Mustang Energy Plc

Annual Report & Financial Statements for the year ended 31 December 2021

Company Registration No. 11155663 (England and Wales)

Contents

Company information

Directors

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

Company Secretary

Simon Holden

Registered Office

48 Chancery Lane,
London, WC2A 1JF

Registered Number

11155663

Independent Auditor

BDO LLP
55 Baker Street
London W1U 7EU

Solicitors

Keystone Law
48 Chancery Lane,
London, WC2A 1JF

Principal Bankers

Metro Bank Plc
One Southampton Row
London WC1 5HA

Registrars

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

Chairman's Statement

In March 2021 the Company announced a Strategic Alliance and Placing to Acacia Resources Limited ("Acacia"). Acacia was established in 2012 with a current focus on minerals involved in the energy transition process. The principal purposes of the Placing and the Strategic Investment was for the Company and Acacia to invest together in manufacturing assets involved in the energy transition process with a focus on energy storage and the battery value chain. Additionally, it is also the intention to participate in the development of renewable energy projects where there is scope to include stationary energy storage. At the same time as the Placing Acacia also acquired existing shares from two existing shareholders and as a result of the Placing and these purchases became the Company's largest shareholder with 24.03%.

In April 2021 the Company announced that it had acquired a 22.1% interest in VRFB Holdings Limited ("VRFB-H") for US$7.524 million which was funded through the issue of US$8,000,000 10 per cent. unsecured convertible loan notes to certain investors, including the Company's 24.03% shareholder Acacia. VRFB-H owns a 50% interest in Enerox Holdings Limited ("EHL") with EHL owning a 100% interest in Enerox GmbH ("Enerox").

Mustang's 22.1% investment into VRFB-H constitutes a reverse takeover under the Listing Rules. As a result, the Company's shares were temporarily suspended until the Company publishes a prospectus for the readmission of the ordinary share capital of the Company to trading on the London Stock Exchange.

Enerox is an Austrian-based vanadium redox flow battery manufacturer. Bushveld Minerals Limited owns a 50.5% interest in VRFB-H and Acacia owns the remaining 27.4%. Enerox has invested more than 20 years of research and development into its CellCube energy storage system. Their vanadium-based technology is known to be state-of-the-art in the battery market and has already deployed more than 130 systems / 23 MWh across 5 continents.

In July 2021 the Company was advised that a claim form has been issued in the English High court by Garnet Commerce Limited ("Garnet") against VRFB-H and EHL. Garnet owns the remaining 50% interest in EHL. Garnet's claim form sought declarations against VRFB-H concerning an alleged breach of the joint venture agreement in relation to EHL, in respect of the indirect investment into EHL through VRFB-H by Mustang, as announced on 27 April 2021.

On 8 March 2022 the Company advised that VRFB-H had successfully defended Garnet's claims. The judgment vindicated the position that the investment by VRFB-H into EHL, funded as it was partly by an investment by the Company, was permitted and did not violate any agreements. Accordingly, the investment by Mustang into VRFB-H, and the investment by VRFB-H into EHL, continues to remain effective. The Company is now in the process of preparing a prospectus so as to facilitate the relisting of the Company's shares.

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

Alan Broome, AM
Chairman

21 June 2022

Board of Directors and Senior Management

Alan John Broome, AM (Non-Executive Chairman), aged 71

Alan Broome is a metallurgist with over 40 years' experience in mining and metals. A well-known figure in the Australian mining industry, Alan has extensive board experience, both as a director and chairman, of a number of listed and unlisted energy, mining and mining technology companies. Over the last 20 years, Alan has had in-depth experience in oil exploration and production, coal mining, equipment, services and research sectors, in the UK, Australia and abroad. Alan is currently non-executive chairman of Strategic Minerals, a minerals production and development company incorporated and registered in England and Wales and listed on the AIM market of the London Stock Exchange. He is also non-executive chairman of ASX listed New Age Exploration Limited and director of DDH1 Drilling Limited.

Dean Lloyd Gallegos (Managing Director), aged 54

Dean Gallegos has significant experience in financial markets in both institutional/retail advisory and corporate advisory roles. This included being a founder and principal of an Australian based stockbroking and corporate advisory firm between 1995 and 2002. Since that time, he has acted in an executive capacity in numerous mineral and energy focused public companies in Australia and Singapore. Since 2006, he has focused on energy-related projects, principally in the US (including Texas, Louisiana and Alaska) in both the onshore and offshore environments. Dean specialises in the identification of projects and the funding of the development of those projects through equity, debt and mezzanine financing. He has in-depth experience from both an operational and financial perspective in respect to the requirements of the exploration, discovery and subsequent production of oil and gas projects. Mr Gallegos was appointed to the board of VRFB Holdings Limited in May 2021.

Peter Verdun Wale (Non-Executive Director), aged 52

Peter Wale brings a thorough understanding of financial markets and investment management with over 25 years of diverse professional investing experience across developed and emerging markets. He has worked for various American fund managers, including Fidelity Investments, and was a partner at an international hedge fund for 12 years. Peter remains an investor, mainly in the resources sector, and has an extensive network of contacts. He is an executive director and significant shareholder of Strategic Minerals and a director of Cornwall Resources Limited, where he has been actively involved in the development of the companies' strategy and investor communications.

Simon William Holden (Non-Executive Director), aged 46

Simon Holden is an experienced corporate finance and capital markets lawyer. He advises issuers in connection with initial public offerings and secondary fundraisings, start-ups and growth companies on alternative finance, and public and private companies in respect of domestic and cross border mergers and acquisitions. Simon is recommended in The Legal 500 2019 for: Flotations: Small and Mid-Cap; M&A: Smaller Deals up to £50M; Mining and Minerals; and Oil and Gas. Simon has an in-depth understanding of the UK quoted company sector, having advised on a significant number of AIM and Main Market transactions; acting for issuers, nominated advisers and brokers. He was called to the Bar of England & Wales (Lincoln's Inn) in 1999 and was subsequently admitted as a Solicitor in England & Wales in 2002. He is currently company secretary of Iofina plc (AIM: IOF) and previously served as company secretary of InfraStrata plc (AIM: INFA) and SolGold plc (formerly Solomon Gold plc) (LSE: SOLG).

Jacqueline Yee (Non-Executive Director), aged 52

Ms Yee is based in Singapore after relocating from Australia in 2019 following almost 15 years based in Europe, prior to which she worked in the Asia Pacific region for almost 12 years. Ms Yee is a recipient of Money 2020 RiseUp FinTech & Financial Services Leadership award. She has a global track record in mergers, acquisitions, restructurings and structured finance delivering improved returns in both the private and public capital markets. She has global insights and local knowledge in multiple sectors having worked in the United Kingdom, Europe, USA, Asia, Middle East, Australia and New Zealand. Ms Yee is CEO of Funderbeam Exchange - a private markets stock exchange, Non-Executive Director of Wellteq Digital Health (CSE: WTEQ), the Singapore Community Partner of Global Fintech Connector and Mentor to IoT Tribe Deeptech Accelerator programs and F10 Fintech Incubator & Accelerator programs. She is fluent in multiple Asian and European languages and presents globally, she has also authored reports that have been implemented in institutional and public policies.

Directors' Report

The Directors present their report with the audited financial statements of the Company for the year ended 31 December 2021. A commentary on the business for the year is included in the Chairman's Statement on page 4. A review of the business is also included in the Strategic Report on pages 14 to 19.

Directors

The Directors of the Company during the period and their beneficial interest in the Ordinary shares of the Company at 31 December 2021 were as follows:

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

Qualifying Third Party Indemnity Provision

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

Substantial shareholders

As at 31 December 2021, the total number of issued Ordinary Shares with voting rights in the Company was 10,281,600. Details of the Company's capital structure and voting rights are set out in note 17 to the financial statements.

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

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

Directors' Report (continued)

Financial Instruments

Details of the use of the Company's exposure to financial risk are contained in note 23 of the financial statements.

Greenhouse Gas (GHG) Emissions

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

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

The Company is exempt from the Streamlined Energy & Carbon Reporting (SECR) requirements since energy consumption is less than 40,000 kWh of energy in the reporting year.

Dividends

The Directors do not propose a dividend in respect of the period ended 31 December 2021. No dividend was paid in the period to 31 December 2020.

Future developments and events subsequent to the period end

Further details of the Company's future developments and events subsequent to the period-end are set out in the Strategic Report on pages 14 to 19.

Corporate Governance

The Governance report forms part of the Director's Report and is disclosed on pages 20 to 24.

