Mineral Commodities Ltd

ABN 39 008 478 653

Appendix 4E: Preliminary Financial Report

31 December 2023

Appendix 4E - Preliminary Financial Report

Reporting Period

Your Directors present their preliminary financial report on the consolidated entity (referred to hereafter as "**MRC**" or the "**Group**") consisting of Mineral Commodities Ltd (the "**Company**") and the entities it controlled at the end of, or during, the year ended 31 December 2023. The preliminary financial report is presented in United States Dollars ("**$**"), unless otherwise stated, which is the Company's presentation currency.

The previous corresponding reporting period is 31 December 2022.

Results for Announcement to the Market

	31 Dec 2023 $	31 Dec 2022 $
Revenue from ordinary activities	**28,571,711**	44,459,676
Loss after tax from ordinary activities attributable to members	**(10,077,394)**	(11,515,701)
Loss after tax attributable to members	**(10,077,394)**	(11,515,701)
EBITDA / (negative EBITDA)	**3,358,464**	(3,640,098)

Dividends

No dividend has been declared or paid during the financial year ended 31 December 2023. The directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2023.

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

Explanation of results

The lower sales revenue during the 2023 financial year reflects lower Tormin concentrate production due to various production issues outlined below and significant ilmenite and non-mags inventory deferred into 2024. A 50Kt ilmenite shipment sailed in January 2024.

The loss after tax of $10,077,394 includes an $8,938,322 impairment of assets that includes:

- Prudent write down of the carrying value of the Xolobeni exploration asset, given the moratorium over the asset has not been officially lifted and there is question over the probability of the development and commercial exploitation of this asset in this ongoing environment;
- Intangible mine properties assets at Tormin and Skaland; and
- a long term receivable with our BEE Partner at Tormin, which is expected to be included as an acquisition cost as a part of the proposed Mineral Sands Resources Proprietary Limited ("**MSR**") Restructure that aims to increase the Company's ownership interest in Tormin from 50% to 69% (refer Growing Tormin Ownership section below).

EBITDA performance in 2023 recognises that while the business did recognise a loss in 2023 it did improve its operating position going in to 2024, with a significant increase in capitalised costs to inventory on hand as at 31 December 2023, which is available for future cash flows. Impairment expense recognised in 2023 has been excluded from EBITDA.

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2023 saw below expectation operational performance, resulting in operating losses and negative operating cash flows from Tormin. The Company's financial results for the financial year ended 31 December 2023 highlight the impact of these operational challenges. Production delays at Tormin in 2023 included seawater intake interruption of processing, extended crusher breakdown at the Inland Strand significantly reducing feed rates and sub-optimal fine tailings removal allowing tailings build up in the water circuit and reducing the efficiency of water pumps, reducing plant availability. Management has devised a plan to seek to address these issues. However, the proposed solutions require long lead time items and delayed delivery of components has impacted the plant output, increasing the strain on operating cash flows. The Company's production during the financial year ended 31 December 2023 was below theoretical production rates due to various factors, including:

- Sub-optimal fine tailings removal – Fine tailings from the Inland Strands processing circuit reduces product grades by entraining other minerals and causing significant process plant downtime. Two (2) solutions to this problem have been identified: (i) double efficiency cyclones to increase the removal of fine tailings from ore upon presentation to the Primary Concentration Plant ("**PCP**"); and (ii) a new water circulation circuit including a fresh seawater infeed line to the secondary process plant and a return line. These two solutions are fully funded as part of the Loan Agreement with GMA and are expected to be in operation by 30 June 2024;
- Poor crusher availability – A rental scalping screen has been successfully added to improve feed availability for Inland Strands material processing. This significantly improved production in the December 2023 quarter; and
- Seawater intake interruption – A more permanent seawater intake system solution has been finalised and procured. This solution is being funded through the Loan Agreement with GMA Group and has been designed to increase volume and reduce risk of storm damage to stabilise production by the end of 2024. Storm water damage greatly impacted operations in 2023.

