandemic and the significant collapse in the oil price during the period impacted the Company's ability to assess and, ultimately, enter into a transaction to acquire any business, asset or interest in an asset within the exploration and production sectors. However, given the limited overheads in the business, the Directors have assessed the cash flow forecast and do not consider the continued impacts of COVID-19 will have an impact on the ability to manage the costs over the next 12 months.

As set out in the Company's prospectus dated 17 July 2019 (the "Prospectus"), if an Acquisition was not announced within 18 months of Admission (i.e. by 29 January 2021), the Board would recommend to Shareholders to approve that the Company either continue to pursue an Acquisition for a further 12 months from such date or that the Company be wound up (in order to return capital to Shareholders to the extent assets are available). The Board's recommendation would then be put to a Shareholder vote (from which the Directors holding Ordinary Shares will abstain).

The statement from the Prospectus reads as follows: "*If an Acquisition has not been announced within 18 months of Admission, the Board will recommend to Shareholders that the Company either continue to pursue an Acquisition for a further 12 months from such date or that the Company be wound up (in order to return capital to Shareholders to the extent assets are available). The Board's recommendation will then be put to a Shareholder vote (from which the Directors holding Ordinary Shares will abstain).*"

As at the date of this report, the Company has announced the acquisition of a 22.10% shareholding interest in VRFB Holdings Limited (the "VRFB Transaction"). Given that the Company has been in active discussions with the relevant stakeholders in connection with the VRFB Transaction for the past several weeks, and because the Board was wary of the significant risk posed by other interested parties making offers should negotiations between the Company and such stakeholders become unduly protracted, the Board resolved that it was in the best interests of the Company and Shareholders as a whole if the VRFB Transaction was prioritised ahead of calling a Shareholder meeting to vote on the Board's recommendation. Shareholders should note that if a meeting was called earlier in the year, the Board's recommendation would have been the same then as it is at the time of writing; unanimously in favour of the Company continuing to pursue an Acquisition. The Board would not have recommended to Shareholders that the Company be wound up.

To finance the VRFB Transaction, the Company raised US$8,000,000 by the issue of convertible loan notes which accrue interest at a rate of 10 per cent. per annum (the "Loan Notes"). On readmission of the Company's shares to trading on the Standard segment of the London Stock Exchange's main market for listed securities ("Readmission"), the Company will issue to the holders of the Loan Notes ("Noteholders") ordinary shares in the capital of the Company at a price per share of 20 pence equivalent to the total principal amount of the Loan Notes, save that if Readmission does not occur on or by 31 December 2021 ("Longstop Date") the Noteholders will receive shares in the capital of AIM-quoted Bushveld Minerals Limited ("BMN"). Any accrued interest on the Loan Notes shall be capable of being satisfied, at the sole discretion of the Company, by the issue of shares in the capital of the Company in the event Readmission occurs by the Longstop Date or shares in the capital of BMN in the event it does not. The Board does not anticipate any cash being payable by the Company in relation to the Loan Notes.

Notwithstanding the announced VRFB Transaction, the Board shall propose a resolution to Shareholders at the Company's 2021 Annual General Meeting, to be held in June, in line with the commitment that was contained in the Prospectus (such extract as set out above). The Board will unanimously recommend to Shareholders that they vote in favour of the Company continuing to pursue an Acquisition for a further 12 months, the Acquisition being the VRFB Transaction. Shareholders should note the VRFB Transaction remains subject to certain (additional) Shareholder and regulatory approval, and which the Board currently anticipates will take between four and five months to conclude. The Company will communicate with Shareholders at a later date in respect of such additional resolutions that they will be asked to vote on.

The Board will not recommend that the Company be wound up. However, Shareholders should note that in the event that the Company was to be wound up, any capital available for distribution will be returned to Shareholders in accordance with the Company's articles of association. An ordinary resolution of Shareholders is required to voluntarily wind-up the Company unless the Directors resolve to petition the High Court in England and Wales to wind-up the Company. If Shareholders vote to wind the Company up, the remaining assets and liabilities will be settled in the normal course of business and any excess funds returned to Shareholders.

Due to the statement contained in the Prospectus and no vote having yet been proposed to Shareholders (the result of such vote therefore not being known), this is a material uncertainty that could result in the Company being wound up and not continuing to trade on a going concern basis. These events may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include any adjustments that may be necessary if the Company was not a going concern. For the reasons set out above, the Directors consider that, notwithstanding the uncertainty deemed to exist, it remains appropriate to prepare the financial statements on a going concern basis.

Principal Activities

The Company has identified the following criteria that it believes are important in evaluating a prospective target company or business or asset(s). It will generally use these criteria in evaluating acquisition opportunities. However, it may also decide to enter into an Acquisition with a target company or business or asset(s) that does not meet the below criteria.

The Directors intend to take an active approach to completing an acquisition and to adhere to the following criteria, insofar as reasonably practicable:

- **Geographic focus**: The Company intends, but is not required to, seek to acquire an exploration or production company or business or asset(s) with operations in energy or natural resources in any part of the world with: (i) strong underlying fundamentals and clear broad-based growth drivers; (ii) a meaningful population and an identifiable market; (iii) established financial regulatory systems; (iv) stable political structures; and (v) strong or improving governance and anti-corruption ratings.

- **Sector focus**: The Company intends to search initially for acquisition opportunities in the energy and natural resources sectors, but the Company shall not be limited to such sectors. The Directors believe that opportunities exist to create value for Shareholders through a properly executed, acquisition-led strategy in the energy or natural resources industry, however the Directors will consider other industries and sectors where they believe value may be created for Shareholders.

- **Identifiable routes to value creation**: The Company intends, but is not required to, seek to acquire a company or business or asset(s) in respect of which the Company can: (i) play an active role in the optimisation of strategy and execution; (ii) enhance existing management capabilities through the Directors' proven management skills and depth of experience; (iii) effect operational changes to enhance efficiency and profitability; and (iv) provide capital to support significant, credible, growth initiatives.

- **Management of an Acquisition**: An Acquisition may be made by direct purchase of an interest in a company, partnership or joint venture, or a direct interest in a project, and can be at any stage of development. Following the completion of an Acquisition, the Directors will work in conjunction with incumbent management teams to develop and deliver a strategy for performance improvement and/or strategic and operational enhancements.

Directors' Report (continued)

Auditors

The Board appointed BDO LLP as auditors of the Company. They have expressed their willingness to continue in office and it is currently intended that a resolution to reappoint them will be proposed at the Annual General Meeting.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report alongside the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the Company for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a director's report, a strategic report and director's remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' Report (continued)

Statement of Directors' responsibilities pursuant to Disclosure and Transparency Rule

Each of the Directors, whose names and functions are listed on pages 5 and 6 confirm that, to the best of their knowledge and belief:

- the financial statements prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and

- the Annual Report and financial statements, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

Post Balance Date Events

On 12 March 2021 the Company announced that it issued 1,671,600 new Ordinary Shares in the capital of the Company at a price per share of 10 pence raising gross proceeds of £167,160. The placing proceeds will be used to provide additional working capital for the Company and to allow it to have sufficient cash resources to undertake due diligence on future potential acquisitions.

The subscriber of the Placing Shares is Acacia Resources Limited ("Acacia"). Acacia was established in 2012 with a current focus on minerals involved in the energy transition process.

The principal purposes of the Placing and the Strategic Investment will be for the Company and Acacia:

- To invest together in manufacturing assets involved in the energy transition process with a relative focus on the energy storage/battery value chain; and
- To invest in the development of renewable energy projects where there is scope to include stationary energy storage.

On 26 April 2021 the Company announced the acquisition of a 22.1% interest in VRFB Holdings Limited ("VRFB-H") for US$7.524 million. VRFB-H is a 50 per cent. shareholder in Enerox Holding Limited ("EHL"). Bushveld Minerals Limited subsidiary, Bushveld Energy Limited is VRFB-H's majority shareholder, with 50.5% of its issued share capital. EHL is a special purpose vehicle which holds the entire issued share capital of Enerox GmbH ("Enerox"), an Austrian-based vanadium redox flow battery manufacturer. Enerox has invested more than 20 years of research and development into its CellCube energy storage system. Their vanadium-based technology is known to be state-of-the-art in the battery market and has already deployed more than 130 systems / 23 MWh across 5 continents.