Going Concern

The Company's business activities, together with facts likely to affect its future operations and financial and liquidity positions are set out in the Chairman's Statement and the Strategic Report. Further, note 23 to the financial statements disclose the Company's financial risk management policy. As noted in the Directors' report, on 28 March 2022 the parties to the investment agreement dated 26 April 2021 and as subsequently amended and restated (the "Investment Agreement") relating to the Company's conditional purchase of shares in VRFB-H("VRFB Share Purchase"), including the Company, agreed to extend the longstop date to satisfy the principal outstanding condition of the VRFB Share Purchase, namely the publication by the Company of a prospectus and the readmission of the ordinary share capital of the Company ("MUST Shares") to listing and trading (together, "Readmission") by no later than 31 July 2022 (the "Longstop Extension"). In turn, the Longstop Extension was mirrored in the Company's convertible loan note instrument (the "CLN Instrument") pursuant to which it issued US$8 million 10% convertible loan notes (the "CLNs") to certain investors (the "CLN Holders") such that the maturity date of the CLNs was, as agreed between the Company and the CLN Holders, extended to 31 July 2022 (or such later date as may be agreed between the Company and the CLN Holders) (the "Maturity Date").

Directors' Report (continued)

Under the terms of the CLN Instrument, the CLNs are convertible into new MUST Shares, following: (a) the approval of its shareholders of the Company's capital raise; and (b) Readmission occurring on or before the Maturity Date; the publication of a prospectus and readmission of the entire issued MUST Shares to trading being required given that the VRFB Share Purchase constitutes a reverse takeover ("RTO") under the Financial Conduct Authority's Listing Rules. At the date of this report, Readmission has not occurred albeit the Company is working with its professional advisers to satisfy this requirement. If Readmission does not occur by the Maturity Date, the CLNs (comprised of the principal amount of US$8 million and all accrued and unpaid interest thereon) can be redeemed for cash within 28 days of the Maturity Date (the "Redemption Period"). If the Company determines that it is unable to repay the CLNs within the Redemption Period, it shall notify the CLN Holders of this and shall exercise its rights under the Investment Agreement pursuant to which Bushveld Minerals Limited ("BMN") is required, in return for the Company transferring to BMN's subsidiary Bushveld Energy Limited its shares in VRFB-H, to issue to each CLN Holder, within the Redemption Period, such number of new ordinary shares in the capital of BMN as is equivalent to the then outstanding amount of the CLNs (including principal and all accrued and unpaid interest thereon) (the "Backstop").

On 25 January 2022, the Company entered a loan agreement with BMN (replacing in its entirety the agreement entered by the parties on 14 January 2022) pursuant to which BMN provided the Company with an unsecured non-interest-bearing loan of US$220,000 (the "Loan"). The Loan is repayable in full at any time on or prior to 31 December 2023 (the "Repayment Date") and is repayable in any event if the Company raises any debt or equity capital of no less than £1 million (excluding any conversion of the CLNs into new MUST Shares) prior to the Repayment Date. At the option of the Company, the Loan is repayable either by way of a single repayment in cash or by the issue of such number of new MUST Shares as is equal to the Loan (the "Loan Shares"). The issue price of the Loan Shares is the greater of £0.20 per MUST Share and the average volume-weighted average price of a MUST Share for the consecutive 10 dealing days ending on the dealing day immediately preceding the repayment date. The Loan shall be waived in full if the Backstop is implemented prior to the Repayment Date.

If Readmission occurs by the Maturity Date, the Directors, having assessed cash flow forecasts prepared for a period of at least 12 months, are of the opinion that the Company has adequate working capital to meet its overhead costs for at least 12 months from the date of approving these accounts. Notwithstanding their belief that the Company, in line with its strategy, shall have sufficient working capital to meet its needs following Readmission, the Directors anticipate that the Company shall, concurrent with the Readmission process, seek to raise additional finance to fund further acquisitions and for further working capital purposes.

If Readmission does not occur and the Backstop is triggered the Company will divest its only asset. If the Company is unable to raise additional funds through the issuance of debt or equity then the Company, other than being able to pay overhead costs for a period of at least 12 months from the date of approval of these financial statements, will have no means of funding due diligence costs for a new acquisition caused by the publication of a prospectus and readmission of the entire issued MUST Shares to trading.

These events or conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that may be necessary if the Company was not a going concern.

Directors' Report (continued)

The Directors consider that despite this uncertainty it remains appropriate to prepare the financial statements on a going concern basis as the Company is currently preparing for Readmission.

Principal Activities

The Company is an investment company which made its first acquisition in 2021. It has identified the following criteria that it believes are important in evaluating a prospective target company or business or asset(s). It will generally use these criteria in evaluating acquisition opportunities. However, it may also decide to enter into an Acquisition with a target company or business or asset(s) that does not meet the below criteria.

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

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

- **Sector focus**: The Company intends to search for additional investments that complement its existing 22.1% interest in VRFB-H and which are in manufacturing assets involved in the energy transition process with a relative focus on the energy storage/battery value chain and in the development of renewable energy projects where there is scope to include stationary energy storage. The Directors believe that opportunities exist to create value for Shareholders through a properly executed, acquisition-led strategy in the energy or natural resources industry, however the Directors will consider other industries and sectors where they believe value may be created for Shareholders.

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

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

Auditors

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

Directors' Report (continued)

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies with a Standard Listing.

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

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Directors' Report (continued)

Statement of Directors' responsibilities pursuant to Disclosure and Transparency Rule

Each of the Directors, whose names and functions are listed on page 7 confirm that, to the best of their knowledge and belief:

- the financial statements have been prepared in accordance UK-adopted international accounting standards and give a true and fair view of the assets, liabilities, financial position and loss of the Company; and

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

The financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into the UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The group transitioned to UK-adopted international accounting standards in its consolidated financial statements on 1 January 2021. There was no impact or changes in accounting from the transition.

Post Balance Date Events

In July 2021 the Company advised that a claim form has been issued in the English High court by Garnet against VRFB-H and EHL. Garnet owns the remaining 50% interest in EHL. As part of its response, on

19 January 2022 the Company and Bushveld Minerals agreed the following terms so as to extend the Maturity Date of the CLNs until 28 February 2022 which would allow some visibility as to the result of the High Court hearing:

1. A reduction of the backstop fee from 5.0% to 2.0% of any CLN amount converted to BMN shares as per the provisions of the Investment Agreement. The backstop fee can, at the election of the Company, be satisfied by the issue of Mustang shares at an issue price of 20 pence each. The backstop fee will be reinstated to 5.0% if the Company's shares are relisted and has an interest in VRFB-H.

2. The Loan to be used by the Company to fund the additional expenses that arise as a result of the extension of the Maturity Date. As VRFB-H was successful in the High Court proceedings, the Loan is repayable on the earlier of the Company completing a capital raising of £1 million or 31 December 2023. The Loan can, at the election of the Company, be repaid by the issue of Mustang shares at an issue price of 20 pence each.

3. If the Backstop is triggered and VRFB-H is subsequently successful in the High Court proceedings the Company has been granted a call option to acquire the VRFB-H shares it transferred to Bushveld Energy Limited ("BEL") under the Backstop at the same entry price as paid by the Company pursuant to the Investment Agreement. The call option needs to be exercised within one month of finalisation of the High Court proceedings.

Directors' Report (continued)

4. The Company has granted BMN a put option that can be exercised if the Company does not exercise the call option, to sell the VRFB-H shares the Company transferred to BEL under the Backstop at the same entry price as paid by the Company pursuant to the Investment Agreement. The put option needs to be exercised within one month of the expiry of the call option described above.

On 8 March 2022 the Company advised that VRFB-H had successfully defended Garnet's claims. The judgment vindicates the position that the investment by VRFB-H into EHL, funded as it was partly by an investment by the Company, was permitted and did not violate any agreements. Accordingly, the investment by Mustang into VRFB-H, and the investment by VRFB-H into EHL, remains effective.

On 28 March 2022 BMN issued a convertible loan note to Primorus Investments Plc ("Primorus") pursuant to the previously announced Backstop arrangement with Primorus and Mustang. The Company cancelled the Mustang CLNs issued to Primorus on 26 April 2021 for US$1,500,000 and issued US$1,500,000 10 per cent convertible loan notes to BMN. The Company paid a US$32,737 backstop fee to BMN.