These production issues meant a need for additional funding, which led to a rights issue in the second half of 2023. The additional A$8.8 million of capital raised in the rights issue aimed to address accounts payable, immediate working capital needs and necessary further investment aimed at delivering long term positive cash flow generation from the Group's mining operations.

During the 2023 financial year the Company did have several successes investing in long term income producing assets aimed at returning Tormin to profitability and increasing the asset value of our heavy mineral and battery mineral divisions.

Tormin secured MSP funding and 10-year finished garnet offtake agreements with GMA Group. The contracts included a long term Offtake Agreement and a Loan Agreement to fund the introduction of MSPs. The terms of the Agreements are outlined below:

- Mineral Sands Resources (Pty) Ltd ("MSR") agrees to supply GMA Group with finished garnet product in the following volumes:
    - (i) 2024-2025 – 80ktpa;
    - (ii) 2026-2028 – 105ktpa; and
    - (iii) 2029-2033, subject to renewal at GMA's election – 125ktpa; and
- GMA Group agrees to provide MSR with US$10,000,000 in loan funding, repayable over 5 years, on commercial terms to fund the design and construction of an MSP in the Western Cape Region of South Africa. The size and scope of the MSP in terms of capacity and product type (garnet, ilmenite, zircon or rutile) is at MSR's discretion, with a minimum garnet concentrate feed of 200ktpa the only specified requirement under the GMA Agreements. MSR intends for all garnet and ilmenite concentrate feedstock to be processed through the MSP.

Tormin Resources and Reserves

The Inland Strands reserve upgrade announced in April 2023 increased the total ore reserve by 177% and by 181% for the ore reserve within the current Expanded Mining Right. This increase provides a foundation for the Company to consider increasing feed production beyond 3.9 Mtpa, subject to stakeholder approvals. The updated total ore reserve is 60.3 million tonnes at 3.7% VHM (14.7% THM) containing 2.21 million tonnes of heavy mineral, while the updated EMR ore reserve is 21.5 million tonnes at 5.4% VHM (21.0% THM) containing 1.17 million tonnes of heavy mineral.

Additionally, the announced De Punt resource (66.1 million tonnes at 7.1% VHM, adjacent to Tormin), provided a 31% increase in total Tormin mineral resource tonnes and a 57% increase in total Tormin mineral resource in situ heavy mineral, increasing resources aimed at significantly increasing the asset value of the Heavy Minerals Division by further increasing potential scale of operations.

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Growing Tormin ownership

During 2023 the Company entered into formal agreements (Restructure Agreements) for the restructure of its holding in MSR in order to align with the recommendations of the Broad-Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry, 2018 (as amended) (the "**2018 Mining Charter**").

To date MRC has developed and operated the project via its 50% shareholding in MSR through its subsidiary MRC Resources (Pty) Ltd (**MRCR**), with the remaining 50% of MSR owned by the Company's existing empowerment partner, Blue Bantry Investments 255 (Pty) Ltd (**Blue Bantry**). Following completion of the restructure of MSR, MSR's ownership structure will change to being 69% owned by MRCR, 21% owned by Blue Bantry, 5% owned by employees and 5% owned by the community. Obtainment of regulatory approval of this transaction is ongoing.

Battery Minerals

The Company's focus in the Battery Minerals Division in 2023 was advancing work on the graphite ore-to-battery anode pilot plant and testwork, required to advance its feasibility study for an active anode materials production plant. The Company completed design of the graphite ore-to-battery anode pilot plant and began procurement, aiming for completed construction before June 2024. Active anode material is the final precursor to commercial scale anode production.

During the year, work also continued on obtaining environmental authorisation for Munglinup (MRC 51% ownership). Looking ahead, the Company would also like to explore increasing its graphite reserves and resources when funding is available.

