



Unaudited Condensed Interim Consolidated
Financial Statements

MKANGO RESOURCES LTD.

For the three and nine months ended 30 September 2024 and 2023

MKANGO RESOURCES LTD
Consolidated Statements of Financial Position
Reported in US dollars

	Notes	As at 30 September 2024	As at 31 December 2023
ASSETS			
Current			
Cash and cash equivalents		1,990,790	996,782
Government remittances receivable	7	32,397	107,578
Other receivables		15,726	27,041
Prepaid expenses and accrued income		73,618	195,012
Due from related parties	13	12,499	120,133
Total current assets		2,125,030	1,446,546
Non-current			
Intangible assets	8	4,069,933	4,408,784
Goodwill	11	2,681,441	2,681,441
Property, plant and equipment	9	1,223,331	657,074
Government remittances receivable	7	95,788	99,526
Total non-current assets		8,070,493	7,846,825
TOTAL ASSETS		10,195,523	9,293,371
LIABILITIES			
Current			
Accounts payable and accrued liabilities	14	676,836	590,990
Short-term contingent consideration	12	2,507,137	1,382,358
Due to related parties	13	242,480	61,754
Total current liabilities		3,426,453	2,035,102
Non-current			
Long-term contingent consideration	12	845,644	1,696,229
Deferred tax liability	18	893,499	1,000,734
Total non-current liabilities		1,739,143	2,696,963
TOTAL LIABILITIES		5,165,596	4,732,065
SHAREHOLDERS' EQUITY			
Share capital	15	45,980,111	43,522,854
Contributed surplus		5,881,972	5,680,588
Accumulated other comprehensive loss		(413,981)	(70,414)
Retained deficit		(48,384,435)	(46,585,867)
Non-controlling interest		1,966,260	2,014,145
TOTAL EQUITY		5,029,927	4,561,306
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		10,195,223	9,293,371

The notes on pages 7 to 28 are an integral part of these consolidated financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 28 November 2024 and signed on its behalf by:



William Dawes, Chief Executive Officer, Director

Alexander Lemon, President, Director

MKANGO RESOURCES LTD
Consolidated Statements of Comprehensive Loss
Reported in US dollars

	Notes	For the three months ended		For the nine months ended	
		30 Sept 2024	30 Sept 2023	30 Sept 2024	30 Sept 2023
Expenses					
General and administrative	5	(545,902)	(1,252,628)	(2,160,651)	(3,017,826)
Mineral project expenditures		(12,980)	(158,708)	(78,545)	(438,919)
Total Expenses		(558,882)	(1,411,336)	(2,239,196)	(3,456,745)
Other items					
Interest income		7	39	7	48
Finance Expense		(36,725)	-	(108,008)	-
Share of associated company losses		-	1,764	-	(79,244)
Fair value losses		-	(2,631)	-	(8,808)
Foreign exchange gain/(loss)		210,696	(93,368)	206,486	25,074
Fair value adjustment – embedded derivative		-	(42,823)	-	326,240
Loss before tax		(384,904)	(1,548,355)	(2,140,711)	(3,193,435)
Income tax		36,006	-	107,235	-
Loss after tax		(348,898)	(1,548,355)	(2,033,476)	(3,193,435)
Loss attributable to					
Common shareholders		(274,067)	(1,483,890)	(1,798,568)	(3,128,970)
Non-controlling interest		(74,831)	(64,465)	(234,908)	(64,465)
Attributable loss		(348,898)	(1,548,355)	(2,033,476)	(3,193,435)
Other comprehensive profit/(loss)					
Items that may be reclassified subsequently to nett					
Exchange difference on translating foreign operations		(337,949)	122,090	(343,567)	209,216
Total comprehensive loss		(686,847)	(1,426,265)	(2,377,043)	(2,984,219)
Total comprehensive loss attributable to					
Common shareholders		(612,016)	(1,361,800)	(2,142,256)	(2,919,754)
Non-controlling interest		(74,831)	(64,465)	(234,787)	(64,465)
Attributable comprehensive loss		(686,847)	(1,426,265)	(2,377,043)	(2,984,219)
Loss per share - basic and diluted	16	(0.001)	(0.006)	(0.006)	(0.013)

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MKANGO RESOURCES LTD
Consolidated Statements of Cash Flows
Reported in US dollars

		For the nine months ended:	
	Notes	30 September 2024	30 September 2023
Cash flow used by operating activities			
Loss for the period		(2,033,476)	(3,193,435)
Adjustments for:			
Share based payments		201,384	439,518
Issue of shares in exchange for services		-	69,000
Share of associated company losses		-	79,244
Fair value losses		-	8,788
Depreciation	9	164,501	16,098
Amortisation of intangible assets	8	399,658	-
Finance expense		108,008	-
Fair value adjustment – embedded derivative		-	326,240
Deferred tax credit		(107,235)	-
Change in non-cash operating capital			
Government remittances receivable and prepaid expens		319,862	(101,438)
Due to/from related parties		180,726	(171,177)
Accounts payable and accrued liabilities		(23,845)	(313,352)
Cash flow used by operating activities		<u>(790,417)</u>	<u>(2,840,514)</u>
Cash flow used by investing activities			
Acquisition of intangible assets		(74,319)	(345,456)
Acquisition of property, plant and equipment		(563,196)	(32,316)
Acquisition of HyProMag – cash consideration		-	(1,271,086)
Cash acquired as part of acquisition		-	231,029
Cash flow used by investing activities		<u>(637,515)</u>	<u>(1,417,829)</u>
Cash flow generated by financing activities			
Proceeds from CoTec advance note		-	517,019
Share issue proceeds	15	2,592,485	4,214,600
Share issue expenses	15	(135,228)	(283,708)
CoTec investment into Maginito		187,023	1,853,700
Cash flow generated by financing activities		<u>2,644,280</u>	<u>6,301,611</u>
Effect of exchange rate changes on cash		<u>(222,340)</u>	<u>(257,205)</u>
Change in cash		994,008	1,786,063
Cash at the beginning of the period		<u>996,782</u>	<u>493,703</u>
Cash at the end of the period		<u>1,990,790</u>	<u>2,279,766</u>

The notes on pages 7 to 28 are an integral part of these consolidated financial statements.