The Company will fund its investment into VRFB-H by way of an issue of US$8,000,000 10 per cent. unsecured convertible loan notes ("CLNs") by the Company to certain investors ("CLN holders"), including its 24.03% shareholder Acacia Resources Limited. The CLNs shall be convertible into shares in the capital of the Company by no later than 31 December 2021, following (a) the approval of its shareholders of the Company's capital raising and, (b) the publication of a prospectus by the Company and Readmission of the Company to listing and trading as required given that the Company's VRFB-H Investment constitutes a reverse takeover under the Financial Conduct Authority's Listing Rules. If Readmission does not occur on or by 31 December 2021 ("Longstop Date") the Noteholders will receive shares in the capital of AIM-quoted Bushveld Minerals Limited ("BMN").

Directors' Report (continued)

Disclosure of Information to Auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This directors' report was approved by the Board of Directors on 10 May 2021 and is signed on its behalf by:



Alan Broome, AM
Chairman

Strategic Report

The Directors present the Strategic Report of Mustang Energy Plc for the year ended 31 December 2020.

Section 172(1) Statement - Promotion of the Company for the benefit of the members as a whole

The Directors believe they have acted in the way most likely to promote the success of the Company for the benefit of its members as a whole, as required by s172 of the Companies Act 2006.

Specific commentary has been made below against the relevant provisions of Section 172(1)(a) to (f) of the Companies Act:

(a) the likely consequences of any decision in the long term
The Company has not made any material decisions over the period other than its decision to raise new equity capital.

(b) the interests of the company's employees
Aside from the Executive Directors and Company Secretary, the Company does not have any other employees.

(c) the need to foster the company's business relationships with suppliers, customers and others
Aside from a small number of service providers, the success of the Company's investment strategy will be driven in part by the business relationships that exist between the Directors and the management of other energy companies and as such the maintenance of such relationships is given a very high priority by the Directors. Shareholders have been engaged with extensively as part of the capital raising and admission to LSE. For details, please refer to Post Balance Date Events statement above.

(d) the impact of the company's operations on the community and the environment
During the current investment phase the Company has no operations. The Directors are nevertheless cognisant of the potential impact of future investments on affected communities and the environment and such factors will continue to be considered as part of investment appraisal and decision making.

(e) the desirability of the company maintaining a reputation for high standards of business conduct
The Company's standing and reputation with other energy companies, equity investors, providers of debt, advisers and the relevant authorities are key in the Company achieving its investment objectives and the Company's ethics and behaviour, as summarised in the Company's Business Principle and Ethics, will continue to be central to the conduct of the Directors. The Company is advised by blue-chip experienced advisers which also assist in maintaining high standards of conduct. The policy the Company's Business Principle and Ethics can be found on the Company's website.

(f) the need to act fairly as between members of the company
The Directors will continue to act fairly between the members of the Company as required under the UK Corporate Governance Code.

The Company operates as a cash shell. The Directors are as transparent about the cash position of the Company and its funding requirements as is allowed under LSE regulations.

Strategic Report (continued)

The application of the s172 requirements can be demonstrated in relation to some of the key decisions made during 2020:

- Any contracts for services provided have been undertaken with a clear cap on financial exposure; and
- Maintain a policy of no rented office space with all directors working virtually.

As a cash shell Company, the Board seriously considers its ethical responsibilities to the communities and environment.

Review of Business in the Period

Operational Review

The Company's principal activity is set out in the Directors' Report on page 10.

Business Strategy

The Company is currently focused on delivering a material acquisition in the energy or natural resources sectors. The Directors note that as disclosed in the Prospectus dated 17 July 2019, if an acquisition has not been announced by the end of January 2021, the Board will recommend to Shareholders either that the Company continue to pursue an acquisition for a further 12 months or that the Company be wound up (in order to return capital to Shareholders, to the extent assets are available).

The Board's recommendation will then be put to a Shareholder vote (from which the Directors holding Ordinary Shares will abstain). In the event that the Company is wound up, any capital available for distribution will be returned to Shareholders in accordance with the Articles. An ordinary resolution of Shareholders is required to voluntarily wind-up the Company unless the Directors resolve to petition the High Court in England and Wales to wind-up the Company.

As at the date of this report, the Company has announced the acquisition of a 22.10% shareholding interest in VRFB Holdings Limited (the "VRFB Transaction"). Notwithstanding the announced VRFB Transaction, the Board shall propose a resolution to Shareholders at the Company's 2021 Annual General Meeting, to be held in June, in line with the commitment that was contained in the Prospectus.

Event since the period end

On 12 March 2021 the Company announced that it issued 1,671,600 new Ordinary Shares in the capital of the Company at a price per share of 10 pence raising gross proceeds of £167,160. The placing proceeds will be used to provide additional working capital for the Company and to allow it to have sufficient cash resources to undertake due diligence on future potential acquisitions.

The subscriber of the Placing Shares is Acacia Resources Limited ("Acacia"). Acacia was established in 2012 with a current focus on minerals involved in the energy transition process.

Strategic Report (continued)

The principal purposes of the Placing and the Strategic Investment will be for the Company and Acacia:

- To invest together in manufacturing assets involved in the energy transition process with a relative focus on the energy storage/battery value chain; and
- To invest in the development of renewable energy projects where there is scope to include stationary energy storage.

On 27 April 2021 the Company announced the acquisition of a 22.1% interest in VRFB Holdings Limited (“VRFB-H”) for US$7.524 million. VRFB-H is a 50 per cent shareholder in Enerox Holding Limited (“EHL”). Bushveld Minerals Limited subsidiary, Bushveld Energy Limited is VRFB-H’s majority shareholder, with 50.5% of its issued share capital. EHL is a special purpose vehicle which holds the entire issued share capital of Enerox GmbH ("Enerox"), an Austrian-based vanadium redox flow battery manufacturer. Enerox has invested more than 20 years of research and development into its CellCube energy storage system. Their vanadium-based technology is known to be state-of-the-art in the battery market and has already deployed more than 130 systems / 23 MWh across 5 continents.

The Company has funded its investment into VRFB-H by the issue of US$8,000,000 10 per cent. unsecured convertible loan notes ("CLNs") to certain investors, including its 24.03% shareholder Acacia. The CLNs shall be convertible into shares in the capital of the Company, calculated by dividing the nominal value (and accrued interest, if applicable) of the CLNs (using the average US$/GBP£ closing exchange rate as shown on Bloomberg over the five trading days prior to conversion) by 20 pence, by no later than 31 December 2021 (such date of conversion being the "Conversion Date"), following: (a) the approval of its shareholders of the Company’s capital raise; and (b) the publication of a prospectus by the Company and readmission of MUST to listing and trading; as required given that the Acquisition constitutes a reverse takeover ("RTO") under the Financial Conduct Authority's Listing Rules. The CLNs attract interest at a rate of 10 per cent. per annum, and can be satisfied at the time of conversion in cash or in shares of the capital of the Company (at the election of the Company). The CLN holders will receive warrants to subscribe for new shares in the capital of the Company (one warrant being issued for every two shares issued upon conversion of the CLN), exercisable at a price per share of 30 pence . The Warrants have an expiry period of three years from the date of issue.

Financial review

Results for the 2020 period

The Company incurred a loss for the period to 31 December 2020 of £231,901 (31 December 2019 – loss of £195,464).

Cash administrative expenses were £167,889 a small increase compared to 2020 (£167,642). For details please refer to Note 20.

In 2020 the Company granted a further 350,000 Options which increased share based payments reserve.

Loss per share: 0.03 cents (2019: loss of 0.04 cents).

Strategic Report (continued)

Trade and other receivables of £9,191 (2019: £8,000) mainly related to loans to employees, part of which was repaid during 2020.

Cash flow

Cash operating outflows for 2020 were £171,357 (31 December 2019 - £97,795 outflow). The outflow is represented mostly by payments for legal and professional costs and director's remuneration.