On 4 July 2024 MRC entered into an agreement to settle the disputes between MRC Graphite (Norway) Pty Ltd (a subsidiary of the Company) (**MRCGN**) and minority ~10% shareholder BSG Mining LLC (BSG). The settlement resulted in MRCGN obtaining 100% ownership of Skaland Graphite AS ("Skaland") by acquiring BSG's ~10% shareholding in Skaland for a total of US$1,900,000. MRCGN and BSG have agreed to a confidential settlement of all disputes between them on a "no admission as to liability" basis, and executed a Deed of Settlement (**Settlement Deed**) in that regard. The terms of the Settlement Deed are fully executed and MRCGN has obtained 100% ownership of Skaland.

The Battery Minerals division placed additional pressure on MRC cash flows due to the unbudgeted settlement payment, significant dispute legal costs and production delays at Skaland in the second half of 2023. Unplanned delays included mining fleet breakdowns, deferral of mining while the haul road from the mine to the main road was being resurfaced, breakdown of the Skaland primary ore production drill rig and breakdown of the primary AG mill for Skaland ore processing.

Increasing Battery Minerals asset value from 2024 will be aimed at potential expansion of Skaland production and advancing studies on development projects, subject to funding.

Environmental and Social Governance (ESG)

MRC's ESG focus will continue in 2024 with Tormin moving towards a shared profitability model with its BEE Entrepreneur, employees and the community through its restructure of shareholding in MSR and ongoing procurement transformation. Environmental work will prioritise effective management of tailings disposition from Inland Strands at Tormin and regulated deposition of tailings into the nearby fjord at Skaland. Community engagement will remain a priority in all operating areas.

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Net Tangible Assets per Security

	31 Dec 2023 $	31 Dec 2022 $
Net assets	**42,894,406**	47,232,088
Lees: Intangible assets	**-**	-
Net tangible assets of the Company	**42,894,406**	47,232,088

	31 Dec 2023 Number of shares	31 Dec 2022 Number of shares
Fully paid ordinary shares on issue at balance date	**984,472,599**	691,455,941

	31 Dec 2023 US cents	31 Dec 2022 US cents
Net tangible asset (cents per share)	**4.36**	6.83

The decrease in net tangible assets is due to the $8.9 million write down of assets and below expectation operational performance during the 31 December 2023 financial year.

Audit

This Appendix 4E is based on the financial report for the financial year ended 31 December 2023, which is in the process of being audited.

The Preliminary Financial Report for the Group is attached.

Consolidated income statement
For the year ended 31 December 2023

	Notes	31 Dec 2023 $	31 Dec 2022 $
Revenue from continuing operations			
Sale of product	2.1	**28,264,817**	44,310,010
Other revenue	2.1	**306,894**	149,666
		28,571,711	44,459,676
Expenses			
Mining and processing costs	2.2(i)	**(30,760,000)**	(48,515,030)
Other expenses from ordinary activities			
Administration expenditure	2.2(ii)	**(3,339,706)**	(7,634,809)
Impairment charges		**(8,938,322)**	-
Share based payment expense		**172,831**	(325,577)
Financial expense (net)		**(221,108)**	(29,328)
Loss before income tax from continuing operations		**(14,514,594)**	(12,045,068)
Income tax benefit		**4,437,200**	529,367
Loss after income tax from continuing operations		**(10,077,394)**	(11,515,701)
Loss is attributable to:			
Owners of Mineral Commodities Ltd		**(9,965,605)**	(11,177,268)
Non-controlling interest		**(111,789)**	(338,433)
		(10,077,394)	(11,515,701)
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**(1.37)**	(2.13)
Diluted earnings per share		**(1.37)**	(2.13)

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

Consolidated statement of comprehensive income
For the year ended 31 December 2023

	31 Dec 2023 $	31 Dec 2022 $
Loss for the year	**(10,077,394)**	(11,515,701)
Other comprehensive expense		
Exchange differences on translation of foreign operations	**(4,176,975)**	(3,458,576)
Other comprehensive expense for the year, net of tax	**(4,176,975)**	(3,458,576)
Total comprehensive expense for the year	**(14,254,369)**	(14,974,277)
Total comprehensive expense for the year is attributable to:		
Owners of Mineral Commodities Ltd	**(13,940,561)**	(14,425,161)
Non-controlling interest	**(313,808)**	(549,116)
	(14,254,369)	(14,974,277)