MKANGO RESOURCES LTD
Consolidated Statement of Changes in Equity
(Unaudited) Reported in US dollars

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Deficit	Non-controlling interest ("NCI")	Total
Balance at 31 December 2022	38,376,817	5,120,801	(23,801)	(44,639,933)	-	(1,166,116)
Loss for the year	-	-	-	(4,057,025)	(122,926)	(4,179,951)
Other comprehensive income:						
Foreign exchange losses	-	-	(46,613)	-	-	(46,613)
Total comprehensive loss	-	-	(46,613)	(4,057,025)	(122,926)	(4,226,564)
Transactions with owners:						
Non-controlling interest on acquisition of subsidiary	-	-	-	-	2,041,862	2,041,862
Conversion of convertible loan note into Maginito shares	-	-	-	2,111,091	95,209	2,206,300
Issue of shares	5,429,024	-	-	-	-	5,429,024
Share issue expenses	(282,987)	-	-	-	-	(282,987)
Share-based payments	-	559,787	-	-	-	559,787
Total transactions with owners	228,546	963,988	-	-	-	961,431
Balance at 31 December 2023	43,522,854	5,680,588	(70,414)	(46,585,867)	2,014,145	4,561,306
Loss for the period	-	-	-	(1,798,568)	(234,908)	(2,033,476)
Other comprehensive income						
Foreign exchange losses	-	-	(343,567)	-	-	(343,567)

Total comprehensive loss	-	-	(343,567)	(1,798,568)	(234,908)	(2,377,043)
Transactions with owners:						
Issue of shares	2,592,485	-	-	-	-	2,592,485
Share issue expenses	(135,228)	-	-	-	-	(135,228)
CoTec investment into Maginito	-	-	-	-	187,023	187,023
Share based payments	-	201,384	-	-	-	201,384
Balance at 30 September 2024	45,980,111	5,881,972	(413,981)	(48,384,435)	1,966,260	5,029,927

The notes on pages 7 to 28 are an integral part of these consolidated financial statements.

MKANGO RESOURCES LTD

Notes to the Financial Statements

For the nine months ended 30 September 2024 and 30 September 2023

All figures in US dollars unless indicated otherwise

1. GENERAL INFORMATION

Mkango Resources Ltd (“Mkango”) was originally incorporated under the name Alloy Capital Corp. (“Alloy”) on 13 November 2007, under the laws of the Province of Alberta, Canada. On 10 December 2010, Alloy was acquired through a “reverse takeover” by Lancaster Exploration (“Lancaster BVI”). The articles of Mkango were amended to change its name from Alloy Capital Corp. to Mkango Resources Ltd. On 15 October 2018, Mkango discontinued its incorporation in Alberta, Canada and became incorporated in the province of British Columbia, Canada. Mkango’s registered office is located at Suite 2900, 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 0A3.

Mkango’s corporate strategy is to develop new sustainable primary and secondary sources of neodymium, praseodymium, dysprosium and terbium to supply accelerating demand from electric vehicles, wind turbines and other clean technologies.

On 3 August 2007, Lancaster BVI was incorporated by Memorandum and Articles of Association issued pursuant to the provisions of the British Virgin Islands Companies Act. Lancaster BVI is 100% owned by Mkango. Lancaster BVI’s registered office is located at Jayla Place, Wickhams Cay 1, P.O. Box 3190, Road Town, Tortola, British Virgin Islands, VG1110.

On 19 May 2011, Lancaster Exploration Limited (“Lancaster Malawi”) was incorporated under the laws of Malawi. Lancaster Malawi is a wholly owned subsidiary of Lancaster BVI.

On 3 January 2018, Maginito Limited (“Maginito”) was incorporated under the laws of the British Virgin Islands. Maginito is 79.4% owned by Mkango. Maginito’s registered office is located at Jayla Place, Wickhams Cay 1, P.O. Box 3190, Road Town, Tortola, British Virgin Islands, VG1110.

On 25 July 2018, MKA Exploration Limited (“MKA Exploration”) was incorporated by Memorandum and Articles of Association issued pursuant to the provisions of the British Virgin Islands Companies Act. MKA Exploration is 100% owned by Mkango. MKA Exploration’s registered office is located at Jayla Place, Wickhams Cay 1, P.O. Box 3190, Road Town, Tortola, British Virgin Islands, VG1110.

On 6 May 2019, MKA Exploration Limited (“MKA Exploration Malawi”) was incorporated under the laws of Malawi. MKA Exploration Malawi is 100% owned by MKA Exploration. MKA Exploration Malawi’s registered office is located at Jayla Place, Wickhams Cay 1, P.O. Box 3190, Road Town, Tortola, British Virgin Islands, VG1110.

Mkango Polska Sp. z o.o. (“Mkango Polska”) was incorporated under the laws of Poland and 100% ownership was acquired by Mkango on 22 March 2021. Mkango Polska is developing a rare earth separation plant at Pulawy in Poland, working with Grupa Azoty Pulawy, Poland’s leading chemicals company and the second-largest manufacturer of nitrogen and compound fertilisers in the European Union. The Pulawy Separation Plant is expected to process the purified mixed rare earth carbonate derived from the Songwe Hill project in Malawi, separating it into rare earth oxides.

On 23 June 2021, Mkango Rare Earths UK Limited (“Mkango UK”) was incorporated under the laws of England and Wales. Mkango UK was previously 100% owned by Mkango. On 16 March 2023, Mkango UK was restructured and it is now a 100% owned subsidiary of Maginito.

On 9 December 2022, Mkango ServiceCo UK Limited (“Mkango ServiceCo”) was incorporated under the laws of England and Wales. Mkango ServiceCo is 100% owned by Mkango.

On 2 August 2023, Maginito completed the acquisition of the remaining 58.4% of the share capital of HyProMag Limited (“HyProMag UK”) to increase its ownership to 100% of the share capital in HyProMag UK.

HyProMag UK owns 80% of HyProMag GmbH (“HyProMag Germany”).

The consolidated financial statements were authorised for issuance by the Board of Directors of the Company on 29 November 2024.

2. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of operations.

The Company's consolidated cash balance as at 30 September 2024 was \$1,990,790 and the Company had net current liabilities of \$1,301,423 (including current contingent consideration of \$2,507,137 if certain milestones are met as disclosed in Note 12 relating to the HyProMag acquisition which can be settled through shares or cash at the election of the Company).

Discussions are ongoing with potential strategic investors, project finance providers, grant funding bodies and on other sources to finance recycling scale-up opportunities and further technology roll-out.

The Company has completed a significant cost-cutting exercise in recent months, whilst streamlining operations to focus on recycling, which has enabled a 35% reduction in operating cost requirements for the business.

Management has prepared a detailed cash flow forecast for the period to 30 November 2025. The base case forecast demonstrates that the Company will require additional funding during the 12-month forecast in order to have sufficient funds to meet its liabilities as they fall due. The base case forecast includes the following key assumptions:

- First commercial sales of recycled NdFeB at Tyseley Energy Park in Birmingham in April 2025
- German recycling development to continue as planned with grant funding unlocked
- Minority shareholder to maintain their interest in Maginito through matching cash calls required for recycling businesses
- Any contingent consideration relating to the HyProMag acquisition will be settled through the issuing of shares as opposed to cash

The directors are confident that the Company will be able to raise funds through either equity investment or an alternative financing structure in order to have sufficient funding resources in order to meet its committed expenditure for at least the next twelve months from the date of approval of the financial statements and hence have prepared these consolidated financial statements on a going concern basis. However, risks to the cash flow forecast include: a delay in commencement of commercial sales, the risks of higher costs than anticipated and the risk of being unable to secure future funding. The Company is dependent on raising funds through either equity investment or an alternative financing structure, which is not guaranteed. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include adjustments that would result if the Company was unable to continue as a going concern. Having given due consideration to the cash requirements of the Company, the directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of these financial statements. For this reason, the Board continues to adopt the going concern basis in preparing these consolidated financial statements which assumes the Company will be able to meet its liabilities as they fall due for the foreseeable future.

3. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

(b) Basis of presentation and measurement

These consolidated financial statements have been prepared using the historical cost convention, except for certain financial instruments and share-based payment transactions measured at fair value.

(c) **Functional and presentation currency and principles of consolidation**

The consolidated financial statements are presented in United States dollars (“US dollars”), which is the functional currency of Mkango. Below is a listing of ownership percentage and functional currency of Mkango’s subsidiaries:

Entity Name	Functional Currency	Ownership Percentage
Lancaster Exploration (“Lancaster BVI”)	US Dollar	100% (2023: 100%)
Lancaster Exploration Limited (“Lancaster Malawi”)	Malawi Kwacha	100% (2023: 100%)
Maginito Limited (“Maginito”)	Pound Sterling	79.4% (2023: 79.4%)
MKA Exploration Limited (“MKA Exploration”)	Malawi Kwacha	100% (2023: 100%)
MKA Exploration Limited (“MKA Exploration Malawi”)	Malawi Kwacha	100% (2023: 100%)
Mkango Rare Earths UK Limited (“Mkango UK”)	Pound Sterling	79.4% (2023: 79.4%)
Mkango Polska Sp. z o.o. (“Mkango Polska”)	Euros	100% (2023: 100%)
Mkango ServiceCo UK Limited (“Mkango ServiceCo”)	Pound Sterling	100% (2023: 100%)
HyProMag Limited (“HyProMag UK”)	Pound Sterling	79.4% (2023: 79.4%)
HyProMag GmbH (“HyProMag Germany”)	Euros	63.5% (2023: 63.5%)

The consolidated financial statements of the Company include the accounts of the Company and its ten subsidiaries listed above. All intercompany balances and transactions are eliminated upon consolidation.

(d) **Basis of consolidation**

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company’s voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historical patterns in voting

Subsidiaries are deconsolidated from the date control ceases. The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders’ proportionate share of the acquiree’s identifiable net assets (after any relevant fair value adjustments to the assets, liabilities and contingent liabilities recognised as part of the business combination).

Changes in the Group’s ownership interests that do not result in a loss of control are accounted for as equity transactions with the existing shareholder.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group’s equity. The non-controlling interests’ share of losses, where applicable, is attributed to the non-

controlling interests irrespective of whether the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

(e) Use of estimates and judgments

The preparation of the consolidated financial statements is in conformity with IFRS which requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Key areas of judgment made in applying the Company's accounting policies are as follows:

(i) Carrying value of exploration and evaluation intangible assets

The carrying value was \$739,938 at 30 September 2024 (31 December 2023: \$679,131). The group has determined that there are no indicators of impairment present in accordance with *IFRS 6: Exploration for and evaluation of mineral interests*. Management's conclusion required judgement based on the current status as outlined in the definitive feasibility completed on Songwe Hill in July 2022 and expected future progress of the exploration and evaluation intangible assets as well as forecast rare earth prices.

(ii) Carrying value of technology intangible assets

The carrying value was \$3,329,995 at 30 September 2024 (31 December 2023: \$3,729,653). The group has determined that there are no indicators of impairment present in accordance with *IAS 6: Impairment of assets*. Management's conclusion required judgement based on the fact that the value of the HPMS technology had not significantly declined from the date of the HyProMag acquisition and year end and that plans are on track to both the recycling projects in the UK and Germany that use the technology.

(iii) Valuation of Goodwill

The carrying value of goodwill arising from the HyProMag acquisition (Note 11) was \$2,681,441 at 30 September 2024 (31 December 2023: \$2,681,441). The recoverable amount of goodwill is assessed at each reporting date for impairment. The recoverable amount is based on the higher of the value in use and fair value less costs to dispose. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Key areas of judgement include estimates of scrap supply, commissioning timetables, product mix, pricing of magnets and operating cost estimates.

(iv) Fair value of contingent consideration

The fair value of the contingent consideration was estimated based on the Group's expectation of the future performance of the business which would result in milestones being met and milestone payments being made to the HyProMag sellers. These potential milestone payments have been discounted to reflect the timing of the expected payments.

Key areas of estimation where management has made difficult, complex or subjective assumptions, often as a result of matters inherently uncertain, are as follows:

(i) Share options

The Company issues share options to key members of staff and directors. The Company used a Black Scholes model to determine the fair value of the share options. Inputs to the model are subject to various estimates about volatility, interest rates, dividend yields and time to maturity.

(ii) Valuation of embedded derivative financial liability (prior year)

The Company has made estimates in determining the fair value of the embedded conversion feature portion of the CoTec funding and has used the Black Scholes model to determine the fair value of the embedded derivative financial liability prior to the modification and subsequent conversion of the convertible loan note. Inputs to the model were subject to various estimates about volatility, interest rates and expected life of the instrument issued. Fair value inputs were subject to market factors as well as internal estimates. The Company considered historical trends together with any new information to determine the best estimate of fair value at the date of initial recognition and at each period end.

(f) Accounting standards, amendments and interpretations effective in 2024

The Group has not adopted any standards or interpretations in advance of the required implementation dates.

The following new standards, amendments or interpretations were adopted from 1 January 2024:

IFRS 17 Insurance Contracts;

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practise Statement 2);

Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors); and

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes).

The adoption of these standards has had no material effect on the financial results of the Group.

There are a number of standards, amendments to standards, and interpretations which have been issued that are effective in future periods and which the Group has chosen not to adopt early. The Company is still evaluating these new standards, however we do not expect them to have a significant effect on the Group, in particular:

	Effective Date
IFRS 16 Leases (Amendment - Liability in a Sale and Leaseback)	1 January 2024
IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)	1 January 2024
IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)	1 January 2024

4. MATERIAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company’s consolidated financial statements.

(a) Mineral exploration expenditures and property and equipment assets

(i) Recognition and measurement

Exploration and evaluation (“E&E”) expenditures

Exploration and evaluation costs which would typically include pre-licensing, preliminary property evaluation, drilling and directly attributable general and administrative costs are recognised in the consolidated statement of comprehensive loss as mineral exploration expenditures.

E&E costs, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalised under full cost accounting, as intangible exploration and evaluation assets. The costs are capitalised pending determination of technical feasibility and commercial viability.

The technical feasibility and commercial viability of extracting a resource is considered to be determinable based on several factors, including the assignment of proven reserves. Upon determination of technical feasibility and commercial viability, the costs incurred prospectively are capitalized to a separate category within property and equipment referred to as a development mineral property.

Property and equipment (“P&E”) expenditures

Items of property and equipment are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Property and equipment are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit” or “CGU”) for impairment testing. Property and equipment is comprised of office and computer equipment, plant and equipment and vehicles.

Property and equipment assets, categorized as mineral interests, are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Gains or losses on disposal of an item of property and equipment, including mineral interests, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised within the consolidated statement of comprehensive loss.

(ii) Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognised in the consolidated statement of comprehensive loss, as incurred. Such capitalized costs generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves and is accumulated on a property-by-property basis. The carrying amount of any replaced or sold component is derecognised.