Closing cash

As at 31 December 2020, the Company held £345,200 of cash (31 December 2019 - £516,557).

Key Performance Indicators (KPI)

The sole KPI for the Company has been to source a suitable acquisition target. As at the date of this report this KPI has been met with the acquisition of a 22.1% interest in VRFB Holdings Limited.

Position of Company's Business

At the period end the Company's Statement of Financial Position shows net assets totaling £327,587 (31 December 2019 – £495,859). The Company has few working capital liabilities and is considered to have a strong cash position for a company operating as a cash shell, at the reporting date.

Environmental matters

The Board contains personnel with a good history of running businesses that have been compliant with all relevant laws and regulations and there have been no instances of non-compliance in respect of environmental matters.

Employee information

At present, there is one female Directors in the Company. The Company has a Chairman, a Managing Director, three Non-Executive Directors and no employees. The Company is committed to gender equality and during 2020 appointed a female Non-Executive Director.

If future roles are identified, a wide-ranging search would be completed with the most appropriate individual being appointed irrespective of gender.

Social/Community/Human rights matters

The Company ensures that employment practices take into account the necessary diversity requirements and compliance with all employment laws. The Board has experience in dealing with such issues and sufficient training and qualifications to ensure they meet all requirements.

Anti-corruption and anti-bribery policy

The government of the United Kingdom has issued guidelines setting out appropriate procedures for companies to follow to ensure that they are compliant with the UK Bribery Act 2010. The Company has conducted a review into its operational procedures to consider the impact of the Bribery Act 2010 and the Board has adopted an anti-corruption and anti-bribery policy which can be accessed on the Company's website

Strategic Report (continued)

Principal Risks and Uncertainties

The Company operates in an uncertain environment and is subject to a number of risk factors. The Directors consider the following risk factors are of particular relevance to the Company's activities although it should be noted that this list is not exhaustive and that other risk factors not presently known or currently deemed immaterial may apply.

The Company has acquired a 22.1% interest in VRFB Holdings Limited ("VRFB" or the "VRFB Acquisition", as the context requires). Whilst the acquisition itself is not subject to the approval of the Company's shareholders, certain other matters relating to it are, specifically but not limited to the issue of new shares in the capital of the Company and the disapplication of pre-emption rights in connection therewith on the anticipated conversion of the loan notes issued by the Company to finance the VRFB Acquisition. To address the aforesaid risks, certain shareholders (holding a majority of the shares in issue in the capital of the Company), including those Directors who hold shares, have provided irrevocable undertakings to vote in favour of the resolutions applicable to the VRFB Acquisition at the relevant time.

The Company's revenues, if any, shall be dependent on the underlying performance of Enerox GmbH ("Enerox"), an Austrian-based vanadium redox flow battery manufacturer. Enerox is subject to certain operational risks, including no critical spare equipment or plant availability during any required plant maintenance or shutdowns; asset integrity and health, safety, security and environment incidents. Enerox has operated for several years and has the necessary contingency plans in place to reduce operational risk. The Directors expect Enerox to leverage the experience of its experienced management team and those of its partners to mitigate any potential impacts of unforeseen events relating to operational performance. However, all actions required to mitigate these risks are to be carried out by third parties which cannot be controlled by the Company.

The Company's reputation is central to its future success, in terms of the way in which it conducts its business and the financial results which it achieves. Failure to meet the expectations of its shareholders, business partners and other stakeholders may have a material adverse effect on the Company's reputation and future revenue.

The Company is exposed to the general economic environment which is impacted by events such as the COVID-19 pandemic and, within a more national setting, Brexit. Following the VRFB Acquisition, the Company's increased geographical footprint gives it greater scope to adapt its operations to mitigate against or take advantage of economic fluctuations in different regions. Also, due its relatively small size, the Company can adapt reasonably quickly.

Operational restrictions may continue to be placed on or otherwise come into effect which impact the Company, its underlying investments and partners (including VRFB and, indirectly, Enerox) and their respective supply chains as a result of the spread of COVID-19. The restrictions could lead to production shutdowns and/or delays in obtaining critical equipment for capital projects.

Strategic Report (continued)

Letters of Undertaking

The Directors have each signed a letter of undertaking dated 17 July 2019 addressed to the Company that any acquisition opportunities in the energy or natural resources sector, excluding acquisition opportunities relating to the exploration and/or production of magnetite in North America, and/or the exploration and/or production of nickel sulphide in Western Australia and/or the Northern Territory of Australia, and/or the exploration and/or production of tin, tungsten or copper in South West England, originated by each of them respectively, will be offered to the Company first (individually the "Undertaking" and together the "Undertakings").

The specific reason for these exclusions is that Mr Broome and Mr Wale are directors of Strategic Minerals plc (AIM: SML) ("Strategic Minerals"), which is quoted on AIM and which has operations in these sectors within the stated linked geographical areas. To avoid any conflict with any duties owed to Strategic Minerals by Mr Broome and Mr Wale, these sectors and linked geographical areas have been excluded from any acquisition opportunities that Mr Broome and Mr Wale, as well as Mr Gallegos and Mr Holden will consider for the Company.

If the Company declines a particular acquisition opportunity it may then be offered to other entities the Directors are affiliated to. If an Undertaking is breached by a Director, recourse may potentially be taken by Shareholders for such breach. Furthermore, in the event of a breach of an Undertaking, it may also be likely that the Director in question has breached their fiduciary duties as a Director pursuant to the Companies Act 2006.

Further grounds for recourse may potentially therefore be available for Shareholders. It would be a commercial decision of the Shareholders as to whether any recourse should be taken in the event of a breach of an Undertaking. It should be noted however that as the Directors are also Shareholders and have been granted Options in the Company, they each have a financial stake in the Company which incentivises them to act in the interests of the Company.

The Board has decided that if the Company decides to proceed with an acquisition opportunity, the acquisition opportunity will only be handled by the Director/s whom a potential conflict of interest does not arise in relation to any other entities such Director/s may be affiliated with. Only the non-conflicted Director/s will be involved in the due diligence process and be able to decide if the acquisition opportunity is fit and proper for the Company.

Composition of the Board

A full analysis of the Board, its function, composition and policies, is included in the Governance Report.

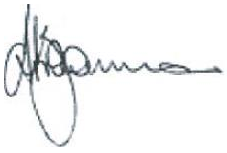
Strategic Report (continued)

Capital structure

The Company's capital consists of ordinary shares which rank pari passu in all respects which are traded on the Standard segment of the Main Market of the London Stock Exchange. There are no restrictions on the transfer of securities in the Company or restrictions on voting rights and none of the Company's shares are owned or controlled by employee share schemes.

There are no arrangements in place between shareholders that are known to the Company that may restrict voting rights, restrict the transfer of securities, result in the appointment or replacement of Directors, amend the Company's Articles of Association or restrict the powers of the Company's Directors, including in relation to the issuing or buying back by the Company of its shares or any significant agreements to which the Company is a party that take effect after or terminate upon, a change of control of the Company following a takeover bid or arrangements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that may occur because of a takeover bid.

Approved by the Board on 10 May 2021.



Alan Broome, AM
Chairman

Governance Report

Introduction

The Company recognises the importance of, and is committed to, high standards of Corporate Governance. Whilst the Company is not formally required to comply with the UK Corporate Governance Code, the Company has looked to the requirements of the UK Code of Corporate Governance published in July 2018 (the Code) for best practice. The following sections explain how the Company has applied the Code:

Compliance with the UK Code of Corporate Governance

The Company has stated that, to the extent practicable for a company of its size and nature, it follows the UK Corporate Governance Code. The Directors are aware that there are currently certain provisions of the UK Corporate Governance Code that the Company is not in compliance with, given the size and early stage nature of the Company. These include:

- Provision 11 of the Code requires that at least half of the board should be non-executive directors whom the board considers to be independent. Non-Executive Directors are interested in ordinary shares in the Company and cannot therefore be considered fully independent under the Code. However Alan Broome, Peter Wale, Simon Holden and Jacqueline Yee are considered to be independent in character and judgement.
- Provision 17 of the Code requires that the board should establish a Nomination Committee with at least two independent non-executive directors.
- Provision 24 of the Code requires that the board should establish an Audit Committee with at least two independent non-executive directors.
- Provision 25 of the Code requires that the board should establish a Risk Committee with comprised of independent non-executive directors.
- Provision 32 of the Code requires that the board should establish a Remuneration Committee with at least two independent non-executive directors.
- Provision 36 of the Code requires that the board should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.