On 29 March 2022 the parties to the Investment Agreement, including the Company, agreed to extend the Maturity Date of the CLN's until the 31 July 2022 to allow for the preparation of a prospectus and review process of that prospectus by the FCA for the readmission of the ordinary share capital of the Company to trading on the London Stock Exchange. Additionally, it was agreed to reduce the conversion price of the CLNs into Mustang shares from £0.20 to £0.18.

Disclosure of Information to Auditors

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

This directors' report was approved by the Board of Directors on 21 June 2022 and is signed on its behalf by:

Alan Broome, AM
Chairman

Strategic Report

The Directors present the Strategic Report of Mustang Energy Plc for the year ended 31 December 2021.

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

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

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

(a) the likely consequences of any decision in the long term
The Company has not made any material decisions over the period other than its decision to acquire a 22.1% interest in VRFB Holdings Limited and the issue of US$8,000,000 10 per cent. unsecured convertible loan notes ("CLNs") to certain investors. The Directors believe this investment will significantly increase shareholder value in the medium to long term.

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

(c) the need to foster the company's business relationships with suppliers, customers and others
Aside from a small number of service providers, the success of the Company's investment strategy will be driven in part by the business relationships that exist between the Directors and the principals and management of other companies involved in the energy storage value chain and renewable energy projects development sectors and as such the maintenance of such relationships is given a very high priority by the Directors. Shareholders have been engaged with extensively as part of the capital raising and admission to the London Stock Exchange.

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

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

(f) the need to act fairly as between members of the company
The Directors will continue to act fairly between the members of the Company as required under the Companies Act, the LSE Regulations and UK Corporate Governance code.

Strategic Report (continued)

The Company is transition from operating as a cash shell to an investment holding company seeking further investments in the energy storage value chain and renewable energy projects development space. The Directors are as transparent about the cash position of the Company and its funding requirements as is allowed under the Listing Rules.

The application of the s172 requirements can be demonstrated in relation to some of the key decisions made during 2021:

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

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

Review of Business in the Period

Business Strategy

The Company is currently focused on its 22.1% equity holding in VRFB Holdings Limited and the identification of additional opportunities in the energy storage value chain and renewable energy projects development sectors.

Operational Review

The Company's principal activity is set out in the Directors' Report on page 7. During the year the Company has made it's first acquisition, being a 22.1% interest in VRFB Holdings Limited ("VRFB-H") for US$7.524 million. VRFB-H owns a 50% interest in Enerox Holdings Limited ("EHL") with EHL owning a 100% interest in Enerox GmbH ("Enerox").

Mustang's 22.1% investment into VRFB-H constitutes a reverse takeover under the Listing Rules. As a result, the Company's shares were temporarily suspended until the Company publishes a prospectus for the readmission of the ordinary share capital of the Company to trading on the London Stock Exchange.

In July 2021 the Company was advised that a claim form has been issued in the English High court by Garnet Commerce Limited ("Garnet") against VRFB-H and EHL. Garnet owns the remaining 50% interest in EHL.

Garnet's claim form sought declarations against VRFB-H concerning an alleged breach of the joint venture agreement in relation to EHL, in respect of the indirect investment into EHL through VRFB-H by Mustang, as announced on 27 April 2021.

As a result of Garnet's objections and legal claim, the Company had no practical ability to exercise joint control or influence over VRFB-H, as there were no board meetings, revised shareholder agreement or management information.

The claim was successfully defended in March 2022.

Strategic Report (continued)

The Company financed its investment in VRFB-H through the issue of US$8,000,000 10 per cent. unsecured convertible loan notes ("CLN") to certain investors, including the Company's 24.03% shareholder Acacia. The principal terms of the CLN were that the notes would convert into ordinary shares in the Company on successful readmission of the Company's shares to trading on the London Stock Exchange. In the event of the readmission not taking place by 31 December 2021 and the Company failing to raise sufficient capital, the Company would be forced to surrender its investment in VRFB-H to VRFB-H's other investor, Bushveld Minerals Limited, which would take on the CLN liability. The terms of the CLN are disclosed further in note 15 to the financial statements and in the going concern assessment within the Directors' Report.

Business Strategy

The Company is currently focused on its 22.1% equity holding in VRFB Holdings Limited and the identification of additional opportunities in the energy storage value chain and renewable energy projects development sectors.

Financial review

Results for the 2021 period

The Company incurred a total comprehensive loss for the period to 31 December 2021 of £902,624 (2020 – loss of £231,901).

The single most significant cash cost to the business is directors' remuneration.

Given the investment of time in the operation of the Company and its search for a suitable acquisition, the Board approved a monthly payment of £5,000 to the Managing Director Dean Gallegos in 2020. On completion of the acquisition of the 22.1% interest in VRFB-H in April 2021 the monthly payment was increased to £10,000 per month and the Company also commenced the payment of non-executive directors' fees that total £6,500 per month. The impact of this increased Director's Remuneration costs to £152,988 for the year (2020: £55,000). For details please refer to note 26.

An additional key driver of the increased loss for the year are finance costs of £601,891 (2020: nil) which comprise interest payable on loan notes of £491,631 and a fair value loss on the loan note derivative of £110,260, These have arisen in year as a consequence of the financing of the VRFB-H acquisition as detailed above and in the Chairman's and the Director's report. For further details see notes 5 and 15.

The statement of financial position shows a movement in net liabilities to £400,002 (from an opening net assets position at 1 January 2021 of £327,587). The key drivers of this movement are the increase in the investments balance to £5,573,333 (31 December 2020: nil) and the corresponding increase in borrowings to £6,329,952 (31 December 2020: nil) that have resulted from the acquisitive transactions outlined above in the Chairman's and the Director's report. Excluding these impacts of the transaction on assets, liabilities and also on equity balances, the remaining components of the company's statement of financial position have remained stable year on year including working capital balances.

No share options in the Company were issued during 2021 (2020: 350,000).

Loss per share: 0.09 pence (2020: loss of 0.03 pence).

Strategic Report (continued)

Cash flow

Cash operating outflows for 2021 were £374,478 (2020: £171,357 outflow). Comparing the two periods at the operating cash flow line does not accurately give an impression of cashflow impacts in the year. The investing and financing cashflows, reflecting the impacts of the key transaction in year, should be reviewed in combination with this (cashflows from investing and financing activities were nil in the prior year). Taken together, the cashflow impact of the financing of the transaction and the purchase of the investment broadly offset to give an overall small net reduction in cash and cash equivalents at the reporting date compared to the opening balance.

Closing cash

As at 31 December 2021, the Company held £394,700 of cash (31 December 2020 - £345,200).

Key Performance Indicators (KPI)

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

Position of Company's Business

At the period end the Company's Statement of Financial Position shows net liability totaling £400,002 (31 December 2020 – net asset of £327,587). Other than the CLNs the Company has few working capital liabilities and is considered to have a strong cash position for a company operating as a cash shell which is transitioning to an investment company, at the reporting date. The CLNs are not expected to be redeemed in cash and reference is made in the Director's Report on page 8 and 9 which details how the CLNs are either converted into shares in the Company or settled in return for the Company's investment in VRFB-H.

Environmental matters

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

Employee information

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

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

Social/Community/Human rights matters

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

Strategic Report (continued)

Anti-corruption and anti-bribery policy

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

Principal Risks and Uncertainties

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

The Company has acquired a 22.1% interest in VRFB-H. Whilst the acquisition itself is not subject to the approval of the Company's shareholders, certain other matters relating to it are, specifically but not limited to the issue of new shares in the capital of the Company and the disapplication of pre-emption rights in connection therewith on the anticipated conversion of the loan notes issued by the Company to finance the VRFB Share Purchase.

To address the aforesaid risks, certain shareholders (holding a majority of the shares in issue in the capital of the Company), including those Directors who hold shares, have provided irrevocable undertakings to vote in favour of the resolutions applicable to the VRFB Share Purchase at the relevant time.

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

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

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

Strategic Report (continued)

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

Russian sanctions

To date there has been no impact on the Company from Russian sanctions. Going forward the board consider that the Company's current supply chain will remain available to the Company, however if that were not to be the case, it would seek alternative options avoiding Russia.

Letters of Undertaking

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

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

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

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

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

Composition of the Board

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

Strategic Report (continued)

Capital structure

The Company's capital consists of ordinary shares which rank pari passu in all respects which were traded on the Standard segment of the Main Market of the London Stock Exchange until their suspension in April 2021 as a result of the Company's investment in VRFB-H, pending readmission. There are no restrictions on the transfer of securities in the Company or restrictions on voting rights and none of the Company's shares are owned or controlled by employee share schemes.

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

Approved by the Board on 21 June 2022.