(iii) Depletion and depreciation

The net carrying value of development or production assets will be depleted using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those mineral reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves.

Corporate assets, consisting of office equipment, computer equipment, plant and machinery and vehicles are recorded at cost and are depreciated over the estimated useful life of the asset on a straight-line basis over a four-year period and plant and equipment over five years. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(b) Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset: The technology-based intangible asset, being the patented technology for the HPMS process, was valued using an income approach that focuses on the future benefits generated by the Company. The relief from royalty approach (“RFR”) has been adopted. The intangible asset is being amortised over the remaining term of the patent (i.e. 7.42 years from acquisition date).

(c) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For business combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

(d) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. The Company records mineral exploration expenditures net of grant proceeds. Grant funding received in advance of incurring eligible mineral exploration expenditures are recorded as grant received in advance on the consolidated statement of financial position.

(e) Impairment

(i) Non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. The carrying amounts of the Company's other non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into CGUs. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves.

Fair value less costs of disposal is the amount obtained from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated statement of comprehensive loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (or group of units) on a pro rata basis.

Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognised. Reversal of impairment losses are recognised in the consolidated statement of comprehensive loss.

(f) Foreign currency translation

Foreign currency denominated assets and liabilities are translated at the exchange rate prevailing at the date of the consolidated statement of financial position. Expenses are translated using exchange rates prevailing at the dates of the transaction. Any exchange gain or loss that arises on translation is included in profit or loss.

Foreign currency translation adjustments are required each reporting period for subsidiaries of the Company, having functional currencies which differ from the presentation currency. Assets and liabilities are translated at exchange rates in effect at the date of the consolidated statement of financial position and expenses are translated at the average rate for the year with gains or losses recognised in other comprehensive loss.

(g) Taxation

Tax expense comprises current and deferred tax. Tax expense is recognised in the consolidated statement of comprehensive loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted (or substantively enacted) at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which a temporary difference can be utilized. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(h) Earnings/Losses per share

Basic earnings or losses per share are calculated by dividing the net income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share are determined by adjusting the weighted average number of common shares outstanding for the effects of dilutive instruments. All instruments that could have a dilutive effect are considered anti-dilutive when the Company is in a loss position. In addition, options and warrants have a dilutive effect only when the average market price of the Company's common shares during the year exceed the exercise price of the options and warrants (i.e. they are "in the money").

(i) Share-based payments

The Company has issued options to directors, officers, employees, consultants and strategic partners to purchase common shares. The fair value of options, and warrants determined using the Black-Scholes option pricing model on the date they are granted to employees, is recognised as compensation expense with a corresponding increase in contributed surplus over the vesting period. Options and warrants to non-employees are measured at the fair value of the goods or services received, unless the fair value of the options and warrants are more reliably determinable, and are recognised each reporting date as compensation expense with a corresponding increase in contributed surplus over the vesting period. A forfeiture rate is estimated based on historical forfeitures and is adjusted to reflect the estimated number of options and warrants that vest. Volatility is estimated based on historical volatility trends of the Company's own stock, as well as the stock of selected industry peers.

(j) Cash and cash equivalent

Cash and cash equivalent is comprised of cash on hand as well as cash in bank accounts.

(k) Provisions

The Company makes a distinction between:

- Provisions: Present obligations, either legal or constructive, arising from past events, the settlement of which is expected to give rise to an outflow of resources, the amount and timing of which are uncertain; and,
- Contingent liabilities: Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company, or present obligations arising from past events, the amount of which cannot be estimated reliably or whose settlement is not likely to give rise to an outflow of resources.
- Provisions are recognised when the liability or obligation, giving rise to the indemnity or payment arises, to the extent that its amount can be reliably estimated and it is probable that the commitment will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather disclosed.

(l) Financial instruments

Classification and measurement of financial assets and liabilities

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. Management determines the classification of its financial assets at initial recognition. There are two principal classification categories for financial assets: measured at amortised cost and fair value through profit or loss (“FVTPL”). The classification categories are as follows:

Financial assets – The classification of financial assets is determined by the Company at initial recognition. The classification categories are as follows:

- A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortised costs using the effective interest method.
- Financial assets at fair value through profit or loss: assets that do not meet the criteria for amortised cost or fair value through other comprehensive income.
 - Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to those assets are transferred.

Financial liabilities – The classification of financial liabilities is determined by management at initial recognition. The classification categories are as follows:

- Financial liabilities measured at amortised cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in the consolidated statement of comprehensive income.
- Financial liabilities measured at fair value through profit or loss: financial liabilities measured a fair value with changes in fair value and interest expense recognised in the consolidated statement of comprehensive income.
- Financial liabilities are derecognised when the obligation is discharged, cancelled or expired.

Impairment of financial assets

The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade and other receivables.

5. GENERAL AND ADMINISTRATIVE EXPENSES

The loss for the period includes the following material items:

	9 months ended 30 September 2024	9 months ended 30 September 2023
Audit fees	175,063	104,400
Salaries	592,736	1,113,146
Share-based payments	201,384	439,518
Depreciation – Note 9	164,501	6,603
Amortisation of intangible assets – Note 8	399,658	-

6. NON-CONTROLLING INTEREST

	9 months ended 30 September 2024	9 months ended 30 September 2023
Maginito	45,370	31,643
Mkango Rare Earths UK Limited	85,152	25,996
HyProMag Limited	68,779	6,826
HyProMag GmbH	(46,722)	-
Amortisation of HPMS technology	82,329	-
	<u>234,908</u>	<u>64,465</u>

7. GOVERNMENT REMITTANCES RECEIVABLE

	30 September 2024	31 December 2023
Recoverable within one year	32,397	107,578
Recoverable after one year	95,788	99,526
	<u>128,185</u>	<u>207,104</u>

The amount recoverable within one year relates to Canadian GST/HST associated with the parent company and VAT associated with UK and German subsidiaries. The amount recoverable after one year relates to Malawian VAT which will be recovered from future mining taxes.

8. INTANGIBLE ASSETS

	Exploration & evaluation assets	Technology	Total
Cost			
Balance at 31 December 2022	273,763	-	273,763
Additions	405,368	3,949,902	4,355,270
Balance at 31 December 2023	679,131	3,949,902	4,629,033
Additions	60,807	-	60,807
Balance at 30 September 2024	739,938	3,949,902	4,689,840
Accumulated Amortisation			
Balance at 31 December 2022	-	-	-
Amortisation	-	220,249	220,249
Balance at 31 December 2023	-	220,249	220,249
Amortisation	-	399,658	399,658
Balance at 30 September 2024	-	619,907	619,907

Net Book Value			
31 December 2023	679,131	3,729,653	4,408,784
30 September 2024	739,938	3,329,995	4,069,933

The majority of the additions to exploration and evaluation assets during the current year are directly attributable costs (including legal costs linked to the Mining Development Agreement) relating to the Songwe Hill rare earths project. These costs have been capitalized in terms of *IFRS 6: Exploration for and Evaluation of Mineral Resources*.

The technology intangible assets additions relate to the HyProMag acquisition (Refer to Note 11).

9. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment	Plant and equipment	Computer Equipment	Vehicles	Total
Cost					
Balance at 31 December 2023	289	709,513	65,050	80,011	854,863
Additions	-	680,773	5,625	-	686,398
Foreign exchange differences	-	77,798	708	-	78,506
Balance at 30 September 2024	289	1,468,084	71,383	80,011	1,619,767
Accumulated Depreciation					
Balance at 31 December 2023	289	62,159	55,330	80,011	197,789
Depreciation	-	160,400	4,101	-	164,501
Foreign exchange differences	-	33,699	447	-	34,146
Balance at 30 September 2024	289	256,258	59,878	80,011	396,436
Net Book Value					
31 December 2023	-	647,354	9,720	-	657,074
30 September 2024	-	1,211,826	11,505	-	1,223,331

Additions to plant and equipment are presented net of government grants received. Gross additions for the 9-month period ending 30 September 2024 were \$1,013,259, with government grants related to this capital expenditure totalling \$332,486.

10. HYPROMAG USA LLC

On 2 January 2024, Maginito and CoTec incorporated a 50/50 joint venture company, HyProMag USA LLC (“**HyProMag USA**”), to roll-out the HPMS technology into the United States, with CoTec responsible for funding the feasibility study and development costs, subject to the results of the feasibility study.

Maginito’s investment into HyProMag USA was zero and Maginito has not incurred legal or constructive obligations or made payments on behalf of HyProMag USA. As such, the attributable losses of \$889,682 in HyProMag USA incurred for the 9-month period have not been equity accounted for.

When HyProMag USA subsequently reports profits, Maginito will recognise its share of those profits only after its share of the profits equals the share of losses of \$889,682 not recognised.

11. HYPROMAG ACQUISITION

On 2 August 2023, Maginito Limited (“Maginito”) completed the acquisition of the remaining 58.4% of the share capital of HyProMag UK to increase its ownership to 100% of the share capital of HyProMag UK for a total consideration of \$5,759,361. As a result of the acquisition, the Group is expected to utilize the patented HPMS technology for its own magnet recycling projects.

The following table summarises the fair value of assets acquired, and liabilities assumed at the acquisition date:

	Fair values
Intangible asset – technology	3,949,902
Property, plant and equipment	31,818
Trade and other receivables	5,263
Cash	231,029
Trade and other payables	(80,261)
Deferred tax liability	<u>(1,059,831)</u>
Total fair value	<u>3,077,920</u>
Consideration	<u>5,759,361</u>
Goodwill	<u>2,681,441</u>

The fair values include recognition of an intangible asset related to technology of \$3,949,902 which will be amortised over 7.42 years on a straight-line basis. The goodwill of \$2,681,441 comprises the potential value of future technology, the value of the existing workforce and the value of the use of 20% of the production capacity of a pilot plant, all of which are not separately recognised. Deferred tax of \$1,059,831 has been calculated on the value of the intangible assets acquired at an effective corporation tax rate of 26.83%, which is the effective tax rate over the amortisation period, and a corresponding amount recognised as goodwill. Directly related acquisition costs of \$92,262 were expensed to the income statement.

None of the acquiree companies had revenue in the period from 1 January 2023 through to 2 August 2023, the acquisition date. The loss for the acquiree companies in the period from 1 January 2023 through to 2 August 2023 was \$158,057.

	Purchase consideration
Completion cash	1,271,086
Fair value of previously held interest	328,554
Completion equity	1,145,424
Contingent consideration	<u>3,014,297</u>
Total consideration	<u>5,759,361</u>

The completion equity consideration of 9,742,031 common shares has been fair valued to £901,138 (\$1,145,424) based on the share price of Mkango of £0.0925 at the acquisition date.

As required under IFRS 3.42, the previously held interest of 41.6% has been treated as if it were disposed of and reacquired at fair value on the acquisition date. Mkango management consider the fair value of the previously held equity interest to equal the carrying amount under *IAS 28: Investments in Associates and Joint Ventures* of \$328,554. Foreign exchange differences relating to the previously held interest in other comprehensive income have been reclassified to profit or loss.

The contingent consideration is based on future milestone payments and has been considered a financial liability and has been discounted to present value at a rate of 7.4% under *IFRS 9: Financial Instruments* to \$3,014,297. At acquisition date and period end date, management believe that these milestones will be reached and so no adjustment to contingent consideration (other than the passing of time) has been made.

The net cash sum expended on acquisition during the year ended 31 December 2023 is as follows:

	\$
Analysis of cash flows on acquisition	
Cash paid as consideration on acquisition	(1,271,086)
Cash acquired at acquisition	<u>231,029</u>
Net cash outflow on acquisition	<u>(1,040,057)</u>

Impairment of goodwill and intangible assets

The recoverable amount of goodwill is assessed at each reporting date for impairment. The recoverable amount is based on the higher of the value in use and fair value less costs to dispose. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Key inputs include estimates of scrap supply, commissioning timetables, product mix, pricing of magnets, operating cost estimates and discount rate.

Pricing of magnets is based on management's estimates for future prices and are based on external views of future magnet prices. Magnet prices were benchmarked against the cost of a N42H block in China being CNY270/kg (US\$37.61/kg). The discount rate is based on estimate of the weighted average cost of capital for a market participant which includes estimates for risk-free interest rates, cost of equity, asset-specific risk, and debt-to-equity financing ratio. The discount rate used in the impairment model was 18.8%.

Following assessment, the HyProMag CGU was not impaired, as the recoverable amount exceeded the carrying value.

A sensitivity analysis was performed to identify the impact of changes in the key assumptions in the impairment analysis, which included magnet prices and discount rate as these are the most significant assumptions that impact the recoverable value of the assets.

An increase in discount rate by 10% or reduction in magnet prices by 10% would not have any impact on the carrying value of the CGU.

12. CONTINGENT CONSIDERATION

The contingent consideration arose as a result of future milestone payments being included in the purchase consideration relating to the HyProMag acquisition.

The contingent consideration shall become payable in four instalments if milestones are met, by way of issuing common shares in Mkango or in cash, at Mkango's option.

At acquisition and at period end, management have assumed that each milestone would be met in full and have forecasted as such.

	30 September 2024	31 December 2023
Opening balance	3,078,587	-
Acquisition of HyProMag	-	3,014,297
Finance expense	108,008	59,662
Foreign exchange difference	166,186	4,628
Closing balance	3,352,781	3,078,587
Split between:		
Current liabilities	2,507,137	1,382,358
Non-Current liabilities	845,644	1,696,229

13. RELATED-PARTY TRANSACTIONS AND BALANCES

(a) Key management compensation was as follows:

9 months ended 30 September 2024	Consulting fees/ Salaries	Director fees	Total
A Lemon	131,938	-	131,938
W Dawes	131,938	-	131,938
D Linfield	-	-	-
S Muir	-	-	-
S Treacy	-	-	-

R Sewell	134,228	-	134,228
P Varris**	-	-	-
S Motteram***	-	-	-
Total key management compensation	<u>398,104</u>	<u>-</u>	<u>398,104</u>

9 months ended 30 September 2023	Consulting fees/ Salaries	Director fees	Total
A Lemon	178,260	-	178,260
W Dawes	169,329	-	169,329
D Linfield	-	65,306	65,306
S Muir	-	18,750	18,750
S Treacy*	-	18,750	18,750
R Sewell	153,935	-	153,935
P Varris**	-	8,642	8,642
S Motteram***	-	-	-
Total key management compensation	<u>501,524</u>	<u>111,448</u>	<u>612,972</u>

* paid to Zenith Advisory Services Pty Limited

** appointed 24 May 2023

*** resigned 14 December 2023

(b) Other related-party transactions

Leo Mining and Exploration Ltd. ("Leo Mining") is considered related by virtue of common directors and officers, namely William Dawes, Alexander Lemon and Shaun Treacy. Leo Mining pays certain costs such as rental on behalf of Mkango. Mkango reimburses Leo Mining for these costs.