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

Consolidated balance sheet
as at 31 December 2023

	Notes	31 Dec 2023 $	31 Dec 2022 $
ASSETS			
Current assets			
Cash and cash equivalents		**1,129,794**	1,142,141
Trade and other receivables		**10,851,200**	11,451,889
Inventories		**21,533,289**	11,849,610
Other investments, including derivatives		**23,821**	156,529
Total Current Assets		**33,538,104**	24,600,169
Non-current assets			
Trade and other receivables		**243,877**	1,131,868
Inventories		**2,200,672**	2,367,296
Exploration expenditure		**14,600,437**	17,507,213
Mine development expenditure		**-**	4,676,944
Deferred tax asset		**592,665**	-
Property, plant and equipment		**20,047,223**	28,266,958
Total Non-Current Assets		**37,684,874**	53,950,279
Total Assets		**71,222,978**	78,550,448
LIABILITIES			
Current liabilities			
Trade and other payables		**16,471,760**	14,725,208
Unearned revenue	2.1(i)	**1,787,802**	3,646,486
Borrowings		**4,083,504**	4,346,123
Employee benefits		**805,763**	582,435
Current tax liabilities		**146,621**	103,871
Total Current Liabilities		**23,295,450**	23,404,123
Non-current liabilities			
Provisions		**880,512**	951,865
Long term borrowings		**4,133,824**	2,905,040
Employee benefits		**18,786**	76,500
Deferred tax liabilities		**-**	3,980,832
Total Non-current Liabilities		**5,033,122**	7,914,237
Total Liabilities		**28,328,572**	31,318,360
NET ASSETS		**42,894,406**	47,232,088

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

Consolidated balance sheet (continued)
as at 31 December 2023

	Notes	31 Dec 2023 $	31 Dec 2022 $
Equity			
Contributed equity	3(a)	**90,914,631**	78,925,112
Reserves	3(b)	**(39,769,987)**	(32,810,841)
Retained earnings/ (losses)	3(c)	**(8,250,237)**	1,715,369
Parent entity interest		**42,894,406**	47,829,640
Non-controlling interest		**-**	(597,552)
TOTAL EQUITY		**42,894,406**	47,232,088

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

Consolidated statement of cash flows
For the year ended 31 December 2023

	Notes	31 Dec 2023 $	31 Dec 2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**28,800,522**	44,180,415
Payments to suppliers and employees		**(35,998,102)**	(42,994,339)
Income tax refund / (paid)		**-**	90,524
Net cash inflow from operating activities		**(7,197,580)**	1,276,600
Cash flows from investing activities			
Payments for exploration expenditure		**(1,080,359)**	(432,910)
Payments for property, plant and equipment		**(1,611,344)**	(5,734,007)
Proceeds from property, plant and equipment		**234,503**	2,442,708
Payments for development expenditure		**(296,309)**	(181,661)
Acquisition of non-controlling interest in Skaland Graphite AS		**(1,900,000)**	-
Interest received		**10,284**	302
Net cash outflow from investing activities		**(4,643,225)**	(3,905,568)
Cash flows from financing activities			
Proceeds from issue of new shares (net of costs)		**11,989,519**	1,211,594
Proceeds from borrowings		**5,045,699**	2,891,220
Repayment of borrowings		**(2,912,793)**	(4,339,008)
Interest paid on borrowings		**(2,427,431)**	(242,200)
Net cash (outflow) / inflow from financing activities		**11,694,993**	(478,394)
Net decrease in cash and cash equivalents		**(145,812)**	(3,107,362)
Cash and cash equivalents at beginning of financial year		**1,142,141**	4,251,383
Effects of exchange rate changes on cash and cash equivalents		**133,466**	(1,880)
Cash and cash equivalents at end of financial year		**1,129,794**	1,142,141