Until the acquisition is made, the Company will not have nomination, remuneration, audit or risk committees. The Board as a whole will instead review its size, structure and composition, the scale and structure of the Directors' fees (taking into account the interests of Shareholders and the performance of the Company), take responsibility for the appointment of auditors, monitor and review the integrity of the Company's financial statements and take responsibility for any formal announcements on the Company's financial performance. Following an Acquisition, the Board intends to put in place nomination, remuneration, audit and risk committees.

The Board has a share dealing code that complies with the requirements of the Market Abuse Regulation. All persons discharging management responsibilities (comprising only the Directors at the current time) shall comply with the share dealing code at all times.

Governance Report (continued)

Compliance with the UK Code of Corporate Governance (continued)

The UK Corporate Governance Code can be found at www.frc.org.uk.

Set out below are Mustang Energy' corporate governance practices for the year ended 31 December 2020. After the Company has completed an acquisition, these corporate governance practices will be considered and reviewed to ensure they remain appropriate.

Leadership

The Company is headed by an effective Board which is collectively responsible for the long- term success of the Company.

The role of the Board - The Board sets the Company's strategy, ensuring that the necessary resources are in place to achieve the agreed strategic priorities, and reviews management and financial performance. It is accountable to shareholders for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. To achieve this, the Board directs and monitors the Company's affairs within a framework of controls which enable risk to be assessed and managed effectively. The Board also has responsibility for setting the Company's core values and standards of business conduct and for ensuring that these, together with the Company's obligations to its stakeholders, are widely understood throughout the Company. The Board has a formal schedule of matters reserved which is provided later in this report.

Board Meetings - The core activities of the Board are carried out in scheduled meetings of the Board. These meetings are timed to link to key events in the Company's corporate calendar and regular reviews of the business are conducted. Additional meetings and conference calls are arranged to consider matters which require decisions outside the scheduled meetings. During the period, the Board met on 2 occasions. Outside the scheduled meetings of the Board, the Directors maintain frequent contact with each other to discuss any issues of concern they may have relating to the Company or their areas of responsibility, and to keep them fully briefed on the Company's operations. Where Directors have concerns which cannot be resolved about the running of the company, or a proposed action, they will ensure that their concerns are recorded in the Board minutes.

Matters reserved specifically for Board - The Board has a formal schedule of matters reserved that can only be decided by the Board. The key matters reserved are the consideration and approval of:

- The Company's overall strategy;
- Financial statements and dividend policy;
- Management structure including succession planning, appointments and remuneration; material acquisitions and disposals, material contracts, major capital expenditure projects and budgets;
- Capital structure, debt and equity financing and other matters;
- Risk management and internal controls;
- The Company's corporate governance and compliance arrangements; and
- Corporate policies.

Governance Report (continued)

Summary of the Board's work in the period – During the period, the Board considered all relevant matters within its remit, but focused in particular on the establishment of the Company and the identification of suitable investment opportunities for the Company to pursue, the associated due diligence work as required and the decisions thereon.

Attendance at meetings:

Member	Position	Meetings attended
Alan Broome, AM	Non-Executive Chairman	2 of 2
Dean Gallegos	Managing Director	2 of 2
Peter Wale	Non-Executive Director	2 of 2
Simon Holden	Non-Executive Director	2 of 2
Jacqueline Yee	Non-Executive Director	0 of 0

The Chairman, Alan Broome, AM, proposes and seeks agreement to the Board Agenda and ensures adequate time for discussion.

The UK Corporate Governance Code also recommends the submission of all directors for re-election at annual intervals. No Director will be required to submit for re-election until the first annual general meeting of the Company following an Acquisition.

The terms and conditions of appointment of Non-Executive Directors will be made available upon written request.

Other governance matters - All of the Directors are aware that independent professional advice is available to each Director in order to properly discharge their duties as a Director.

The Company Secretary - The Company Secretary is Simon Holden who is responsible for the Board complying with UK procedures.

For the period under review the Board comprised of a Non-Executive Chairman and 3 Non-Executive Directors. Biographical details of the Board members are set out on pages 5 to 6 of this report.

The Directors are of the view that the Board consist of Directors with an appropriate balance of skills, experience, independence and diverse backgrounds to enable them to discharge their duties and responsibilities effectively.

Independence - The non-executive Directors bring a broad range of business and commercial experience to the Company. The Board considers Alan Broome, Peter Wale, Simon Holden and Jacqueline Yee to be independent in character and judgement; this has been explored in more detail on page 21.

Appointments – the Board is responsible for reviewing the structure, size and composition of the Board and making recommendations to the Board with regards to any required changes.

Commitments – All Directors have disclosed any significant commitments to the Board and confirmed that they have sufficient time to discharge their duties.

Governance Report (continued)

Induction - All new Directors received an informal induction as soon as practical on joining the Board. No formal induction process exists for new Directors, given the size of the Company, but the Chairman ensures that each individual is given a tailored introduction to the Company and fully understands the requirements of the role.

Board performance and evaluation – The Chairman normally carries out an annual formal appraisal of the performance of the other Directors which takes into account the objectives set in the previous period and the individual's performance in the fulfilment of these objectives.

Although the Board consisted of four male Directors and one female Director, the Board supports diversity in the Boardroom and the Financial Reporting Council's aims to encourage such diversity. Aside from the Directors, there are no employees in the Company. The following table sets out a breakdown by gender at 31 December 2020:

	Male	Female
Directors	4	1

The Board will pursue an equal opportunity policy and seek to employ those persons most suitable to delivering value for the Company.

Accountability

The Board is committed to providing shareholders with a clear assessment of the Company's position and prospects. This is achieved through this report and as required other periodic financial and trading statements. The Board has made appropriate arrangements for the application of risk management and internal control principles.

Going concern – The preparation of the financial statements requires an assessment on the validity of the going concern assumption.

In making their assessment of going concern, the Directors have reviewed forecasts, under one which entails continuing to search for an acquisition, for a period of at least 12 months from the date of approval of these financial statements. The Directors recognise the small cost base of the Company and its ability to conserve cash. As a result the Directors consider that the Company has sufficient funds for the required timeframe and as such they consider it appropriate to adopt the going concern basis in the preparation of the financial statements.

Internal controls - The Board of Directors reviews the effectiveness of the Company's system of internal controls in line with the requirement of the Code. The internal control system is designed to manage the risk of failure to achieve its business objectives. This covers internal financial and operational controls, compliance and risk management. The Company had necessary procedures in place for the period under review and up to the date of approval of the Annual Report and financial statements. The Directors acknowledge their responsibility for the Company's system of internal controls and for reviewing its effectiveness. The Board confirms the need for an ongoing process for identification, evaluation and management of significant risks faced by the Company. The Directors carry out a risk assessment before signing up to any commitments.

The Directors are responsible for taking such steps as are reasonably available to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Governance Report (continued)

At the present, due to the size of the Company, there is no internal audit function. The requirement for internal audit will be considered following the completion of an acquisition.

External auditor

The Company's external auditor is BDO LLP. The external auditor has unrestricted access to the Board. The Board is satisfied that BDO LLP has adequate policies and safeguards in place to ensure that auditor objectivity and independence are maintained. The external auditors report to the Board annually on their independence from the Company. In accordance with professional standards, the partner responsible for the audit is changed every five periods. The current auditor, BDO LLP was first appointed by the Company in October 2019, and therefore the current partner is due to rotate off the engagement after completing the audit for the period ended 31 December 2024. Having assessed the performance objectivity and independence of the auditors, the Board currently intends to reappoint BDO LLP as auditors to the Company at the 2020 Annual General Meeting.