As of 30 September 2024, the Company owed Leo Mining an amount of \$7,425 (31 December 2023: \$12,431). The amount is unsecured and due on demand.

HyProMag USA is considered related as Maginito has a 50% interest in HyProMag USA and Mkango has a 79.4% interest in Maginito.

As of 30 September 2024, HyProMag USA owed the Group \$12,499 (31 December 2023: \$nil) relating to costs incurred by the Group relating to the roll-out of HPMS technology into the United States. CoTec/HyProMag USA are responsible for these costs.

The amounts due to related parties were as follows:

	30 Sept 2024	31 December 2023
Due to key management and directors	235,055	49,323
Due to related parties with common directors (Leo Mining)	<u>7,425</u>	<u>12,431</u>
Total due to related parties	<u>242,480</u>	<u>61,754</u>

The amounts due from related parties were as follows:

	30 Sept 2024	31 December 2023
HyProMag USA	12,499	-
CoTec	<u>-</u>	<u>120,133</u>
Total due from related parties	<u>12,499</u>	<u>120,133</u>

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	30 September 2024	31 December 2023
Accounts payable	287,760	277,302
Other payables	23,978	68,020
Government grants received in advance	357,211	198,605
Accrued liabilities	<u>7,887</u>	<u>47,063</u>
	<u>676,836</u>	<u>590,990</u>

The government grant received in advance relates to the REEsilience program and the EIT Raw Material Booster Funding. This will be utilized against future expenditure.

15. SHARE CAPITAL

(a) Common shares

The Company is authorised to issue an unlimited number of common and preferred shares without nominal or par value. The Company has not issued any preferred shares to date. The holders of common shares are entitled to one vote for each share on all matters submitted to a shareholder vote and are entitled to share in all dividends that the Company's board of directors, at its discretion, declares from available funds.

	Ref	<u>Number</u>	<u>Amount (\$)</u>
Closing balance 31 December 2022		215,206,548	38,376,817
Issued for cash	(i)	28,000,000	4,214,600
Share issue expenses	(i)	-	(282,987)
Issued in exchange for services	(ii)	224,317	34,000
Issued to HyProMag sellers	(iii)	9,742,031	1,145,424
Issued in exchange for services	(iv)	280,678	35,000
Closing balance 31 December 2023		253,453,574	43,522,854
Issued for cash	(v)	15,000,000	943,957
Share issue expenses	(v)	-	(41,159)
Issued for cash	(vi)	25,000,000	1,648,528
Share issue expenses	(vi)	-	(94,069)
Closing balance 30 September 2024		293,453,574	45,980,111

- (i) On 13 February 2023, Mkango raised gross proceeds of £3.5 million (approximately \$4.2 million) via a placing and subscription totalling 28,000,000 placing shares at a price of 12.5p per share. The net proceeds were £3.3 million (approximately \$4 million).
- (ii) On 2 May 2023, 224,317 common shares of the Company were issued for settlement of the financial advisory services provided by Bacchus Capital to the Company for the period from 23 January 2023 to 31 March 2023. An amount of \$34,000 was credited to share capital.
- (iii) On 2 August 2023, 9,742,031 common shares of the Company were issued to the HyProMag sellers as part consideration for the acquisition of the remaining 58.4% of the share capital of HyProMag Limited.
- (iv) On 25 August 2023, 280,678 common shares of the Company were issued for settlement of the financial advisory services provided by Bacchus Capital to the Company for the period from 1 April 2023 to 30 June 2023. An amount of \$35,000 was credited to share capital.
- (v) On 11 April 2024, Mkango raised gross proceeds of £750,000 (approximately \$944,000) via a placing and subscription totalling 15,000,000 placing shares at a price of 5p per share. The net proceeds were £717,840 (approximately \$900,000).
- (vi) On 5 September 2024, Mkango raised gross proceeds of £1,250,000 (approximately \$1,649,000) via a private placement totalling 25,000,000 placing shares at a price of 5p per share. The net proceeds were £1,177,987 (approximately \$1,554,000).

(b) Share-based payments

(i) Stock options

The Company has a rolling stock option plan (the "Plan") established to recognise contributions made by key personnel, to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continued association with the Company. The number of options

granted under the Plan is limited to 10% in the aggregate of the number of issued and outstanding common shares of the Company at the date of the grant of the options.

On 30 May 2023, the Company granted 3,350,000 stock options to directors, officers, employees and consultants of the Company. The Options have an exercise price of C\$0.2025 (\$0.153) per common share. The options will vest over the next two years and are valid for a period of ten years from the date of the grant. Furthermore, certain options, subject to certain exceptions, vest if the Company has finalized the Mining Development Agreement (“MDA”) in Malawi (which at the date of this report has now been completed) and secured the mining license for the Songwe Hill rare earths project.

On 10 May 2024, Derek Linfield, the Company’s Chairman surrendered 1,250,000 options, previously granted on 30 August 2021 and 30 May 2023 to facilitate the awarding of Restricted Share Units to senior management. The option expense relating to the forfeiture of these options has been reversed out the Contributed Surplus account through the income statement.

The share-based payments expense that has been recognised in respect of stock options in the consolidated statements of comprehensive loss for the nine months ended 30 September 2024 is \$94,913 (30 September 2023: \$287,492). The stock options pursuant to the Plan vest over a term of 18 - 24 months.

The following tables provide a summary of information about the Company’s stock option plan.

