Mustang Energy Plc

Interim Condensed Financial Statements for the six-month period ended 30 June 2022

Company Registration No. 11155663 (England and Wales)

Contents

Interim Management Report

As you are aware, 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 entered into an investment agreement dated 21 April 2021 (the "Investment Agreement") where it agreed to acquire a 22.1% interest in VRFB Holdings Limited ("VRFB-H") for US$7.524 million ("Acquisition (Stage 1)"), which was funded through the issue of US$8,000,000 10 per cent. unsecured convertible loan notes (the "CLNs") 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 are 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 ("BMN") 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 had 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 25 January 2022, the Company entered a loan agreement with BMN 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.

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.

On 28 March 2022 the parties to the Investment Agreement and as subsequently amended and restated 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% 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").

Principal risks and uncertainties

The principal risks and uncertainties facing our business are monitored on an ongoing basis. The board of directors have reviewed the principal risks and uncertainties disclosed in the 2021 annual report and concluded that they remain applicable for the second half of the financial year. A detailed description of these risks and uncertainties is set out on pages 18 to 19 of the 2021 annual report.

Alan Broome, AM
Chairman

6 September 2022

Statement of Directors' Responsibilities

The directors are responsible for preparing the interim management report in accordance with applicable law and regulations. The directors confirm that the interim condensed financial information has been prepared in accordance with International Accounting Standard 34 ('Interim Financial Reporting') as endorsed for use in the United Kingdom.

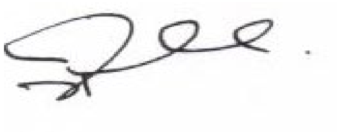
The interim management report includes a fair review of the information required by the Disclosure and Transparency Rules paragraphs 4.2.7 R and 4.2.8 R, namely:

- the interim condensed financial statements, which have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the issuer as required by DTR 4.2.4R; and

- an indication of important events that have occurred during the six months ended 30 June 2022 and their impact on the condensed set of financial information;; and

- material related-party transactions during the six months ended 30 June 2022 and any material changes in the related-party transactions described in the Annual report and accounts 2021.

The interim management report was approved by the Board of Directors and the above responsibility statement was signed on its behalf by:



Dean Lloyd Gallegos
Director

Date: 6 September 2022

Condensed Statement of Comprehensive Income

	Note	6 month period ended 30 June 2022 (unaudited)	6 month period ended 30 June 2021 (unaudited)
		£	£
Administrative expenses		(357,679)	(134,903)
Operating loss		(357,679)	(134,903)
Finance Costs		(386,029)	
Other gains		89,997	-
Loss on foreign exchange		(113,121)	-
Loss before taxation		(766,832)	(134,903)
Taxation		-	-
Loss for the period		**(766,832)**	**(134,903)**
Other comprehensive income for the period		-	-
Total comprehensive loss for the period attributable to the equity owners		**(766,832)**	**(134,903)**
Loss per share from continuing operations attributable to the equity owners			
Basic loss per share	**2**	**(0.07)**	**(0.01)**
Diluted loss per share (pence per share)		**(0.07)**	**(0.01)**

Condensed Statement of Financial Position

	Note	As at 30 June 2022 (unaudited)	As at 31 December 2021 (audited)
		£	£
Assets			
Non-current assets			
Property, plant and equipment		1,273	1,525
Investments	3	6,179,877	5,573,333
Total non-current assets		**6,181,150**	**5,574,858**
Current assets			
Trade and other receivables	4	16,618	13,117
Cash and cash equivalents		220,181	394,700
Total current assets		**236,799**	**407,817**
Total assets		**6,417,949**	**5,982,675**
Equity and liabilities			
Equity attributable to shareholders			
Share capital	8	102,816	102,816
Share premium	9	810,219	810,219
Share based payments reserve		91,100	91,100
Retained deficit		(2,170,969)	(1,404,137)
Total equity		**(1,166,834)**	**(400,002)**
Liabilities			
Current liabilities			
Trade and other payables	5	75,706	52,725
Borrowings	6	7,328,371	6,329,952
Total current liabilities		**7,404,077**	**6,382,677**
Non-current liabilities			
Borrowings	7	180,706	-
Total liabilities		**7,584,783**	**6,382,677**
Total equity and liabilities		**6,417,949**	**5,982,675**

Condensed Statement of Changes in Equity

	Share capital £	Share premium account £	Share based payments reserve £	Retained deficit £	Total equity £
On 1 January 2021 (audited)	**84,000**	**654,000**	**91,100**	**(501,513)**	**327,587**
Period ended 30 June 2021					
Total comprehensive loss for the period	-	-	-	(134,903)	(134,903)
Issue of share capital	18,816	169,344	-	-	188,160
Balance as at 30 June 2021 (unaudited)	**102,816**	**823,344**	**91,100**	**(634,416)**	**380,844**
On 31 December 2021 (audited)	**102,816**	**810,219**	**91,100**	**(1,404,137)**	**(400,002)**
Period ended 30 June 2022					
Total comprehensive loss for the period	-	-	-	(766,832)	(766,832)
Balance as at 30 June 2022 (unaudited)	**102,816**	**810,219**	**91,100**	**(2,170,969)**	**(1,166,834)**