BDO LLP were paid £26,225 in relation to the audit of the 31 December 2020 financial statements.

Shareholder relations

Communication and dialogue – Open and transparent communication with shareholders is given high priority and there is regular dialogue with institutional investors, as well as general presentations made at the time of the release of the annual and interim results. All Directors are kept aware of changes in major shareholders in the Company and are available to meet with shareholders who have specific interests or concerns. The Company issues its results promptly to individual shareholders and also publishes them on the Company's website. Regular updates to record news in relation to the Company and the status of its exploration and development programmes are included on the Company's website. Shareholders and other interested parties can subscribe to receive these news updates by email by registering online on the website free of charge.

The Directors are available to meet with institutional shareholders to discuss any issues and gain an understanding of the Company's business, its strategies and governance. Meetings can also held with the corporate governance representatives of institutional investors when requested.

Annual General Meeting - At every AGM individual shareholders will be given the opportunity to put questions to the Chairman and to other members of the Board that may be present. Notice of the AGM is sent to shareholders at least 21 working days before the meeting. Details of proxy votes for and against each resolution, together with the votes withheld are announced to the London Stock Exchange and are published on the Company's website as soon as practical after the meeting.

Approved on behalf of the Board of Directors by:



Alan Broome, AM
Non-Executive Chairman
10 May 2021

Remuneration Report

Remuneration Report Approval

A resolution to approve this report will be proposed at the AGM of the Company. The vote will have advisory status, will be in respect of the remuneration policy and overall remuneration packages and will not be specific to individual levels of remuneration.

Remuneration policy

The Company does not have approved remuneration policy. In accordance with the commitments made in the Company's IPO prospectus, the Company did not remunerate any of its Non-Executive Directors in the relevant period for their ordinary duties prior to an acquisition and currently has no employees. In February 2020 given the investment of time in the operation of the Company and its search for a suitable acquisition the Board approved a monthly payment of £5,000 to the Managing Director Dean Gallegos.

Non-executive Directors

The Company policy is that the Non-Executive Directors are expected to attend scheduled board meetings and attend committee meetings as required. The Company does not have service contracts with any of the directors.

Other Employees

At present there are no other employees in the Company other than the Directors, so this policy only applies to the Board.

Terms of appointment

The services of the Directors are provided in accordance with their appointment letter. Directors are expected to devote such time as is necessary for the proper performance of their duties, but as a minimum they are expected to commit at least one day per month, which shall include attendance at all meetings of the Board and any sub-committees of the Board.

Director	**Period of appointment**	**Number of periods completed**
Alan Broome, AM	2018	3
Dean Gallegos	2018	3
Peter Wale	2018	3
Simon Holden	2018	2
Jacqueline Yee	2020	0

Remuneration Report (continued)

Compensation of key management personnel (audited)

Set out below are the emoluments of the Directors for the year ended 31 December 2020 (GBP):

	Fixed pay		Variable pay			
Name of Director	Salary and fees	Taxable benefits	Annual bonus and long term benefits	Pension related benefits	Share based payments	Total
	£	£	£	£	£	£
Alan Broome, AM	-	-	-	-	3,703	3,703
Dean Gallegos	55,000	-	-	-	25,920	80,920
Peter Wale	-	-	-	-	3,703	3,703
Simon Holden	-	-	-	-	3,703	3,703
Jacqueline Yee	-	-	-	-	26,600	26,600

Set out below are the emoluments of the Directors for the period ended 31 December 2019 (GBP):

	Fixed pay		Variable pay			
Name of Director	Salary and fees	Taxable benefits	Annual bonus and long term benefits	Pension related benefits	Share based payments	Total
	£	£	£	£	£	£
Alan Broome, AM	-	-	-	-	1,697	1,697
Dean Gallegos	-	-	-	-	11,880	11,880
Peter Wale	-	-	-	-	1,697	1,697
Simon Holden	-	-	-	-	1,697	1,697

Pension contributions (audited)

The Company does not currently have any pension plans for any of the Directors and does not pay pension amounts in relation to their remuneration.

The Company has not paid out any excess retirement benefits to any Directors or past Directors.

Payments to past directors (audited)

The Company has not paid any compensation to past Directors.

Remuneration Report (continued)

Payments for loss of office (audited)

No payments were made for loss of office during the period.

UK Remuneration percentage changes

The following table shows the percentage change in the remuneration of directors in 2020 and 2019.

Base salary		2020 £	2019 £
	Managing Director	55,000	-

UK 10-period performance graph

The Directors have considered the requirement for a UK 10-period performance graph comparing the Company's Total Shareholder Return with that of a comparable indicator. The Directors do not currently consider that including the graph will be meaningful because the Company has only been listed since July 2019, is not paying dividends, is currently incurring losses as it gains scale and its focus is to seek an acquisition. In addition and as mentioned above, the remuneration of Directors is not currently linked to performance and we therefore do not consider the inclusion of this graph to be useful to shareholders at the current time. The Directors will review the inclusion of this table for future reports.

UK 10-period CEO table and UK percentage change table

The Directors have considered the requirement for a UK 10-period CEO table. The Directors do not currently consider that including these tables would be meaningful given that the Company is not yet trading and the Directors are not yet remunerated for their services, except Managing Director. The Directors will review the inclusion of this table for future reports.

Relative importance of spend on pay

The Directors have considered the requirement to present information on the relative importance of spend on pay compared to shareholder dividends paid. Given that the Company does not currently pay dividends we have not considered it necessary to include such information.

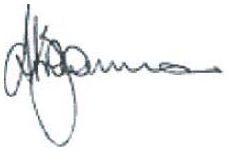
UK Directors' shares (audited)

The interests of the Directors who served during the year in the share capital of the Company at 31 December 2020 and at the date of this report has been set out in the Directors' Report on page 7.

Other matters

The Company does not currently have any other annual or long-term incentive schemes in place for any of the Directors and as such there are no disclosures in this respect.

Approved on behalf of the Board of Directors by:



Alan Broome, AM
Non-Executive Chairman
10 May 2021

Independent auditor's report to the members of Mustang Energy Plc

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of the Company's loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mustang Energy Plc (the 'Company') for the year ended 31 December 2020 which comprise of the Statement of Comprehensive Income, the Statement of Financial position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

We were appointed by the Board of the directors on 15 October 2019 to audit the financial statements for the period ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 2 years, covering the years ending 31 December 2019 to 31 December 2020. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Material uncertainty relating to going concern

We draw attention to note 1.2 of the financial statements, which indicates that the impact of the ongoing COVID-19 pandemic and the significant collapse in the oil price during the period impacted the Company's ability to assess and, ultimately, enter into a transaction to acquire any business, asset or interest in an asset within the exploration and production sectors. As stated in note 1.2, as part of the Prospectus issued on Initial Public Offering (IPO), the directors disclosed the intention that if an acquisition had not been completed by January 2021, the members would take a vote to either continue the search for a transaction for a further 12 months or wind up the Company and return any excess funds. Due to the statement contained in the Prospectus and no vote having yet been proposed to Shareholders (the result of such vote therefore not being known), this is a material uncertainty that could result in the Company being wound up and not continuing to trade on a going concern basis. These events may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Given the conditions and uncertainties noted above, we considered going concern to be a key audit matter. We have performed the following work as part of our audit:

- Confirmed with the directors, and by reference to the IPO prospectus and subsequent board minutes and RNS announcements, that it remains the intention of the directors to propose a shareholder vote regarding the continuance of the Company;
- Obtained the VRFB-H investment agreement and confirmed that any future funding will be in the form of equity on pre-emptive terms with customary dilution provisions should the company not fund its pro rata requirement;
- Obtained the terms of the US$8.0 million convertible loan notes ("CLN's") used to fund the US$7.524 million VRFB-H acquisition and confirmed the CLN's could not be redeemed for cash;
- Obtained the Directors' cash flow forecast and tested the key operating assumptions based on 2020 and 2021 year to date actual results and external data, where possible;
- Performed reverse stress testing to determine cash flow sensitivities; and
- Considered the adequacy of disclosure within note 1.2 to the financial statements.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	*100% (2019: 100%) of Company loss before tax* *100% (2019: 100%) of Company total assets*
Key audit matters	2020 — 2020 — 2019 Going concern — X — X Valuation of share options and warrants — - — X Valuation of share options and warrants is no longer considered to be a key audit matter.
Materiality	*Financial statements as a whole* £3,000 (2019: £3,000) based on 1.25% (2019: 1.25%) of gross expenditure.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. We determined that there were no matters in addition to the matter described in the Material uncertainty related to going concern section to be communicated in our report.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

	Company financial statements	
	2020	2019
Materiality	£3,000	£3,000
Basis for determining materiality	1.25% of gross expenditure	
Rationale for the benchmark applied	We consider gross expenditure to be the financial metric of the most relevance to shareholders and other users of the financial statements, given the Company's current situation as a non- trading company.	
Performance materiality	£2,250	£2,250
Basis for determining performance materiality	Performance materiality was set at 75% of the above materiality levels.	