As at 31 December 2023	Options	Weighted-average exercise price (USD)
Opening	16,200,000	0.16
Exercised	-	-
Granted – 30 May 2023	<u>3,350,000</u>	<u>0.15</u>
Total options	<u>19,550,000</u>	<u>0.16</u>
Vested options	16,298,438	0.16

As at 30 September 2024	Options	Weighted-average exercise price (USD)
Opening	19,550,000	0.16
Exercised	-	-
Forfeited – 10 May 2024	(1,250,000)	0.31
Expired	<u>(381,666)</u>	<u>0.08</u>
Total options	<u>17,918,334</u>	<u>0.15</u>
Vested options	15,246,459	0.15

The following provides a summary of the stock option plan as at 30 September 2024

<i>Range of exercise price (USD)</i>	<i>Number outstanding</i>	<i>Weighted-average remaining contractual life (years)</i>	<i>Weighted-average exercise price (USD)</i>	<i>Number exercisable</i>
0.04 - 0.37	17,918,334	4.96	0.15	15,246,459

The following provides a summary of the stock option plan as at 31 December 2023

<i>Range of exercise price (USD)</i>	<i>Number outstanding</i>	<i>Weighted-average remaining contractual life (years)</i>	<i>Weighted-average exercise price (USD)</i>	<i>Number exercisable</i>
0.04 - 0.37	19,550,000	5.84	0.16	16,298,438

The fair value of each share-based payment option granted is estimated as of the grant date using the Black-Scholes option-pricing model. The following assumptions were used to arrive at the fair value for the options that were issued on 30 May 2023:

	30 May 2023
Risk-free interest rate (%)	3.12
Expected life (years)	10
Expected volatility (%)	73.4%
Dividends (%)	Nil
Forfeiture rate (%)	5%
Weighted average fair value at issuance (USD)	0.12

(ii) Restricted Share Units

On 10 May 2024, Mkango issued 4,037,024 Restricted Share Units (“RSUs”) pursuant to the Company’s RSU plan as adopted on 25 October 2023, (“RSU Plan”), to William Dawes (1,513,884 RSUs), Alexander Lemon (1,513,884 RSUs) and Robert Sewell (1,009,256 RSUs). Each RSU is exchangeable, on vesting, for one common share of the Company.

At 30 September 2024 the Company had 8,787,024 (31 December 2023: 4,575,000) Restricted Share Units outstanding. The Restricted Share Units vest over a period of ten years. The Company has recognised a share-based payment charge related to these Restricted Share Units of \$130,615 (30 September 2023: \$114,025) during the 9-month period ending 30 September 2024.

(c) **Broker warrants**

On 27 February 2023, the Company issued 1,400,000 non-transferable warrants to the brokers who advised in connection with the placing in February 2023. These warrants expired on 26 February 2024 and were not exercised. Each warrant was exercisable for a period of 12 months with an exercise price of £0.125 (\$0.151) per warrant. As a result of this expiry, the broker warrant charge of \$64,256 relating to these broker warrants has been reversed through the income statement from the contributed surplus account.

On 11 April 2024, the Company issued 600,000 non-transferable warrants to the brokers who advised in connection with the 11 April 2024 placing. Each warrant is exercisable for a period of 3 years with an exercise price of £0.05 (\$0.067) per warrant.

On 5 September 2024, the Company issued 1,250,000 non-transferable warrants to the brokers who advised in connection with the 5 September 2024 placing. Each warrant is exercisable for a period of 3 years with an exercise price of £0.05 (\$0.067) per warrant.

The following provides a summary of the Company’s outstanding broker warrants as at 30 September 2024:

<i>Range of exercise price</i>	<i>Number outstanding</i>	<i>Weighted-average remaining contractual life (years)</i>	<i>Weighted-average exercise price</i>
0.067	1,850,000	2.80	0.067

The following provides a summary of the Company’s outstanding broker warrants as at 31 December 2023:

<i>Range of exercise price</i>	<i>Number outstanding</i>	<i>Weighted-average remaining contractual life (years)</i>	<i>Weighted-average exercise price</i>
0.151	1,400,000	0.16	0.151

The fair value of each share-based payment warrant granted is estimated as of the grant date using the Black-Scholes option-pricing model. The following assumptions were used to arrive at the fair value for the broker warrants that were issued on 27 February 2023, 11 April 2024 and 5 September 2024:

	27 Feb 2023	11 April 2024	5 Sept 2024
Risk-free interest rate (%)	3.12	3.12	3.12
Expected life (years)	1	3	3
Expected volatility (%)	73.4	73.4	73.4
Dividends (%)	Nil	Nil	Nil
Weighted average fair value at issuance (USD)	0.046	0.0462	0.0312

(d) Investor warrants

On 5 September 2024, the Company issued 25,000,000 investor warrants (one warrant for each subscription share issued on the same date). Each warrant will entitle the holder to acquire one common share at a price of £0.07 (\$0.092) per common share for a period of 3 years (i.e. up until 4 September 2027). The Company has recognised a share-based payment charge related to these investor warrants of \$21,799 (30 September 2023: \$Nil) during the 9-month period ending 30 September 2024.

The following provides a summary of the Company's outstanding investor warrants as at 30 September 2024:

<i>Range of exercise price</i>	<i>Number outstanding</i>	<i>Weighted-average remaining contractual life (years)</i>	<i>Weighted-average exercise price</i>
0.092	25,000,000	2.93	0.062

The fair value of each share-based payment warrant granted is estimated as of the grant date using the Black-Scholes option-pricing model. The following assumptions were used to arrive at the fair value for the investor warrants that were issued on 5 September 2024:

	5 September 2024
Risk-free interest rate (%)	3.12
Expected life (years)	3
Expected volatility (%)	73.4
Dividends (%)	Nil
Weighted average fair value at issuance (USD)	0.0382

(e) Reserves

Share capital - ordinary shares are classified as equity; incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Shares to be issued – this represents shares for which consideration has been received but are not issued yet.

Contributed surplus – this represents the cumulative balance of share-based payment expenses.

Accumulated Other Comprehensive Income – this represents gains/losses arising on retranslating the net assets of overseas operations into US Dollars.

Retained Deficit – this represents all other net gains/losses and transactions with owners not recognised elsewhere.

Non-controlling interest – this represents minority shareholders interest in the net assets of the Group.

16. FINANCIAL INSTRUMENTS

Determination of fair values

Financial assets and liabilities have been classified into the following categories: (i) fair value through profit or loss and, (ii) amortised costs. Each category has a defined basis of measurement. If a category is measured at fair value, any changes in fair value is recognised in the consolidated financial statements of comprehensive loss.

In establishing fair value, the Company uses a fair value hierarchy based on levels defined below:

- Level 1 - quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data.

The carrying value of cash, government and other receivables, accounts payable and accrued liabilities, and amounts due to related parties, approximates the fair value due to their short-term nature and maturity.

Financial risk management

The Company's management monitors and manages the financial risks relating to the operations of the Company. These include foreign currency, interest rate, liquidity and credit risks.

Foreign currency risk

The functional and presentation currency of the Company is the US dollar. The Company enters into transactions denominated in the CAD, the US dollar, the Euro, the GBP, the Australian dollar, the South African Rand and Malawian Kwacha. The Company raises its equity in the CAD, and the GBP, and then purchases the US dollar, the Australian dollar, the South African Rand, the Euro and the Malawian Kwacha to settle liabilities. The Company minimizes exposure to foreign exchange loss by converting funds to the appropriate currencies upon receipt of funding based on the expected use of the various foreign currencies. The Company's exposure to foreign currency risk as at 30 September 2024 and 31 December 2023, is most significantly influenced by the following cash amounts held in foreign currencies (amounts shown in US dollars):

	30 September 2024	31 December 2023
Cash:		
Canadian Dollar	728	882
United States Dollar	9,613	7,637
Pound Sterling	1,371,112	768,781
Euro	608,069	214,557
Malawian Kwacha	1,186	4,845
Australian Dollar	82	80
	<u>1,990,790</u>	<u>996,782</u>

A 5% reduction in the value of the CAD, Euro, GBP, MWK and AUD in comparison to the USD would cause a change in net loss of approximately \$99,059 (31 December 2023: \$49,457).