Statement of Cash Flows

	Note	6 months to 30 June 2022 (unaudited) £	6 months to 30 June 2021 (unaudited) £
Cash flow from operating activities			
Cash absorbed by operations	**11**	(337,947)	(10,704)
Cash flow from operating activities		**(337,947)**	**(10,704)**
Financing activities			
Proceeds from issue of shares (net of share issue costs)		-	188,160
Proceeds from loans and borrowings		163,428	-
Net cash generated from financing activities		**163,428**	**-**
Net decrease in cash and cash equivalents		**(174,519)**	**(177,456)**
Cash and cash equivalents at beginning of period		394,700	345,200
Cash and cash equivalents at end of period		200,181	522,656

1 Notes to the interim financial statements

General information

Mustang Energy PLC (the "Company") is a Public Limited Company incorporated and domiciled in England and Wales. The interim condensed financial statements for the six months ended 30 June 2022. The address of the Company's registered office is 48 Chancery Lane, c/o Keystone Law, London, WC2A 1JF. The interim condensed financial statements of the Company were authorised for issue in accordance with a resolution of the Directors on 5 September 2022.

The audited financial statements for the year ended 31 December 2021 are publicly available on the Company's website: www.mustangplc.com. The interim condensed financial statements have been prepared on a going concern basis.

1.1 Basis of preparation and statement of compliance

The interim condensed financial statements are for the six months ended 30 June 2022 and have been prepared in accordance with IAS 34 'Interim Financial Reporting'; the International Accounting Standards endorsed for use in the United Kingdom ("IFRS"); on a going concern basis and under the historical cost convention except for revaluation of certain financial instruments.

The interim condensed financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. They do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the financial statements for the year ended 31 December 2021.

The condensed financial information for the year ended 31 December 2021 does not constitute the Company's statutory accounts for that year, but is derived from those accounts. Statutory accounts for the year ended 31 December 2021 have been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006.

The condensed financial information for the period ended 30 June 2022 have not been audited or reviewed in accordance with the International Standard on Review Engagements 2410 issued by the Auditing Practices Board.

1.2 Accounting policies, critical estimates and judgements

The accounting policies, methods of computation, critical estimates and judgements followed in the interim condensed financial statements are in accordance with those followed in preparing the financial statements for the year ended 31 December 2021.

A number of amendments to IFRS became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

The preparation of the interim condensed interim financial statements requires directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these judgements and estimates.

In preparing these interim condensed financial statements, the significant judgements made by directors in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements for the year ended 31 December 2021. As stated in the Interim Management Report, despite holding a 22.1% interest, the Company has not been able to exercise significant influence over its investment in VRFB-H and thus the Company has not applied equity accounting in preparing these interim condensed financial statements. The Company's investment in VRFB-H continues to be accounted for as a financial asset held at fair value through profit or loss.

2 Loss per share

	6 month period ended 30 June 2022 £	6 month period ended 30 June 2021 £
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	10,281,600	9,330,033
Weighted average number of ordinary shares for diluted earnings per share	11,731,600	10,780,033
Loss		
Loss for the period from continued operations	(766,832)	(134,903)
Loss for basic and diluted earnings per share being net profit attributable to equity shareholders of the company for continued operations	(766,832)	(134,903)
Loss per share for continuing operations		
Basic loss per share	(0.07)	(0.01)
Diluted loss per share	(0.07)	(0.01)

The share options and warrants are considered to be anti-dilutive.

3 Investments

	30 June 2022 £	31 December 2021 £
Shares in unlisted entities	6,179,877	5,573,333

Movements in non-current investments

	Shares in unlisted investments £
Cost or valuation	
At 1 January 2022	5,573,333
Fair value adjustment due to changes in exchange rate	606,544
At 30 June 2022	6,179,877
Carrying amount	
At 30 June 2022	6,179,877
At 31 December 2021	5,573,333

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

4 Trade and other receivables

	30 June 2022 £	31 December 2021 £
Other receivables	9,786	7,665
VAT recoverable	2,457	116
Prepayments	4,375	5,336
	16,618	**13,117**

5 Trade and other payables

	30 June 2022 £	31 December 2021 £
Trade payables	25,606	693
Accruals	37,300	49,400
Other payables	12,000	-
Other taxation and social security	800	2,632
	75,706	**52,725**

6 Current liabilities - Borrowings

	30 June 2022 £	31 December 2021 £
Convertible loan notes	7,328,371	6,329,952

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 18 pence ("MUST Conversion Shares"), by no later than 31 July 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 during the period ended 30 June 2022 as follows:

1. The Backstop fee was reduced from 5% to 2%;

2. Call and put options were granted between the Company and BEL which in substance allowed the Company to reverse the Backstop if it was triggered and the court case was ultimately successful;

3. The Readmission Longstop Date of the CLN was extended to 31 July 2022; and

4. The Conversion Price was reduced from £0.20 to £0.18.

The terms of the CLN were amended further after the period end as detailed in note 10.