Reporting threshold

We agreed with the Board that we would report to them all individual audit differences in excess of £150 (2019: £150). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept , or returns adequate for our audit have not been received from branches not visited by us; or • the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (UK) 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 these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We held discussions with management and the Board to consider any known or suspected instances of non-compliance with laws and regulations or fraud identified by them;
- Considering the significant laws and regulations of the UK to be those relating to the industry, financial reporting framework, tax legislation and the listing rules;
- Assessing the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur;
- The Company made few transactions in year. In addition to our audit testing, we identified and tested any large or unusual journal entries made in the year. We determined unusual journals by selecting key risk characteristics to filter the population of journals selected for testing;
- We reviewed estimates and judgements applied by Management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- We reviewed unadjusted audit differences for indications of bias or deliberate misstatement.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
DA402FC8EA454AC...

Peter Acloque (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
10 May 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income

	Note	Year ended 12 months ended 31 December 2020 £	Period ended 11 months ended 31 December 2019 £
Administrative expenses	20	(231,901)	(195,464)
Operating loss		**(231,901)**	**(195,464)**
Loss before taxation		(231,901)	(195,464)
Taxation		-	-
Loss for the period		**(231,901)**	**(195,464)**
Other comprehensive income for the period		-	-
Total comprehensive loss or the period attributable to the equity owners	19	**(231,901)**	**(195,464)**
Loss per share from continuing operations attributable to the equity owners			
Basic and diluted loss per share (pence per share)	8	**(0.03)**	**(0.05)**

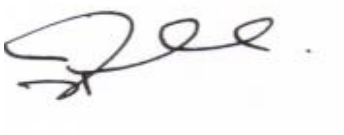
The notes to the financial statements on page 39 to page 50 form an integral part of these financial statements.

Statement of Financial Position

	Note	As at 31 December 2020 £	As at 31 December 2019 £
Assets			
Non-current assets			
Property, plant and equipment		168	551
Total non-current assets		**168**	**551**
Current assets			
Trade and other receivables	9	25,085	31,282
Cash and cash equivalents		345,200	516,557
Total current assets		**370,285**	**547,839**
Total assets		**370,453**	**548,390**
Equity and liabilities			
Equity attributable to shareholders			
Share capital	12	84,000	84,000
Share premium	13	654,000	654,000
Share based payments reserve		91,100	27,471
Retained deficit	14	(501,513)	(269,612)
Total equity		**327,587**	**495,859**
Liabilities			
Current liabilities			
Trade and other payables	10	42,866	52,531
Total liabilities		**42,866**	**52,531**
Total equity and liabilities		**370,453**	**548,390**

The notes to the financial statements on page 39 to page 50 form an integral part of these financial statements

This report was approved by the board and authorised for issue on 10 May 2021 and signed on its behalf by:



Dean L Gallegos
Managing Director
Company Registration Number: 11155663

Statement of Changes in Equity

	Share capital £	Share premium account £	Share based payments reserve £	Retained deficit £	Total equity £
Balance as at 1 February 2019 (unaudited)	-	-	-	(74,148)	(74,148)
Period ended 31 December 2019					
Total comprehensive loss for the period	-	-	-	(195,464)	(195,464)
Issue of share capital	84,000	654,000	-	-	738,000
Share based payment	-	-	27,471	-	27,471
Balance as at 31 December 2019	**84,000**	**654,000**	**27,471**	**(269,612)**	**495,859**
Year ended 31 December 2020					
Total comprehensive loss for the period	-	-	-	(231,901)	(231,901)
Share based payment	-	-	63,629	-	63,629
Balance as at 31 December 2020	**84,000**	**654,000**	**91,100**	**(501,513)**	**327,587**

Share capital comprises the ordinary issued share capital of the Company.

Share premium represents consideration less nominal value of issued shares and costs directly attributable to the issue of new shares.

Share based payments represents the value of equity settled share-based payments provided to employees, including key management personnel, and third parties for services provided.

Retained deficit represents the cumulative retained losses of the Company at the reporting date.

The notes to the financial statements on page 39 to page 50 form an integral part of these financial statements.

Statement of Cash Flows

	Note	12 months to 31 December 2020 £	11 months to 31 December 2019 £
Cash (absorbed by) from operations	19	(171,357)	(97,795)
Cash flow from operating activities			
Cash (absorbed by) from operations	19	(171,357)	(97,795)
Cash flow from operating activities		**(171,357)**	**(97,795)**
Investing activities			
Purchase of property, plant and equipment		-	-
Net cash (used) in investing activities		**-**	**-**
Financing activities			
Proceeds from issue of shares (net of share issue costs)	12	-	629,000
Repayment of loans and borrowings		-	(19,419)
Proceeds from loans and borrowings		-	4,771
Net cash generated from financing activities		**-**	**614,352**
Net increase/(decrease) in cash and cash equivalents		**(171,357)**	**516,557**
Cash and cash equivalents at beginning of period		516,557	-
Cash and cash equivalents at end of period		345,200	516,557

The notes to the financial statements on page 39 to page 50 form an integral part of these financial statements.

1 Accounting policies

Company information

Mustang Energy PLC is a public company limited by shares incorporated and domiciled in England and Wales. The registered office is 48 Chancery Lane, c/o Keystone Law, London, WC2A 1JF.

1.1 Accounting convention

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

1.2 Going concern

During the period the company made losses of £231,901 and at the reporting date had accumulated losses of £501,513. However, it should also be noted the company did have net assets of £370,453 at the reporting date.

The company funds its operations through the issue of share capital at a premium and at the reporting date had raised total financing of £738,000 with the view of seeking additional equity capital in the future.

As noted in the Chairman's report the impact of the ongoing COVID-19 pandemic and the significant collapse in the oil price during the period impacted the Company's ability to assess and, ultimately, enter into a transaction to acquire any business, asset or interest in an asset within the exploration and production sectors. However, given the limited overheads in the business, the Directors have assessed the cash flow forecast and do not consider the continued impacts of COVID-19 will have an impact on the ability to manage the costs over the next 12 months.

As set out in the Company's prospectus dated 17 July 2019 (the "Prospectus"), if an Acquisition was not announced within 18 months of Admission (i.e. by 29 January 2021), the Board would recommend to Shareholders to approve that the Company either continue to pursue an Acquisition for a further 12 months from such date or that the Company be wound up (in order to return capital to Shareholders to the extent assets are available). The Board's recommendation would then be put to a Shareholder vote (from which the Directors holding Ordinary Shares will abstain).