Alan Broome, AM
Chairman

Governance Report

Introduction

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

Compliance with the UK Code of Corporate Governance

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

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

Until a prospectus is issued and shareholders have approved the issuance of shares and warrants to the holder of the Convertible Loan Notes and the Company shares are relisted and trading, the Company will not have a nomination, remuneration, audit or risk committees. The Board as a whole will instead review its size, structure and composition, the scale and structure of the Directors' fees (taking into account the interests of Shareholders and the performance of the Company), take responsibility for the appointment of auditors, monitor and review the integrity of the Company's financial statements and take responsibility for any formal announcements on the Company's financial performance. Following the issuance of a prospectus and the Company's shares are relisted and trading, the Board intends to put in place nomination, remuneration, audit and risk committees.

The Board has a share dealing code that complies with the requirements of the Market Abuse Regulation and which is available on the Company's website. All persons discharging management responsibilities (comprising only the Directors at the current time) shall comply with the share dealing code at all times.

Governance Report (continued)

Compliance with the UK Code of Corporate Governance (continued)

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

Set out below are Mustang Energy' corporate governance practices for the year ended 31 December 2021. After the Company has issued a prospectus and the Company's shares are relisted and trading, these corporate governance practices will be considered and reviewed to ensure they remain appropriate.

Leadership

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

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

Board Meetings - The core activities of the Board are carried out in scheduled meetings of the Board. These meetings are timed to link to key events in the Company's corporate calendar and regular reviews of the business are conducted. Additional meetings and conference calls are arranged to consider matters which require decisions outside the scheduled meetings. During the period, the full Board met on 1 occasion. Outside the scheduled meetings of the Board, the Directors maintain frequent contact with each other to discuss any issues of concern they may have relating to the Company or their areas of responsibility, and to keep them fully briefed on the Company's operations. Where Directors have concerns which cannot be resolved about the running of the company, or a proposed action, they will ensure that their concerns are recorded in the Board minutes.

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

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

Governance Report (continued)

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

Attendance at meetings:

Member	Position	Meetings attended
Alan Broome, AM	Non-Executive Chairman	1 of 1
Dean Gallegos	Managing Director	1 of 1
Peter Wale	Non-Executive Director	1 of 1
Simon Holden	Non-Executive Director	1 of 1
Jacqueline Yee	Non-Executive Director	1 of 1

There were also 3 ad-hoc board meetings of an administrative nature which were attended by Peter Wale and Simon Holden. The Chairman, Alan Broome, AM, proposes and seeks agreement to the Board Agenda and ensures adequate time for discussion.

The UK Corporate Governance Code also recommends the submission of all directors for re-election at annual intervals. No Director will be required to submit for re-election until the first annual general meeting of the Company following the issuance of a prospectus and the Company's shares are relisted and trading.

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

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

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

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

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

Independence - The non-executive Directors bring a broad range of business and commercial experience to the Company. The Board considers Alan Broome, Peter Wale, Simon Holden and Jacqueline Yee to be independent in character and judgement; this has been explored in more detail on page 20.

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

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

Governance Report (continued)

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

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

Although the Board consisted of four male Directors and one female Director, the Board supports diversity in the Boardroom and the Financial Reporting Council’s aims to encourage such diversity. Aside from the Directors, there are no employees in the Company. The following table sets out a breakdown by gender at 31 December 2021:

	Male	Female
Directors	4	1

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

Accountability

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

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

In making their assessment of going concern, the Directors have reviewed forecasts, under one which entails continuing to search for an additional acquisition, for a period of at least 12 months from the date of approval of these financial statements. The Directors recognise the small cost base of the Company and its ability to conserve cash. As a result, the Directors consider that the Company has sufficient funds for the required timeframe and as such they consider it appropriate to adopt the going concern basis in the preparation of the financial statements. Reference is also made to the director’s assessment of going concern on in the Directors Report on page 7. Within the Directors report, details are included indicating management’s view that there is a material uncertainty related to the going concern assumption should the Readmission event outlined in the VRFB transaction not occur by the Maturity Date. These events may cast significant doubt on the Company's ability to continue as a going concern. See the Director’s report and financial statement note 1.2 for more details on this matter.

Governance Report (continued)

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

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

At the present, due to the size of the Company, there is no internal audit function. The requirement for internal audit will be considered following the completion of the issuance of a prospectus and the Company's shares are relisted and trading.

External auditor

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

BDO LLP were paid £40,300 in relation to the audit of the 31 December 2021 financial statements.

Shareholder relations

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

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

Governance Report (continued)

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

Approved on behalf of the Board of Directors by:

Alan Broome, AM
Non-Executive Chairman
21 June 2022

Remuneration Report

Remuneration Report Approval

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

Remuneration policy

In February 2020 given the investment of time in the operation of the Company and its search for a suitable acquisition the Board approved a monthly payment of £5,000 to the Managing Director Dean Gallegos. On completion of the acquisition of the 22.1% interest in VRFB-H in April 2021 the monthly payment was increased to £10,000 per month, the Company also commenced the payment of non-executive directors fees that total £6,500 per month. This was the last date of approval of the directors' remuneration policy by the company. At this meeting implementation of the policy was discussed and agreed. All members can access the minutes from this meeting and the director's remuneration policy on request from the Managing Director.

It is the intention of the Board to negotiate a new service agreement with the Managing Director Dean Gallegos once the Company has issued a prospectus and its shares are relisted and trading. The quantum of fees paid to Non-Executive directors will also be re-assessed at that time.

Other Employees

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

Terms of appointment

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

Director	**Period of appointment**	**Number of periods completed**
Alan Broome, AM	2018	4
Dean Gallegos	2018	4
Peter Wale	2018	4
Simon Holden	2018	3
Jacqueline Yee	2020	1

Remuneration Report (continued)

Compensation of key management personnel (audited)

Set out below are the emoluments of the Directors for the year ended 31 December 2021 (GBP):

Name of Director	Salary and fees	Taxable benefits	Annual bonus and long term benefits	Pension related benefits	Share based payments	Total
	£	£	£	£	£	£
Alan Broome, AM	20,000	-	-	-	-	20,000
Dean Gallegos	100,000	-	-	-	-	100,000
Peter Wale	16,000	-	-	-	-	16,000
Simon Holden	-	-	-	-	-	-
Jacqueline Yee	16,000	-	-	-	-	16,000
Total	152,000	-	-	-	-	152,000

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

Name of Director	Salary and fees	Taxable benefits	Annual bonus and long term benefits	Pension related benefits	Share based payments	Total
	£	£	£	£	£	£
Alan Broome, AM	-	-	-	-	3,703	3,703
Dean Gallegos	55,000	-	-	-	25,920	80,920
Peter Wale	-	-	-	-	3,703	3,703
Simon Holden	-	-	-	-	3,703	3,703
Jacqueline Yee	-	-	-	-	26,600	26,600
Total	55,000	-	-	-	63,629	118,629

	Total Fixed Remuneration £		Total Variable Remuneration £	
	2021	2020	2021	2020
Total	152,000	55,000	-	63,629

Pension contributions (audited)

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

Remuneration Report (continued)

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

Payments to past directors (audited)

The Company has not paid any compensation to past Directors.

Share options

The Directors did not any exercise any share options in 2021 (2020: nil).

Payments for loss of office (audited)

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

UK Remuneration percentage changes

The following table shows the percentage change in the remuneration of executive directors in 2021 and 2020.

Base salary		**2021 £**	**2020 £**	**Average change, %**
	Managing Director	100,000	55,000	82%

UK 10-period performance graph

The Directors have considered the requirement for a UK 10-period performance graph comparing the Company's Total Shareholder Return with that of a comparable indicator. The Directors do not currently consider that including the graph will be meaningful because the Company has only just made its first investment, is not paying dividends, is currently incurring losses as it gains scale. In addition and as mentioned above, the remuneration of Directors is not currently linked to performance. The Directors will review the inclusion of this table for future reports.

UK 10-period CEO table and UK percentage change table

The Directors have considered the requirement for a UK 10-period CEO table. The Directors do not currently consider that including these tables would be meaningful given that the Company is not yet trading and the Managing Director's remuneration is not currently linked to performance. The Directors will review the inclusion of this table for future reports.

Relative importance of spend on pay

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

Remuneration Report (continued)

UK Directors' shares (audited)

The interests of the Directors who served during the year in the share capital of the Company at 31 December 2021 and at the date of this report has been set out in the Directors' Report on page 7.