The CLN is accounted for as a financial liability with an embedded derivative representing the Company’s option to convert the CLN into shares.

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 remains £nil as at 30 June 2022 (Dec 2021: £nil) due to uncertainty regarding the Readmission process.

As disclosed above, as at 30 June 2022 the terms of the CLN were extended with the principal and accumulated interest becoming redeemable at par on 28 August 2022. This represents a modification of the financial liability, with a gain of £89,997 recognised in other gains in profit or loss.

The movements in the carrying value of the CLN liability are detailed below:

	£
Balance at 1 January 2022	**6,329,952**
Interest charge	386,029
Gain on modification	(89,997)
Foreign exchange difference	702,387
Balance at 30 June 2022	**7,328,371**

7 Non-current liabilities

	Period ended 30 June 2022 £	Year ended 31 December 2021 £
Working capital loan	180,706	-
	180,706	**-**

On 25 January 2022, the Company received a working capital loan from BMN of US$220,000. The loan is repayable at the earlier of: 31 December 2023 or the Company raising £1 million of new funding. The Company can redeem the loan at any time, either in cash or in shares in the Company, valued at the higher of £0.20 or the volume weighted average price on the preceding 10 trading days.

The option to convert the loan into Company shares is a non-closely embedded derivative. The fair value of the derivative at 25 January 2022 and 30 June 2022 is trivial and is thus deemed to be £nil.

The loan is a financial liability carried at amortised cost with an effective interest rate of nil.

The movements in the carrying value of the loan liability are detailed below:

	£
Balance at 1 January 2022	**-**
Inception 25 January 2022	163,428
Foreign exchange difference	17,278
Balance at 30 June 2022	**180,706**

8 Share Capital

	Period ended 30 June 2022 £	Year ended 31 December 2021 £
Ordinary Share capital		
Issued		
10,281,600 (2021 – 10,281,600) Ordinary shares of 1p each	102,816	102,816
	102,816	**102,816**

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.

9 Share premium account

	Period ended 30 June 2022 £	Year ended 31 December 2021 £
At the beginning of period	810,219	654,000
Issue of new shares	-	150,444
Less directly attributable issue costs	-	(13,125)
Exercise of warrants	-	18,900
At end of period	**810,219**	**810,219**

10 Events after reporting date

On the 3 August 2022 the Company disclosed that it had entered into a conditional agreement with Acacia to acquire its 27.4 per cent. interest ("Acquisition (Stage 2)") in VRFB-H. The consideration for the Acquisition (Stage 2) is US$10,548,945 to be converted to GBP:£ using an exchange rate of GBP£1.00/US$1.225 and to be satisfied by the proposed issue of 43,056,989 new ordinary shares in the capital of the Company issued at 20 pence each (the "Consideration Shares").

The Consideration Shares proposed to be issued to Acacia on completion of the Acquisition (Stage 2), combined with Acacia's existing shareholding in the Company, the shares proposed to be issued as a result of the conversion of the US$2.3 million principal amount of CLNs held by Acacia (together with accrued interest thereon) and the exercise of certain options and warrants held by Acacia (assuming that such options and warrants are converted in full into MUST shares), will mean that Acacia will hold in excess of 50% of the issued capital of the Company.

On the 2 September 2022 the parties to the Investment Agreement agreed to amend the Longstop Extension and Maturity Date to the 28 October 2022. The Company was notified by a Noteholder of CLNs (the "Redeeming Noteholder") with a principal amount of US$1.25 million (and accrued and unpaid interest thereon) that it wishes to effect the Backstop in respect of its CLNs (the "Backstop CLNs"). BMN negotiated with the Redeeming Noteholder to acquire the Backstop CLNs by the issue of BMN shares are currently in discussions to finalise the arrangements to effect the Backstop CLNs.

11 Cash generated from operations

	6 month period ended 30 June 2022 £	6 month period ended 30 June 2021 £
Loss for the period after tax	(766,832)	(134,903)
Adjustments for:		
Depreciation and impairment of property, plant and equipment	252	169
Equity settled share-based payment expense	-	-
Fair value adjustment due to changes in exchange rate	(606,544)	-
Foreign exchange movement on working capital loan	17,278	-
Movements in working capital		
Increase in trade and other receivables	(3,501)	(1,739)
Increase/(decrease) in trade and other payables	1,021,400	(125,769)
	(337,947)	**(10,704)**