The statement from the Prospectus reads as follows: "*If an Acquisition has not been announced within 18 months of Admission, the Board will recommend to Shareholders that the Company either continue to pursue an Acquisition for a further 12 months from such date or that the Company be wound up (in order to return capital to Shareholders to the extent assets are available). The Board's recommendation will then be put to a Shareholder vote (from which the Directors holding Ordinary Shares will abstain).*"

As at the date of this report, the Company has announced the acquisition of a 22.10% shareholding interest in VRFB Holdings Limited (the "VRFB Transaction"). Given that the Company has been in active discussions with the relevant stakeholders in connection with the VRFB Transaction for the past several weeks, and because the Board was wary of the significant risk posed by other interested parties making offers should negotiations between the Company and such stakeholders become unduly protracted, the Board resolved that it was in the best interests of the Company and Shareholders as a whole if the VRFB Transaction was prioritised ahead of calling a Shareholder meeting to vote on the Board's recommendation. Shareholders should note that if a meeting was called earlier in the year, the Board's recommendation would have been the same then as it is at the time of writing; unanimously in favour of the Company continuing to pursue an Acquisition. The Board would not have recommended to Shareholders that the Company be wound up.

To finance the VRFB Transaction, the Company raised US$8,000,000 by the issue of convertible loan notes which accrue interest at a rate of 10 per cent. per annum (the "Loan Notes"). On readmission of the Company's shares to trading on the Standard segment of the London Stock Exchange's main market for listed securities ("Readmission"), the Company will issue to the holders of the Loan Notes ("Noteholders") ordinary shares in the capital of the Company at a price per share of 20 pence equivalent to the total principal amount of the Loan Notes, save that if Readmission does not occur on or by 31 December 2021 ("Longstop Date") the Noteholders will receive shares in the capital of AIM-quoted Bushveld Minerals Limited ("BMN"). Any accrued interest on the Loan Notes shall be capable of being satisfied, at the sole discretion of the Company, by the issue of shares in the capital of the Company in the event Readmission occurs by the Longstop Date or shares in the capital of BMN in the event it does not. The Board does not anticipate any cash being payable by the Company in relation to the Loan Notes.

Notwithstanding the announced VRFB Transaction, the Board shall propose a resolution to Shareholders at the Company's 2021 Annual General Meeting, to be held in June, in line with the commitment that was contained in the Prospectus (such extract as set out above). The Board will unanimously recommend to Shareholders that they vote in favour of the Company continuing to pursue an Acquisition for a further 12 months, the Acquisition being the VRFB Transaction. Shareholders should note the VRFB Transaction remains subject to certain (additional) Shareholder and regulatory approval, and which the Board currently anticipates will take between four and five months to conclude. The Company will communicate with Shareholders at a later date in respect of such additional resolutions that they will be asked to vote on.

The Board will not recommend that the Company be wound up. However, Shareholders should note that in the event that the Company was to be wound up, any capital available for distribution will be returned to Shareholders in accordance with the Company's articles of association. An ordinary resolution of Shareholders is required to voluntarily wind-up the Company unless the Directors resolve to petition the High Court in England and Wales to wind-up the Company. If Shareholders vote to wind the Company up, the remaining assets and liabilities will be settled in the normal course of business and any excess funds returned to Shareholders.

Due to the statement contained in the Prospectus and no vote having yet been proposed to Shareholders (the result of such vote therefore not being known), this is a material uncertainty that could result in the Company being wound up and not continuing to trade on a going concern basis. These events may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include any adjustments that may be necessary if the Company was not a going concern. For the reasons set out above, the Directors consider that, notwithstanding the uncertainty deemed to exist, it remains appropriate to prepare the financial statements on a going concern basis.

Accounting policies (Continued)

1.3 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.4 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.5 Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks.

1.6 Financial assets

There are no other categories of financial instrument other than those listed below:

Trade and other receivables

Other receivables are recognised and measured at nominal value less any provision for impairment.

The Company applies the expected credit loss model in respect of trade and other receivables. The Company tracks changes in credit risk, and recognises a loss allowance based on lifetime ECLs at each reporting date. Lifetime ECLs are determined using all relevant, reasonable and supportable historical, current and forward-looking information that provides evidence about the risk that the trade and other receivables will default and the amount of losses that would arise as a result of that default. Analysis indicated that the Company will fully recover the carrying value of the trade and other receivables so no ECL has been recognised in the current period.

1.7 Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the asset of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

Trade payables are stated at their amortised cost.

1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Accounting policies (Continued)

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

The Company is registered in England and Wales and is taxed at the company standard rate of 19%.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.9 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes pricing model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

1.10 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

2 Adoption of new and revised standards and changes in accounting policies Standards which are in issue but not yet effective

No new International Financial Reporting Standards (IFRS), amendments or interpretation became effective in the year ended 31 December 2020 which has a material effect on this financial information.

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective:

Accounting policies (Continued)

- Conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments regarding replacement issues in the context of the IBOR reform
- Amendments to IFRS 9 derecognition of financial liabilities
- Amendments to the presentation of Financial Statements: Classification of liabilities
- Amendments to IAS 16 in deducting amounts received from the cost
- Amendments to IAS 37 in assessing whether a contract is onerous

It is not anticipated that adoption of the standards and interpretations listed above will have a material impact on the current financial position and performance of the company.

3 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements and estimates

a) Share option

The valuation of the options and warrants incorporates a judgmental value. The Directors valued the options and warrants, using the Black Scholes model where inputs such a volatility, dividend yield and risk free rate require judgement. Volatility is a key estimate and therefore share options and warrants is considered a key judgment. Directors used an average volatility excluding certain outliers. The model is sensitive to volatility assumptions and the expected term of the underlying instruments. A 10% change in volatility rate could result in £1,750 impact on income statement.

There are no other estimates and assumptions that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial period.

4 Operating loss

	Year ended 12 months ended 31 December 2020 £	Period ended 11 months ended 31 December 2019 £
Operating loss for the period is stated after charging / (crediting):		
Exchange gains	-	(479)
Fees payable to the company's auditor for the audit of the financial statements	26,225	27,500
Depreciation of property, plant and equipment	383	351
Share-based payments	63,629	27,141

5 Employees

The average monthly number of persons (including directors) employed by the company during the period was:

	Year ended 31 December 2020	Period ended 31 December 2019
Directors	5	4

The Directors were the key management personnel. Their compensation is disclosed in note 6 to the financial statements.

6 Compensation of key management personnel

	12 months to 31 December 2020	11 months to 31 December 2019
	£	£
Share based payments	63,629	16,971
Salaries	55,000	-
	118,629	**16,971**

7 Income tax expense

At the reporting date the company had accumulated tax losses of approximately £295,000 (2019 - £163,000) available for carry forward against future trading profits. There is no expiry date on the remaining losses as at 31 December 2020.

No deferred tax asset has been provided for in relation to these losses.

8 Loss per share Period ended

	Year ended 12 months ended 31 December 2020 £	Period ended 11 months ended 31 December 2019 £
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	8,400,000	4,230,541
Weighted average number of ordinary shares for diluted earnings per share	8,400,000	4,230,541
Loss		
Loss for the period from continued operations	(231,901)	(195,464)
Loss for basic and diluted earnings per share being net profit attributable to equity shareholders of the company for continued operations	(231,901)	(195,464)
Loss per share Period ended (continued)		
Loss per share for continuing operations		
Basic and diluted loss per share	(0.03)	(0.05)

The share options and warrants as disclosed in note 11 are considered to be anti-dilutive.

9 Trade and other receivables

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Other receivables	9,191	8,000
VAT recoverable	8,642	14,671
Prepayments	7,252	8,611
	25,085	**31,282**

10 Trade and other payables

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Trade Payables	9,116	18,245
Accruals	33,750	34,286
	42,866	**52,531**

11 Share-based payment transactions

	Number of warrants	Number of options
Outstanding at 1 January 2020	210,000	900,000
Granted	-	350,000
Outstanding at 31 December 2020	210,000	1,250,000
Exercisable at 31 December 2020	210,000	1,250,000

In July 2019 210,000 Warrants and 900,000 options were granted with an exercise price of 10p each.

Each Warrant entitles the Warrant Holder to subscribe for one Ordinary Share at the Placing Price per each Ordinary Share. The Warrants have not been admitted to trading on the Official List but are freely transferable. The Warrant Holder must exercise the Warrants within a three year period from 29 July 2019. The Warrants can be transferred by means of an instrument of transfer in any usual form or any other form approved by the Board.