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

Consolidated statement of changes in equity
For the year ended 31 December 2023

	Contributed equity	Reserves	Retained earnings/ (accumulated losses)	Totals	Non-controlling interest	Total equity
For the year ended 31 December 2023	**$**	**$**	**$**	**$**	**$**	**$**
At 1 January 2023	**78,925,112**	**(32,810,841)**	**1,715,369**	**47,829,639**	**(597,552)**	**47,232,088**
Loss for the year	-	-	(9,965,605)	**(9,965,605)**	(111,789)	**(10,077,394)**
Other comprehensive income for the year	-	(3,974,956)	-	**(3,974,956)**	(202,019)	**(4,176,975)**
Total comprehensive income for the year	-	(3,974,956)	(9,965,605)	**(13,940,561)**	(313,808)	**(14,254,369)**
Transaction with owners in their capacity as owners:						
Share Issue, net of costs	11,989,519	-	-	**11,989,519**	-	**11,989,519**
Acquisition of non-controlling interest	-	(2,811,359)	-	**(2,811,359)**	911,360	**(1,900,000)**
Share based payments	-	(172,831)	-	**(172,831)**	-	**(172,831)**
Balance at the end of the year	**90,914,631**	**(39,769,987)**	**(8,250,237)**	**42,894,406**	**-**	**42,894,406**

	Contributed equity	Reserves	Retained earnings	Totals	Non-controlling interest	Total equity
For the year ended 31 December 2022	**$**	**$**	**$**	**$**	**$**	**$**
At 1 January 2022	**77,672,620**	**(29,847,627)**	**12,892,636**	**60,717,629**	**(48,435)**	**60,669,194**
Loss for the year	-	-	(11,177,267)	**(11,177,267)**	(338,434)	**(11,515,701)**
Other comprehensive income for the year	-	(3,247,893)	-	**(3,247,893)**	(210,683)	**(3,458,576)**
Total comprehensive income for the year	-	(3,247,893)	(11,177,267)	**(14,425,160)**	(549,117)	**(14,974,277)**
Transaction with owners in their capacity as owners:						
Share Issue, net of costs	1,211,594	-	-	**1,211,594**	-	**1,211,594**
Conversion of unlisted performance rights	40,898	(40,898)	-	**-**	-	**-**
Share based payments	-	325,577	-	**325,577**	-	**325,577**
Balance at the end of the year	**78,925,112**	**(32,810,841)**	**1,715,369**	**47,829,639**	**(597,552)**	**47,232,088**

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

Notes to the consolidated financial statements

1. Basis of Preparation

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

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts the coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respects to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the coronavirus (COVID-19) pandemic.

1.1 Corporate information

Mineral Commodities Ltd (the '**Company**') is a company limited by shares, domiciled, and incorporated in Australia. Its shares are publicly traded on the Australian Securities Exchange ("**ASX**").

1.2 Basis of accounting

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the *Corporations Act 2001*. Mineral Commodities Ltd is a for-profit entity for the purpose of preparing the financial statements. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period. This is based on available working capital and finance facilities and expected positive cash flows from the mining operations at Tormin and Skaland including the re-introduction of low cost, high-grade production from the Tormin Beaches, currently expected from end of the March quarter 2024, completion of processing of the high grade South pit Inland Strands ore, improved production from Q4 2024 with the introduction of the third primary concentrator into the processing circuit increasing the theoretical capacity of ore processing at Tormin from 2.7mtpa to 3.9Mtpa. A A$8.8 million rights issue was completed during November 2023, combined with a 50,000 tonne ilmenite shipment in January 2024. This has materially strengthened the balance sheet and assisted in providing funding for various cash flow generative projects at Tormin. Management believes Tormin plant reliability will significantly improve in 2024 due to mitigation strategies implemented for seawater intake, water circulation and crusher support via the addition of a scalping screen in Q4 2023, combined with investment in permanent solutions for these issues being implemented in 2024 including double efficiency cyclones, permanent seawater intake solution, and a new water circulation circuit.

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

(ii) Historical cost convention
The financial statements have been prepared on a historical cost basis, except for the following:

- financial assets and liabilities recognised at fair value.