Interest-rate risk

The Company's exposure to interest-rate risk relates primarily to its cash at bank. However, the interest-rate risk is expected to be minimal. The Company does not presently hedge against interest rate movements.

Liquidity risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- a) The Company will not have sufficient funds to settle a transaction on the due date;

- b) The Company will be forced to dispose of financial assets at a value which is less than the fair value; or,
- c) The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements including amounts projected to complete the Company's existing capital expenditure program are continuously monitored and adjusted as input variables change. As these variables change, liquidity risks may require the Company to conduct equity issuances or obtain other forms of financing. The Company manages its liquidity risk by maintaining adequate cash and is actively seeking additional funding to improve its exposure to liquidity risk. The Company continually monitors its actual and forecast cash flows to ensure that there are adequate reserves to meet the maturing profiles of its financial liabilities.

The following table outlines the maturities of the Company's financial liabilities as at 30 September 2024:

	Contractual Cash Flows	Less than 1 Year	Greater than 1 Year
Accounts payable and accrued liabilities	676,836	676,836	-
Due to related parties	242,480	242,480	-

The following table outlines the maturities of the Company's financial liabilities as at 31 December 2023:

	Contractual Cash Flows	Less than 1 Year	Greater than 1 Year
Accounts payable and accrued liabilities	590,990	590,990	-
Due to related parties	61,754	61,754	-

Credit risk

The Company's principal financial assets are cash. The credit risk on cash is limited because the majority are deposited with banks with high credit ratings assigned by international credit-rating agencies.

Financial instruments by category

Financial Assets

	Fair value through profit or loss		Amortised cost	
	30 September 2024	31 December 2023	30 September 2024	31 December 2023
Cash	-	-	1,990,790	996,782
Receivables	-	-	28,224	147,174
Total financial assets	-	-	2,019,014	1,143,956

Financial liabilities

Trade and other payables	-	-	919,317	652,744
Loans and borrowings	-	-	-	-
Derivatives	-	-	-	-
Total financial liabilities	-	-	919,317	652,744

17. COMMITMENTS

The Company was first granted the Phalombe Licence for the Songwe property on 21 January 2010. The licence was issued by the Government of Malawi on an initial three-year basis. The licence was subsequently renewed every two years and was renewed for a third time on 21 January 2019. On 1 June 2021 the Phalombe Licence was transferred into 11 retention licences covering a total of 250 sq km. Each retention licence is for a five-year period from 1 June 2021. The future spending commitments for the exploration rights with the Government of Malawi were 150,000,000 Kwacha (\$86,536) over two years, which have been met.

On 10 September 2010, the Company was granted an additional exploration licence by the Malawi Minister of Natural Resources, Energy and Environment in the Thambani area, Mwanza District, Malawi. The licence was issued by the Government of Malawi on an initial three-year basis and was subsequently renewed from 10 September 2015 for additional two-year periods. The Company has subsequently been granted four retention licences for a period of five years from 9 November 2021.

On 10 November 2017, the Company was granted an additional exploration licence by the Malawi Minister of Natural Resources, Energy and Environment in the Chimimbe Hill area, Mchinji District, Malawi. The licence was originally issued by the Government of Malawi on a three-year basis, and will be available for renewal every two years, thereafter. The commitment for exploration expenses with the Government of Malawi under the licence is 25,000,000 Kwacha (\$14,423) over three years which had been met. The licence is currently in the process of being renewed.

On 13 May 2019, the Company was granted an additional exploration licence by the Malawi Minister of Natural Resources, Energy and Environment in Mchinji District, Malawi. The licence was originally issued by the Government of Malawi on a three-year basis, and will be available for renewal every two years, thereafter. The licence is currently in the process of being renewed.

18. DEFERRED TAX LIABILITY

	30 September 2024	31 December 2023
Opening balance	1,000,734	-
Deferred tax liability – technology asset (Refer to Note 11)	-	1,059,831
Amortisation of technology asset	(107,235)	(59,097)
Closing balance	893,499	1,000,734

19. LOSS PER SHARE

The calculation of basic earnings per share at 30 September 2024 was based on the loss attributable to ordinary shareholders of \$1,798,568 (30 September 2023 loss \$3,128,970) and a weighted average number of ordinary

shares outstanding during the 9 months ended 30 September 2024 of 289,644,594 (30 September 2023: 237,257,830) calculated as follows:

	30 September 2024	30 September 2023
Loss attributable to the ordinary shareholders (USD)	<u>(1,798,568)</u>	<u>(3,128,970)</u>
Number of ordinary shares outstanding at beginning of year	253,453,574	215,206,548
Effect of shares issued during the period	<u>36,191,020</u>	<u>22,051,282</u>
Weighted average number of ordinary shares outstanding	<u>289,644,594</u>	<u>237,257,830</u>
Loss per share (USD)	<u>(0.006)</u>	<u>(0.013)</u>

20. CAPITAL MANAGEMENT

The Company's total capital consists of Mkango's shareholders' equity of \$5,029,927 as at 30 September 2024 (31 December 2023: \$4,561,306).

The Company's objective when managing its capital is to have sufficient capital to maintain its ongoing operations, pursue its strategic opportunities and maintain a flexible capital structure which optimises the cost of capital at an acceptable risk. The Company manages its capital structure and makes adjustments to it based on the funds available to the Company. The Company has no externally imposed capital requirements.

21. SUBSEQUENT EVENTS

a) Executive Compensation and Private Placement

On 20 November 2024, the Company issued a total of 1,583,332 common shares to management. Of the total, 666,666 shares were issued to William Dawes, 666,666 shares to Alexander Lemon and 250,000 shares to Robert Sewell, structured for tax and regulatory reasons as a cash bonus and private placement of the after-tax amounts of the bonus at a price per share of 6p. The value of the after-tax bonus to be invested in the shares of the Corporation is £40,000 (\$53,583) for William Dawes and Alexander Lemon, and £15,000 (\$20,094) for Robert Sewell.

b) Issuing of RSUs

On 28 October 2024, Mkango issued 2,814,999 Restricted Share Units ("RSUs") pursuant to the Company's RSU plan as adopted on 25 October 2023, ("RSU Plan"), to William Dawes (938,333 RSUs), Alexander Lemon (938,333 RSUs) and Robert Sewell (938,333 RSUs). Each RSU is exchangeable, on vesting, for one common share of the Company.

c) Exercise of call option and issuing shares to EIT Raw Materials

On 26 November 2024, Mkango exercised its call option in accordance with the Put and Call Option Agreement entered into between Mkango and EIT RawMaterials GmbH on 12 August 2024, to acquire the 6 shares in Mkango Polska with a nominal value of PLN 50 each held by EIT RawMaterials. To settle the agreed purchase price of EUR 200,000 and PLN 300, Mkango Resources Limited conditionally issued 2,041,855 Mkango shares, calculated based on a price of CAD 0.145 per share.