Other matters

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

Approved on behalf of the Board of Directors by:

Alan Broome, AM
Non-Executive Chairman
21 June 2022

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of the Company's loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mustang Energy Plc (the 'Company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

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

Independence

We were appointed by Board of the directors on 15 October 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 3 years, covering the years ending 31 December 2019 to 31 December 2021. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Material uncertainty related to going concern

We draw attention to note 1.2 of the financial statements, which indicates that the Company is seeking to raise additional finance to fund acquisitions and for further working capital purposes. As stated in note 1.2, these events or conditions, along with other matters as set out in note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

- Obtained the VRFB-H investment agreement and confirmed that any future funding will be in the form of equity on pre-emptive terms with customary dilution provisions should the company not fund its pro rata requirement;
- Obtained the terms of the US$8.0 million convertible loan notes ("CLN's") used to fund the US$7.524 million VRFB-H acquisition and confirmed the CLN's could only be redeemed for cash at the discretion of the Directors of the Company;
- Obtained the Directors' cash flow forecast for the period to July 2023 and tested the key operating assumptions based on 2021 and 2022 year to date actual results and external data, where possible;
- Reviewed reverse stress testing and performed our own reverse stress testing to determine cash flow sensitivities;
- Discussed with management their plans regarding obtaining further funding; and
- Considered the adequacy of disclosure, in light of our knowledge of the business, within note 1.2 to the financial statements relating to the Directors' assessment of the going concern basis of preparation.

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

Overview

Key audit matters		**2021**	**2020**
	Going concern	✓	✓
	Accounting & disclosure of investments in VRFB-H	✓	-
	Valuation of convertible loan notes	✓	-
Materiality	*Financial statements as a whole* £79,000 (2020: £3,000) based on 1.3% (2020: 1.25%) of Total assets (2020: gross expenditure)		

An overview of the scope of our audit

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Accounting treatment of investments in VRFB-H

Note 3 Critical accounting estimates and judgements and note 12 Investments.</td><td>On 27 April 2021, the Company entered into an investment agreement to acquire 22.10% of issued share capital of VRFB-H for a cash consideration of $7,524,000.

Given the material size and judgement related to the Company’s ability to exercise any significant influence over VRFB-H involved in accounting for this investment we considered this to be a key audit matter.</td><td>Our procedures included the following:

• We obtained and reviewed management’s assessment of the accounting treatment related to investment in VRFB-H;
• We tested that key terms had been appropriately included in the Directors assessment by obtaining and reading the purchase agreement;
• We reviewed the accounting treatment adopted against requirements of applicable accounting standards for the investment and considered the appropriateness of the classification and measurement of the investment;
• Given the Company holds over a 20% interest in VRFB-H we challenged management on their judgement that they did not hold significant influence; and
• We made enquiries of the other directors of VRFB-H Board, representing VRFB-H’s parent company, to confirm the Company was not able to exercise any significant influence over VRFB-H.

Key observations:
Based on the work performed, we consider that the judgements applied in the accounting treatment of the investment to be reasonable.</td></tr>
</table>

Key audit matter		**How the scope of our audit addressed the key audit matter**
Valuation of convertible loan notes Note 3 Critical accounting estimates and judgements and note 15 Borrowings. .	In the year the Company issued $8,000,000 of 10% unsecured convertible loan notes (“CLNs”) to certain investors. The conversion features of the CLN are complex to value to and include estimates related to future share price, expected foreign exchange conversion rate. For this reason we consider the valuation of the loan and the related conversion features to be a key audit matter.	Our procedures included the following: • We vouched the terms of the CLN agreement to the client’s assessment, board minutes and confirmation receipt of cash to bank statements and the purchase of the investment in VRFB-H; • We reviewed the accounting treatment applied and entries made in respect of this financial instrument to ensure they were in accordance with the requirements of IFRS 9 “Financial instruments”; • We evaluated managements valuation of the loan and its conversion features by performing our own independent valuation and comparing it to managements valuation; and • We involved our internal valuations expert to assist us to assess the reasonableness of the key inputs in the valuation and performed sensitivity analysis over they inputs. **Key observations:** *Based on the work performed, we consider that the estimates and judgements applied to the valuation of convertible loan notes to be reasonable.*

Our application of materiality

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

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

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company financial statements	
	2021	2020
Materiality	£79,000	£3,000
Basis for determining materiality	1.3% of total assets	1.25% of gross expenditure
Rationale for the benchmark applied	We determined that an asset-based measure is appropriate as the Company's principal activity is the investing activities, the change in the materiality benchmark for this year is mainly caused by the Company investing in non-current assets and acquisition made in the period - the asset base is considered to be a key financial metric for users of the financial statements.	We considered gross expenditure to be the financial metric of the most relevance to shareholders and other users of the financial statements, given the Company's situation as a non- trading company.
Performance materiality	£59,250	£2,250
Basis for determining performance materiality	Performance materiality was set at 75% of the above materiality levels, given the history of low level of adjustments.	

Specific materiality

We also determined that for expenditures, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items based on £3,000, based on 1.25% of gross expenditure. We further applied a performance materiality level of 75% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £1,580 (2020: £150). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

Use of our report

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

DocuSigned by:

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Peter Acloque (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
21 June 2022

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

Statement of Comprehensive Income

	Note	2021 £	2020 £
Administrative expenses	26	(274,927)	(231,901)
Operating loss		**(274,927)**	**(231,901)**
Finance costs	5	(601,891)	-
Other operating expense	6	(25,806)	-
Loss before taxation		**(902,624)**	**(231,901)**
Taxation	9	-	-
Loss for the year		**(902,624)**	**(231,901)**
Other comprehensive income for the year		-	-
Total comprehensive loss or the year attributable to the equity owners	19	**(902,624)**	**(231,901)**
Loss per share from continuing operations attributable to the equity owners			
Basic and diluted loss per share (pence per share)	10	**(0.09)**	**(0.03)**

The notes to the financial statements form an integral part of these financial statements.

Statement of Financial Position

	Note	As at 31 December 2021	As at 31 December 2020
		£	£
Assets			
Non-current assets			
Property, plant and equipment	11	1,525	168
Investments	12	5,573,333	-
Total non-current assets		**5,574,858**	**168**
Current assets			
Trade and other receivables	13	13,117	25,085
Cash and cash equivalents		394,700	345,200
Total current assets		**407,817**	**370,285**
Total assets		**5,982,675**	**370,453**
Equity and liabilities			
Equity attributable to shareholders			
Share capital	17	102,816	84,000
Share premium	18	810,219	654,000
Share based payments reserve		91,100	91,100
Retained deficit	19	(1,404,137)	(501,513)
Total equity		**(400,002)**	**327,587**
Liabilities			
Current liabilities			
Trade and other payables	14	52,725	42,866
Borrowings	15	6,329,952	-
Total liabilities		**6,382,677**	**42,866**
Total equity and liabilities		**5,982,675**	**370,453**

The notes to the financial statements form an integral part of these financial statements

This report was approved by the board and authorised for issue on 21 June 2022 and signed on its behalf by:

Dean L Gallegos
Managing Director

Statement of Changes in Equity

	Share capital £	Share premium account £	Share based payments reserve £	Retained deficit £	Total equity £
Balance as at 1 January 2020	84,000	654,000	27,471	(269,612)	495,859
Year ended 31 December 2020					
Total comprehensive loss for the year	-	-	-	(231,901)	(231,901)
Share based payment	-	-	63,629	-	63,629
Balance as at 31 December 2020	**84,000**	**654,000**	**91,100**	**(501,513)**	**327,587**
Year ended 31 December 2021					
Total comprehensive loss for the year	-	-	-	(902,624)	(902,624)
Exercise of warrants	2,100	18,900	-	-	21,000
Issue of share capital	16,716	137,319	-	-	154,035
Balance as at 31 December 2021	**102,816**	**810,219**	**91,100**	**(1,404,137)**	**(400,002)**

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

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

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

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

The notes to the financial statements form an integral part of these financial statements.

Statement of Cash Flows

	Note	2021 £	2020 £
Cash flow from operating activities			
Cash absorbed by operations	24	(370,984)	(171,357)
Cash flow from operating activities		**(370,984)**	**(171,357)**
Investing activities			
Purchase of property, plant and equipment	11	(1,526)	-
Purchase of unlisted investment	12	(5,416,847)	-
Net cash used in investing activities		**(5,418,373)**	**-**
Financing activities			
Proceeds from issue of shares and exercise of warrants	17,18	188,160	-
Share issue costs	17,18	(13,215)	-
Issue of convertible loan notes	15	5,667,316	-
Net cash generated from financing activities		**5,842,351**	**-**
Net increase/(decrease) in cash and cash equivalents		**52,994**	**(171,357)**
Exchange losses		(3,494)	-
Cash and cash equivalents at beginning of period		345,200	516,557
Cash and cash equivalents at end of period		394,700	345,200

The notes to the financial statements form an integral part of these financial statements.