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

1.3 Comparative Information

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

Notes to the consolidated financial statements (continued)

2. Financial Performance

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

2.1 Revenue

Accounting Policies

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

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

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

	31 Dec 2023 $	31 Dec 2022 $
From continuing operations		
Sales revenue		
Sale of product	**28,264,817**	44,310,010
Other revenue		
Other income	**306,894**	149,666

(i) Contract liabilities

A reconciliation of contract liabilities is below:

	2023 $	2022 $
As at 1 January	**-**	**-**
Cash received in advance of performance and not recognised in revenue during the period	**1,787,802**	**3,646,486**
As at 31 December	**1,787,802**	**3,646,486**

Notes to the consolidated financial statements (continued)

2. Financial Performance (continued)

2.2 Expenses

	31 Dec 2023 $	31 Dec 2022 $
This note provides an analysis of expenses by nature.		
(i) Mining and processing costs		
Mining and processing costs include the following material expenditure items:		
Transport of product	**3,487,751**	6,182,542
Fuel	**6,915,178**	9,802,845
Wages and salaries	**10,250,040**	10,853,255
Repairs and maintenance	**5,822,872**	7,092,291
Depreciation and amortisation – mining and processing assets	**5,830,872**	6,515,366
Lease interest costs	**2,196,039**	2,260,904
(ii) Administration expenses		
Administration expenses include the following material expenditure items:		
Directors and key management personnel remuneration	**1,393,280**	3,222,924
Depreciation – corporate assets	**944,749**	996,922

2.3 Dividends

Accounting policies

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

No dividend was declared for the year ended 31 December 2023.

Notes to the consolidated financial statements (continued)

3. Equity

(a) Contributed equity

Accounting Policies

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

(i) Share capital

	2023 Number of shares	2022 Number of shares	2023 $	2022 $
Ordinary shares				
Fully paid	**984,472,599**	558,819,354	**90,914,631**	78,925,113

(ii) Movements in ordinary share capital

Details	Number of shares	$
At 1 January 2023	**558,819,354**	**78,925,112**
Shares issued, net of costs	**425,653,245**	**11,989,519**
At 31 December 2023	**984,472,599**	**90,914,631**

(iii) Ordinary shares

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

(iv) Capital risk management

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

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

Notes to the consolidated financial statements (continued)

3. Equity (continued)

(b) Reserves

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

	General reserve	Financial asset revaluation reserve	Foreign currency translation reserve	Share based payment reserve	Total
	$	$	$	$	**$**
At 1 January 2022	**1,363,393**	**-**	**(31,469,683)**	**258,663**	**(29,847,627)**
Share based payments	-	-	-	325,577	**325,577**
Conversion of performance rights	-	-	-	(40,898)	**(40,898)**
Exchange differences on translation of foreign operations	-	-	(3,247,893)	-	**(3,247,893)**
At 1 January 2023	**1,363,393**	**-**	**(34,717,576)**	**543,342**	**(32,810,841)**
Share based payments	-	-	-	(172,831)	**(172,831)**
Acquisition of non-controlling interest	(2,811,359)	-	-	-	**(2,811,359)**
Exchange differences on translation of foreign operations	-	-	(3,974,956)	-	**(3,974,956)**
At 31 December 2023	**(1,447,966)**	**-**	**(38,692,532)**	**370,511**	**(39,769,987)**

Nature and purpose of reserves

General reserve
The General reserve in the prior period arose from the issue of shares in MRC Resources Proprietary Limited to an entity outside the economic entity. The $2,811,359 movement in 2023 relates to acquisition of the non-controlling interest in Skaland Graphite AS for $1,900,000, offset by $902,247 to eliminate the non-controlling interest balance in equity.

Financial asset revaluation reserve
The financial asset revaluation reserve arises from the revaluation at reporting date of financial assets.