The Warrants have been granted to Optiva Securities Limited in consideration for the provision of brokering services to the Company (and other services ancillary to the Admission of shares onto the London Stock Exchange). On 16 February 2021, the Warrants have been exercised at £21,000 total price.

The fair value of the warrants at their grant date has been calculated using the Black Scholes Model and a valuation of £10,500 was adjusted through the Share based payment reverse in equity during the prior year.

On 29 July 2019, the Company granted 900,000 Options to company directors. Each Option entitles the Option Holder to subscribe for one Ordinary Share at the Placing Price per each Ordinary Share. The Options vest when the share price of the Ordinary Shares reaches 15p. The Option Holders must exercise the Options within a five-period period from 29 July 2019, subject to the Options having vested.

On 18 May 2020, the Company granted a further 350,000 Options to a company director which have the same entitlements and vesting conditions as those granted on 29 July 2019.

On 15 December 2020 the Company achieved a share price of 15p and therefore all Options have vested and exercisable.

The fair value of the options at their grant date has been calculated using the Black Scholes Model and a valuation of £63,629 has been recognised through the Share based payment reverse in equity during the current period (2019: £16,971).

Share-based payment transactions (continued)
Black Scholes Model

	At grant date of 29 July 2019 Warrants	At grant date of 29 July 2019 Options
Share Price	£0.10	£0.10
Exercise Price	£0.10	£0.10
Expected volatility	80%	80%
Risk-free interest rate	0.68%	0.68%
Expected life	3 periods	5 periods
Number of warrants/options granted	210,000	900,000

	At grant date of 18 May 2020 Options
Share Price	£0.11
Exercise Price	£0.10
Expected volatility	96%
Risk-free interest rate	0.68%
Expected life	4 periods
Number of options granted	350,000

12 Share Capital

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Ordinary Share capital		
Issued		
8,400,000 Ordinary shares of 1p each	84,000	84,000
	84,000	**84,000**

The Ordinary shares have attached to them full voting rights, dividend and capital distribution rights (including on a winding up) but they do not confer any rights of redemption.

13 Share premium account

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
At the beginning of period	654,000	-
Issue of new shares	-	675,000
Less directly attributable issue costs	-	(21,000)
At end of period	**654,000**	**654,000**

14 Retained Earnings

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
At the beginning of period	(269,612)	(74,148)
Loss for the period	(231,901)	(195,464)
At end of period	**(501,513)**	**(269,612)**

The retained earnings reserve represents cumulative profits and losses, net of dividends paid and other adjustments.

15 Events after reporting date

On 12 March 2021 the Company announced that it issued 1,671,600 new Ordinary Shares in the capital of the Company at a price per share of 10 pence raising gross proceeds of £167,160. The placing proceeds will be used to provide additional working capital for the Company and to allow it to have sufficient cash resources to undertake due diligence on future potential acquisitions.

The subscriber of the Placing Shares is Acacia Resources Limited ("Acacia"). Acacia was established in 2012 with a current focus on minerals involved in the energy transition process.

The principal purposes of the Placing and the Strategic Investment will be for the Company and Acacia:

- To invest together in manufacturing assets involved in the energy transition process with a relative focus on the energy storage/battery value chain; and
- To invest in the development of renewable energy projects where there is scope to include stationary energy storage.

On 26 April 2021 the Company announced the acquisition of a 22.1% interest in VRFB Holdings Limited (“VRFB-H”) for US$7.524 million. VRFB-H is a 50 per cent. shareholder in Enerox Holding Limited (“EHL”). Bushveld Minerals Limited subsidiary, Bushveld Energy Limited is VRFB-H’s majority shareholder, with 50.5% of its issued share capital. EHL is a special purpose vehicle which holds the entire issued share capital of Enerox GmbH ("Enerox"), an Austrian-based vanadium redox flow battery manufacturer. Enerox has invested more than 20 years of research and development into its CellCube energy storage system. Their vanadium-based technology is known to be state-of-the-art in the battery market and has already deployed more than 130 systems / 23 MWh across 5 continents. The Company will fund its investment into VRFB-H by way of an issue of US$8,000,000 10 per cent. unsecured convertible loan notes ("CLNs") by the Company to certain investors ("CLN holders"), including its 24.03% shareholder Acacia Resources Limited.

The CLNs shall be convertible into shares in the capital of the Company by no later than 31 December 2021, following (a) the approval of its shareholders of the Company's capital raising and, (b) the publication of a prospectus by the Company and Readmission of the Company to listing and trading as required given that the Company's VRFB-H Investment constitutes a reverse takeover under the Financial Conduct Authority's Listing Rules. If Readmission does not occur on or by 31 December 2021 ("Longstop Date") the Noteholders will receive shares in the capital of AIM-quoted Bushveld Minerals Limited ("BMN").

16 Related party transactions

Remuneration of key personnel

The remuneration of directors, who are key management personnel, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures.*

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Share based payments	63,629	16,971
Salary	55,000	-
	118,629	**16,971**

Directors' loans

At the reporting date £8,100 (2019 - £9,000) was due from the directors to the company in respect of unsettled share capital. £6,300 was due from D L Gallegos, and £900 was each due from A J Broome and P V Wale. An amount of £900 due from S W Holden was settled during the year. These amounts are repayable on demand, interest free and are considered fully recoverable.

In addition, £1,000 (2019 – £1,000 was due to) was due from D L Gallegos and £91 (2019 - £nil) was due from S W Holden. These amounts are repayable on demand, interest free and are considered fully recoverable.

17 Controlling party

The company has no immediate or ultimate controlling party.

18 Financial instruments and associated risks

The company has the following categories of financial instruments at the period end:

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Financial assets at amortised cost:		
Cash and cash equivalents	345,200	516,557
Other receivables	9,191	8,000
	354,391	**524,557**

Financial liabilities at amortised cost:		
Trade Payables	9,116	18,245
Accruals	33,750	34,286
	42,866	**52,531**

There are no material differences between the fair value and the book value of the financial assets and liabilities.

The company has exposure to the following risks from the use of financial investments:

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company has sufficient liquid assets to meet the operating needs of the business. The financial obligations are very minimal therefore the company is unlikely to be exposed to significant liquidity risk.

Foreign currency risk

Virtually all transactions are conducted in the company's functional currency of UK pound. Occasional small value invoices were paid in US dollars and AUS dollars. It is therefore not significantly exposed to foreign exchange risk arising from exchange rate movements between the US dollar, AUS dollar and the UK pound.

Credit risk

The company does not generate any revenue therefore there is no exposure to credit risk from revenue. The company's financial assets as at the date of financial position were minimal and deemed recoverable.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "B" are accepted.

Market risk

The company was formed to undertake an acquisition of a target company or business or asset(s) with operations in the energy or natural resources sectors. Any regulatory or market price changes in this sector might affect the company's financial position.

Capital risk

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders, to provide benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the company consists of equity attributable to the equity holders of the company, comprising issued capital and retained earnings. The capital structure of the company is managed and monitored by the directors.

19 Cash generated from operations

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Loss for the period after tax	(231,901)	(195,464)
Adjustments for:		
Depreciation and impairment of property, plant and equipment	383	351
Equity settled share-based payment expense	63,629	27,471
Movements in working capital		
Decrease/(increase) in trade and other receivables	6,197	(10,022)
(Decrease)/increase in trade and other payables	(9,665)	79,869
	(171,357)	**(97,795)**

20 Schedule of Administrative Expenses for the year ended 31 December 2020

	Year ended 12 months ended 31 December 2020 £	Period ended 11 months ended 31 December 2019 £
Administrative expenses		
Equity settled share based payment costs	63,629	27,471
Directors' remuneration	55,000	-
Computer running costs	1,112	2,231
Travelling expenses	6,987	14,128
Professional subscriptions	11,105	31,805
Legal and professional costs	50,073	51,673
Consultancy fees	-	22,703
Accountancy	13,025	17,500
Audit fees	26,225	25,000
Bank charges	749	353
Insurance	1,633	1,167
Entertaining	1,175	1,041
Sundry expenses	805	520
Depreciation	383	351
(Profit) or loss on foreign exchange	-	(479)
	231,901	**195,464**