1 Accounting policies

Company information

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

1.1 Accounting convention

The financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into the UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The group transitioned to UK-adopted international accounting standards in its consolidated financial statements on 1 January 2021. There was no impact or changes in accounting from the transition.

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

The financial statements have been prepared on the historical cost basis except for revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

1.2 Going concern

The Company's business activities, together with facts likely to affect its future operations and financial and liquidity positions are set out in the Chairman's Statement and the Strategic Report. Further, note 23 to the financial statements disclose the Company's financial risk management policy. As noted in the Directors' report, on 28 March 2022 the parties to the investment agreement dated 26 April 2021 and as subsequently amended and restated (the "Investment Agreement") relating to the Company's conditional purchase of shares in VRFB-H("VRFB Share Purchase", including the Company, agreed to extend the longstop date to satisfy the principal outstanding condition of the VRFB Share Purchase, namely the publication by the Company of a prospectus and the readmission of the ordinary share capital of the Company ("MUST Shares") to listing and trading (together, "Readmission") by no later than 31 July 2022 (the "Longstop Extension"). In turn, the Longstop Extension was mirrored in the Company's convertible loan note instrument (the "CLN Instrument") pursuant to which it issued US$8 million 10% convertible loan notes (the "CLNs") to certain investors (the "CLN Holders") such that the maturity date of the CLNs was, as agreed between the Company and the CLN Holders, extended to 31 July 2022 (or such later date as may be agreed between the Company and the CLN Holders) (the "Maturity Date").

Accounting policies (Continued)

Under the terms of the CLN Instrument, the CLNs are convertible into new MUST Shares, following: (a) the approval of its shareholders of the Company's capital raise; and (b) Readmission occurring on or before the Maturity Date; the publication of a prospectus and readmission of the entire issued MUST Shares to trading being required given that the VRFB Share Purchase constitutes a reverse takeover ("RTO") under the Financial Conduct Authority's Listing Rules. At the date of this report, Readmission has not occurred albeit the Company is working with its professional advisers to satisfy this requirement. If Readmission does not occur by the Maturity Date, the CLNs (comprised of the principal amount of US$8 million and all accrued and unpaid interest thereon) can be redeemed for cash within 28 days of the Maturity Date (the "Redemption Period"). If the Company determines that it is unable to repay the CLNs within the Redemption Period, it shall notify the CLN Holders of this and shall exercise its rights under the Investment Agreement pursuant to which Bushveld Minerals Limited ("BMN") is required, in return for the Company transferring to BMN's subsidiary Bushveld Energy Limited its shares in VRFB-H, to issue to each CLN Holder, within the Redemption Period, such number of new ordinary shares in the capital of BMN as is equivalent to the then outstanding amount of the CLNs (including principal and all accrued and unpaid interest thereon) (the "Backstop").

On 25 January 2022, the Company entered a loan agreement with BMN (replacing in its entirety the agreement entered by the parties on 14 January 2022) pursuant to which BMN provided the Company with an unsecured non-interest bearing loan of US$220,000 (the "Loan"). The Loan is repayable in full at any time on or prior to 31 December 2023 (the "Repayment Date") and is repayable in any event if the Company raises any debt or equity capital of no less than £1 million (excluding any conversion of the CLNs into new MUST Shares) prior to the Repayment Date. At the option of the Company, the Loan is repayable either by way of a single repayment in cash or by the issue of such number of new MUST Shares as is equal to the Loan (the "Loan Shares"). The issue price of the Loan Shares is the greater of £0.20 per MUST Share and the average volume-weighted average price of a MUST Share for the consecutive 10 dealing days ending on the dealing day immediately preceding the repayment date. The Loan shall be waived in full if the Backstop is implemented prior to the Repayment Date.

If Readmission occurs by the Maturity Date, the Directors, having assessed cash flow forecasts prepared for a period of at least 12 months, are of the opinion that the Company has adequate working capital to meet its overhead costs for at least 12 months from the date of approving these accounts. Notwithstanding their belief that the Company shall have sufficient working capital to meet its needs following Readmission, the Directors anticipate that the Company, in line with its strategy, shall, concurrent with the Readmission process, seek to raise additional finance to fund further acquisitions and for further working capital purposes.

If Readmission does not occur and the Backstop is triggered the Company will divest its only asset. If the Company is unable to raise additional funds through the issuance of debt or equity then the Company, other than being able to pay overhead costs for a period of at least 12 months from the date of approval of these financial statements, will have no means of funding due diligence costs for a new acquisition caused by the publication of a prospectus and readmission of the entire issued MUST Shares to trading.

These events or conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that may be necessary if the Company was not a going concern.

Accounting policies (Continued)

The Directors consider that despite this uncertainty it remains appropriate to prepare the financial statements on a going concern basis as the Company is currently preparing for Readmission.

1.3 Property, plant and equipment

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

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

Plant and equipment	33% straight line

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

1.4 Impairment of tangible

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

1.5 Cash and cash equivalents

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

1.6 Financial assets

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

Trade and other receivables

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

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

1.7 Investments

Investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss.

Accounting policies (Continued)

1.8 Financial liabilities and equity

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

Trade payables are stated at their amortised cost.

The component parts of compound instruments issued by the company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity net of income tax effects and is not subsequently remeasured.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are classified as current.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative. Derivatives embedded in a hybrid contract with financial liability hosts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

Derivative assets embedded within financial liability hosts are combined with the corresponding financial liability host and are shown net in the statement of financial position.

1.9 Taxation

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

Current tax

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

Accounting policies (Continued)

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

Deferred tax

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

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

1.10 Share-based payments

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

1.11 Foreign exchange

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

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

No new International Financial Reporting Standards (IFRS), amendments or interpretation became effective in the year ended 31 December 2021 which has a material effect on this financial information.

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

- Conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards – effective for annual periods beginning on or after 1 January 2022.

Accounting policies (Continued)

- Amendments to IFRS 16 to provide lessees with an exemption from assessing whether a Covid-19 related rent concession is a lease modification – effective for annual periods beginning on or after 1 April 2021.
- Amendments to the presentation of Financial Statements: Classification of liabilities – effective for annual periods beginning on or after 1 January 2023.
- Amendments to IAS 16 in deducting amounts received from the cost – effective for annual periods beginning on or after 1 January 2022.
- Amendments to IAS 37 in assessing whether a contract is onerous – effective for annual periods beginning on or after 1 January 2022.
- Amendments to IAS 1 in disclosure of accounting policies – effective for annual periods beginning on or after 1 January 2023.
- Amendments to IAS 8 in the definition of Accounting Estimates – effective for annual periods beginning on or after 1 January 2023.
- Amendments to IAS 12 in deferred tax relating to assets and liabilities arising from a single transaction – effective for annual periods beginning on or after 1 January 2023.
- IFRS 17 establishing new principles for the recognition, measurement, presentation, and disclosure of insurance contracts.

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

3 Critical accounting estimates and judgements

In the application of the company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements

Investments

As disclosed in the Strategic report, during the year-ended 31 December 2021 the Ligation against VRFB Holdings Limited has prevented the Company from participating in the financial and operating policy decisions of VRFB Holdings Limited, despite holding over 20% of voting rights in the entity. This was due to the fact that the Company had no practical ability to exercise joint control or influence as there were no board meetings, revised shareholder agreement or management information. In addition, Garnet objected to the Company's investment within days of making the investment (prior to commencement of formal litigation) which immediately cast doubt on the Company's ability to exercise its influence.

As a result, the Directors consider that the criteria for equity accounting have not been met. The Company's investment in VRFB Holdings Limited is thus accounted for as a financial asset measured at fair value through profit or loss within the scope of IFRS 9 in these financial statements. On the basis that the investment is pre-profit and performed in line with expectation, the Directors consider the fair value has not changed since acquisition in April 2021.

Critical accounting estimates and judgements (Continued)

Critical judgements (continued)

As disclosed in note 20, on 8 March 2022, the Litigation was settled in favour of VRFB Holdings Limited and the Company was able to start exercising its significant influence over VRFB Holdings Limited and commenced equity accounting for the investment from that date.