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

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

(c) Retained Earnings/ (Accumulated Losses)

	31 Dec 2023	31 Dec 2022
	$	$
At 1 January	**1,715,368**	12,892,636
Loss for the year	**(9,965,605)**	(11,177,268)
At 31 December	**(8,250,237)**	1,715,368

Notes to the consolidated financial statements (continued)

4. Group structure

4.1 Consolidated entities

Accounting Policies

Subsidiaries

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

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

Associates

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

Equity method

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

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

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

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

Non-controlling interests

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

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

Notes to the consolidated financial statements (continued)

4. Group structure (continued)

4.1 Consolidated entities (continued)

Therefore, these financial statements include 100% of the results of MSR. In addition to the holding of the issued capital, the Group also holds Class A and B preference shares in MSR which effectively provides for the repayment of the capital investment and deemed investment by the Company's Black Empowerment partner. Due to the terms attached to these A and B Preference Shares, they are categorised as an equity instrument. As the A preference shares and B preference shares would be redeemed out of distributable profits and net assets of MSR before all other ordinary shareholders, until such time as the net assets exceed the value of the unredeemed A and B preference shares, no value has been attributed to the non-controlling interest. Until that time, the non-controlling interest has no rights to the assets or results of the Company, and therefore has not been allocated any value in these financial statements.

The Company, via its wholly owned subsidiary MRC Graphite (Norway) Pty Ltd ("**MRCGN**"), has a 100% interest in the issued capital in Skaland Graphite AS ("**SKA**") since the Group acquired the remaining 10% non-controlling interest on 4 July 2023. Whilst the Group controlled 90% of the share voting power prior to the acquisition, it has been determined that the Group effectively had 100% control due to its control over the relevant activities for accounting purposes, controls the management of SKA, and also controls the Board of SKA.

(i) Material subsidiaries

The Group's principal subsidiaries at 31 December 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

		Ownership interest held by the Group		Ownership interest held by non-controlling interests	
Name of entity	**Place of business / country of incorporation**	**2023 %**	2022 %	**2023 %**	2022 %
Rexelle Pty Ltd	Australia	**100**	100	**-**	-
MRC Trading (Aust) Pty Ltd	Australia	**100**	100	**-**	-
MRC Cable Sands Pty Ltd	Australia	**100**	100	**-**	-
Blackhawk Oil and Gas Pty Ltd	Australia	**100**	100	**-**	-
Queensland Minex Pty Ltd	Australia	**100**	100	**-**	-
Q Smelt Pty Ltd	Australia	**90**	90	**10**	10
Mincom Waste Pty Ltd	Australia	**100**	100	**-**	-
MRC Graphite Pty Ltd	Australia	**100**	100	**-**	-
MRC Exploration Australia Pty Ltd	Australia	**100**	100	**-**	-
MRC Graphite (Norway) Pty Ltd	Australia	**100**	100	**-**	-
MRC Downstream Pty Ltd	Australia	**100**	100	**-**	-
MRC Anode Pty Ltd	Australia	**100**	100	**-**	-
Skeleton Coast Resources (Pty) Ltd	Namibia	**100**	100	**-**	-
Skaland Graphite A.S.	Norway	**100**	90	**-**	10
MRC Resources Proprietary Limited	South Africa	**100**	100	**-**	-
Mineral Sands Resources Proprietary Limited (2)	South Africa	**50**	50	**50**	50
Tormin Mineral Sands Proprietary Limited	South Africa	**50**	50	**50**	50
Nyati Titanium Eastern Cape Proprietary Limited (1)	South Africa	**-**	100	**-**	-
MRC Metals Proprietary Limited (1)	South Africa	**-**	100	**-**	-
Skeleton Coast Mining (Pty) Ltd	South Africa	**100**	100	**-**	-
Transworld Energy and Minerals Resources (SA) Proprietary Limited	South Africa	**56**	56	**44**	44
Skaland Graphite (Netherlands) BV	Netherlands	**100**	100	**-**	-

(1) The Company was dissolved in May 2022.
(2) MSR Restructure Agreement signed with Blue Bantry, increasing the Company's interest in Tormin from 50% to 69% once completed.