Sources of estimation uncertainty.

a) Share option

The valuation of the options and warrants granted in 2020 incorporates a judgmental value. The Directors valued the options and warrants, using the Black Scholes model where inputs such a volatility, dividend yield and risk free rate require judgement. Volatility is a key estimate and therefore share options and warrants is considered a key judgment. Directors used an average volatility excluding certain outliers.

b) Convertible Loan Notes – valuation of embedded derivatives

The Company issued convertible loan notes to finance the acquisition of its investment in VRFB-H. As detailed in note 15, the terms of the loan are complex and require judgement regarding the probability and timing of various scenarios occurring, as well as estimating the Company's future share price and future GBP/USD exchange rate. The Directors performed sensitivity analysis on the various valuation inputs which showed an immaterial net impact on the financial statements.

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

4 Operating loss

	31 December 2021 £	31 December 2020 £
Operating loss for the period is stated after charging / (crediting):		
Fees payable to the company's auditor for the audit of the financial statements	42,181	26,225
Depreciation of property, plant and equipment	169	383
Share-based payments	-	63,629
Exchange losses	25,806	-

5 Finance costs

	31 December 2021 £	31 December 2020 £
Interest payable on loan notes	491,631	-
Fair value loss on convertible loan note derivative (note 15)	110,260	-
	601,891	-

6 Other operating expense

	31 December 2021 £	31 December 2020 £
Exchange losses	25,806	-

7 Employees

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

	31 December 2021	31 December 2020
Directors	5	5

The Directors were the key management personnel. Their compensation is disclosed in note 8 to the financial statements.

8 Compensation of key management personnel

	31 December 2021 £	31 December 2020 £
Share based payments	-	63,629
Wages and salaries	152,000	55,000
Social security costs	988	-
	152,988	**118,629**

9 Income tax

The charge of the year can be reconciled to the loss per the income statement as follows:

	31 December 2021	31 December 2020
	£	£
Loss before taxation	(902,624)	(231,901)
Expected tax credit based on a corporation tax rate of 19% (2020 – 19%)	(171,499)	(44,061)
Effect of expenses not deductible in determining taxable profits	25,631	18,823
Unutilised tax losses carried forward	145,836	25,165
Depreciation on assets not qualifying for tax allowances	32	73
Taxation credit for the year	**-**	**-**
Tax charged in the financial statements	**-**	-

At the reporting date the Company had accumulated tax losses of approximately £1,063,000 (2020 - £295,000) available for carry forward against future trading profits. There is no expiry date on the remaining losses as at 31 December 2021.

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

10 Loss per share

	31 December 2021	31 December 2020
	£	£
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	9,809,727	8,400,000
Weighted average number of ordinary shares for diluted earnings per share	9,809,727	8,400,000
Loss		
Loss for the period from continued operations	(902,624)	(231,901)
Loss for basic and diluted earnings per share being net profit attributable to equity shareholders of the company for continued operations	(902,624)	(231,901)
Loss per share for continuing operations (continued)		
Basic and diluted loss per share	(0.09)	(0.03)

The share options and warrants as disclosed in note 16 are considered to be anti-dilutive.

11 Property, plant and equipment

	Plant and equipment
	£
Cost	
At 1 January 2021	1,160
Additions	1,526
At 31 December 2021	2,686
Accumulated depreciation and impairment	
At 31 December 2020	992
Charge for the year	169
At 31 December 2021	1,161
Carrying amount	
At 31 December 2021	1,525
At 31 December 2020	168

12 Investments

	Year ended 31 December 2021	Year ended 31 December 2020
	£	**£**
Shares in unlisted entities	5,573,333	-

Movements in non-current investments

	Shares in unlisted investments
	£
Cost or valuation	
At 1 January 2021	-
Additions	5,416,846
Fair value adjustment due to changes in exchange rate	156,487
At 31 December 2021	5,573,333
Carrying amount	
At 31 December 2021	5,573,333
At 31 December 2020	-

The Directors of the Company consider the fair value of the investment in VRFB-H at the reporting date to be equal to the original cost of $7,524,000, translated at closing foreign exchange rates, as the Directors estimate that has been no material change in the fair value of the investment between the acquisition and the reporting dates. The gain in the fair value due to changes in exchange rates is included in profit or loss within exchange losses (note 6).

13 Trade and other receivables

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Other receivables	7,665	9,191
VAT recoverable	116	8,642
Prepayments	5,336	7,252
	13,117	**25,085**

14 Trade and other payables

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Trade payables	693	9,116
Other taxation and social security	2,632	-
Accruals	49,400	33,750
	52,725	**42,866**

15 Borrowings

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Convertible loan notes	6,329,952	-

As announced on 27 April 2021 the Company entered into an investment agreement to acquire a 22.1% interest ("Investment Agreement"") in VRFB-H for a consideration of US$7,524,000. The investment was financed through the issue of US$8,000,000 convertible loan notes ("CLNs"), with surplus funds being used to pay associated costs and working capital.

The principal terms of the CLNs, as at 31 December 2021, are detailed below:

- The CLNs attract an interest rate of 10% per annum, payable in cash or shares in the Company at the election of the Company;

- The CLNs are redeemable at par together with outstanding accumulated interest on 28 January 2022 unless converted into shares in the Company at the option of the Company;

- The CLNs are convertible into shares in the Company, calculated by dividing the nominal value (and accrued interest, if applicable) of the CLNs (using the average USD/GBP closing exchange rate as shown on Bloomberg over the five trading days prior to conversion) by 20 pence ("MUST Conversion Shares"), by no later than 31 December 2021 (such date of conversion being the "Conversion Date") and the publication of a prospectus by the Company and readmission of the Company to listing and trading ("Readmission") on the London stock exchange;

- The CLN holders will receive warrants to subscribe for new shares in the Company (one warrant being issued for every two MUST Conversion Shares held), exercisable at a price per share of 30 pence. The warrants have an expiry period of three years from the Conversion Date;

- In circumstances where the Company is in default, the Company is obliged to exercise a backstop mechanism, whereby BMN has agreed to issue new ordinary shares in its capital ("BMN Shares") to CLN holders in respect of the principal amount and accrued interest under the CLNs (the "Backstop") in return for the Company: (i) transferring to BEL all of the Company's shares in VRFB-H; and (ii) paying a fee to BMN of an amount equal to 5% of the MUST Capital Raise (including both principal and interest), to be satisfied by the issue of new ordinary shares in the Company at a price of 20 pence per share (the "Backstop Fee"). In consideration of BMN providing the Backstop, the Backstop Fee is payable in the event of Readmission not occurring by the aforesaid date or immediately prior to completion of Readmission.

- In the event of change of control of the Company, the CLNs and accumulated interest become redeemable either in cash or in shares in the Company at the option of the CLN holders via the conversion process specified above.

The terms of the CLNs were amended after 31 December 2021 as detailed in note 20.

The Company's conversion option to redeem the CLNs and accumulated interest in Company shares, subject to Readmission, is a non-closely related embedded derivate asset and accounted for separately at fair value through profit or loss. The host contract is a financial liability, initially recognised at £5,667,316 being the net proceeds plus the fair value of the embedded derivate asset and is subsequently carried at amortised cost using the effective interest rate of 15.3%.

The Directors assessed the probability of the change of control event to be remote and thus the conversion option in relation to it has no value.

The movement in the fair value of the embedded derivative asset is detailed below:

	Year ended 31 December 2021 £
Opening balance	-
Fair value of the option at inception	110,260
Loss on the fair value of the option	(110,260)
Closing balance	-

The loss on the fair value of the embedded derivate asset is included within finance costs (note 5).

The valuation of the embedded derivate is driven by unobservable inputs such as the expected timing and probability of Readmission, the Company's share price at Readmission as well as the expected USD/GBP exchange rate. The value of the conversion derivate is £nil as at 31 December 2021 as the extension to the latest Readmission date was not agreed until after the year-end date (note 20).

16 Share-based payment transactions

	Year ended 31 December 2021		Year ended 31 December 2020	
	Number of warrants	Number of options	Number of warrants	Number of options
Outstanding at 1 January 2021	210,000	1,250,000	210,000	900,000
Granted	-	-	-	350,000
Exercised	(210,000)	-	-	-
Outstanding at 31 December 2021	-	1,250,000	210,000	1,250,000
Exercisable at 31 December 2021	-	1,250,000	210,000	1,250,000

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

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

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

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

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

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

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

The fair value of the options at their grant date has been calculated using the Black Scholes Model and a valuation of £63,629 was adjusted through the Share based payment reverse in equity during previous years.

Share-based payment transactions (continued)

Black Scholes Model

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

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

17 Share Capital

	Year ended 31 December 2021 Number	Year ended 31 December 2021 £	Year ended 31 December 2020 Number	Year ended 31 December 2020 £
Ordinary Share Capital - Authorised	17,136,000	171,360	14,000,000	140,000
Issued and fully paid for				
Brought forward	8,400,000	84,000	8,400,000	84,000
Exercise of warrants	210,000	2,100	-	-
Issue of new shares	1,671,600	16,716	-	-
Carried forward	**10,281,600**	**102,816**	8,400,000	**84,000**

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

18 Share premium account

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
At the beginning of period	654,000	654,000
Exercise of warrants	18,900	-
Issue of new shares	150,444	-
Less: Issue of new share costs	(13,125)	-
At end of period	**810,219**	**654,000**

19 Retained Earnings

	Year ended 31 December 2021 £	Period ended 31 December 2020 £
At the beginning of period	(501,513)	(269,612)
Loss for the period	(902,624)	(231,901)
At end of period	**(1,404,137)**	**(501,513)**

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

20 Events after reporting date

In July 2021 the Company advised that a claim form has been issued in the English High court by Garnet against VRFB-H and EHL. Garnet owns the remaining 50% interest in EHL. As part of its response, on 19 January 2022 the Company and Bushveld Minerals agreed the following terms so as to extend the Maturity Date of the CLNs until 28 February 2022 which would allow some visibility as to the result of the High Court hearing:

1. A reduction of the backstop fee from 5.0% to 2.0% of any CLN amount converted to BMN shares as per the provisions of the Investment Agreement. The backstop fee can, at the election of the Company, be satisfied by the issue of Mustang shares at an issue price of 20 pence each. The backstop fee will be reinstated to 5.0% if the Company's shares are relisted and has an interest in VRFB-H.

2. The Loan to be used by the Company to fund the additional expenses that arise as a result of the extension of the Maturity Date. As VRFB-H was successful in the High Court proceedings, the Loan is repayable on the earlier of the Company completing a capital raising of £1 million or 31 December 2023. The Loan can, at the election of the Company, be repaid by the issue of Mustang shares at an issue price of 20 pence each.

3. If the Backstop is triggered and VRFB-H is subsequently successful in the High Court proceedings the Company has been granted a call option to acquire the VRFB-H shares it transferred to Bushveld Energy Limited (“BEL”) under the Backstop at the same entry price as paid by the Company pursuant to the Investment Agreement. The call option needs to be exercised within one month of finalisation of the High Court proceedings.

4. The Company has granted BMN a put option that can be exercised if the Company does not exercise the call option, to sell the VRFB-H shares the Company transferred to BEL under the Backstop at the same entry price as paid by the Company pursuant to the Investment Agreement.

Events after reporting date (Continued)

The put option needs to be exercised within one month of the expiry of the call option described above.

On 28 March 2022 BMN issued a convertible loan note to Primorus Investments Plc ("Primorus") pursuant to the previously announced Backstop arrangement with Primorus and Mustang. The Company cancelled the Mustang CLNs issued to Primorus on 26 April 2021 for $1,500,000 and issued US$1,500,000 10 per cent convertible loan notes to BMN. The Company paid a US$32,737 backstop fee to BMN.

On 29 March 2022 the parties to the Investment Agreement, including the Company, agreed to extend the Maturity Date of the CLN's until the 31 July 2022 to allow for the preparation of a prospectus and review process of that prospectus by the FCA for the readmission of the ordinary share capital of the Company to trading on the London Stock Exchange. Additionally, it was agreed to reduce the conversion price of the CLNs into Mustang shares from £0.20 to £0.18.

21 Related party transactions

Remuneration of key personnel

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

	Year ended 31 December 2021 £	**Period ended 31 December 2020 £**
Share based payments	-	63,629
Short-term employee benefits	152,988	55,000
	152,988	**118,629**

Directors' loans

At the reporting date £8,100 (2020 - £8,100) was due from the directors to the company in respect of unsettled share capital. £6,300 was due from D L Gallegos, and £900 was each due from A J Broome and P V Wale. These amounts are repayable on demand, interest free and are considered fully recoverable.

In addition, £843 (2020 – £1,000 due from) was due to D L Gallegos. This amount is interest-free.

Services

During the year, legal services were provided by Simon Holden to the amount of £12,000.

22 Controlling party

The company has no immediate or ultimate controlling party.

23 Financial instruments and associated risks

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

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Financial assets at amortised cost:		
Cash and cash equivalents	394,700	345,200
Other receivables	7,665	9,191
	402,365	**354,391**
Financial assets at fair value through profit or loss:		
Embedded conversion option derivative	-	-
Financial liabilities at amortised cost:		
Trade Payables	693	9,116
Accruals	49,400	33,750
Convertible loan notes – host liability	6,293,975	-
	6,344,068	**42,866**

There are no material differences between the fair value and the book value of the financial assets and liabilities. All financial liabilities are carried as current liabilities therefore there is no difference between present value (carrying value) and undiscounted value (and there is no maturity of financial liabilities in more than one year).

IFRS 13 requires the provision of information about how the Company establishes the fair values of financial instruments. Valuation techniques are divided into three levels based on the quality of inputs:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included in level 1 that are observable, directly or indirectly; and
- Level 3 inputs are unobservable.

The Company's only financial instruments measured at fair value are its investment in VRFB-H and the conversion option derivative embedded in convertible loan notes. As disclosed at Note 15, the carried forward value of the embedded derivative element is zero. Both of these rely primarily on unobservable inputs for their valuation which are classified as Level 3. Movements in the fair values of these financial instruments together with inputs into their valuations are detailed in notes 11 and 13 respectively. There were no transfers of financial instruments into or out of Level 3 during the year (2020 - none).

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

Financial instruments and associated risks (continued)

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

Foreign currency risk
Virtually all transactions, with the exception of the issue of convertible loan notes to fund the acquisition in VRFB-H, are conducted in the Company's functional currency of UK pound. Occasional small value invoices were paid in US dollars and AUS dollars. The convertible loan notes and acquisition were issued in US Dollars.

Given this, the Company's main exposure to foreign currency risk arises from the exchange rate movements between the US dollar and the UK pound. Little risk has been identified in respect of the movement between AUS dollars and UK pound.

A 10 per cent strengthening of UK pound against the US dollar at 31 December 2021 would have increased equity and reduced loss for the year by £24,000, an immaterial amount.

A 10 per cent weakening of UK pound against the US dollar would have an equal but opposite effect.

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

Equity price risk
The company is exposed to equity price risk through its investment in VRFB-H, an unlisted business. The fair value of the Company's investment can fluctuate based on uncontrollable macroeconomic and geopolitical developments as well as operational performance of the company. The Directors monitor the performance of VRFB-H based on the information available to them and under the terms of the shareholder agreement will have a representation on its board of directors.

Interest rate risk
Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Company is not exposed to the interest rate risk as the interest rate on the convertible loan note is fixed and the company has no other interest bearing assets or liabilities.

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

24 Cash generated from operations

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Loss for the period after tax	(902,624)	(231,901)
Adjustments for:		
Depreciation and impairment of property, plant and equipment	169	383
Equity settled share-based payment expense	-	63,629
Finance costs	491,631	-
Exchange losses	18,013	-
Movements in working capital		
Decrease in trade and other receivables	11,968	6,197
Increase/(decrease) in trade and other payables	9,859	(9,665)
	(370,984)	**(171,357)**

25 Analysis of changes in financial liabilities

	31 December 2020	Cash flow	Other non-cash movements	31 December 2021
Issue of convertible loan notes	-	5,667,316	662,636	6,329,952

Other non-cash movements principally relate to accrued and unpaid interest.

26 Schedule of Administrative Expenses for the year ended 31 December 2021

	Year ended 12 months to 31 December 2021 £	Year ended 12 months to 31 December 2020 £
Administrative expenses		
Equity settled share-based payment costs	-	63,629
Directors' remuneration	152,988	55,000
Computer running costs	2,185	1,112
Motor running expenses	245	-
Travelling expenses	3,747	6,987
Professional subscriptions	11,940	11,105
Legal and professional costs	39,528	50,073
Accountancy	18,620	13,025
Audit fees	42,181	26,225
Bank charges	1,276	749
Insurance	-	1,633
Entertaining	986	1,175
Sundry expenses	1,062	805
Depreciation	169	383
	274,927	**231,901**