Audited Consolidated Financial Statements

MKANGO RESOURCES LTD.

For the years ended 31 December 2024 and 2023

To the Shareholders of Mkango Resources Ltd.:

Opinion

We have audited the consolidated financial statements of Mkango Resources Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that for the year ended December 31, 2024, the Company incurred a loss, had a deficit and had negative cash flows from operations. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 matter described below to be the key audit matters to be communicated in our report.

MNP LLP
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Assessment of the recoverable amount of goodwill

Key Audit Matter Description

We draw attention to Note 14 to the consolidated financial statements. As at December 31, 2024, the Company had goodwill recorded of $2,681,441. Goodwill is required to be tested for impairment annually, and an impairment loss is recognized if the carrying amount of the cash generating unit ("CGU") exceeds it recoverable amount. Management has determined the recoverable amount of the HyProMag CGU based on its fair value less cost of disposal ("FVLCD"), which incorporated the following significant assumptions:

- Future cash flows based on forecasted earnings before interest, tax, depreciation, and amortization;
- Revenue growth rates; and,
- Discount rates.

We identified the assessment of the recoverable amount of goodwill as a key audit matter due to the degree of judgment and subjectivity in evaluating management's estimates and assumptions in determining the recoverable amount of the HyProMag CGU.

Audit Response

We responded to this matter by performing audit procedures relating to assessment of the recoverable amount of goodwill. Our audit work in relation to this included, but was not restricted to, the following:

- We evaluated the reasonableness of the future cash flow projections by comparing to industry market data, Company public filings and assessed whether these assumptions were consistent with evidence obtained in other areas of the audit;
- We evaluated the reasonableness of the forecasted income and expenses by evaluating the appropriateness of management's use of the discounted cash flow model and tested the mathematical accuracy thereof;
- We performed a sensitivity analysis on key inputs used in the future cash flow projections;
- We involved our valuation specialists to assess the Company's impairment model, valuation methodology applied, the various inputs utilized as well as certain significant assumptions, including the discount rate used; and,
- We assessed the appropriateness of the disclosures relating to the goodwill in the notes to the consolidated financial statements.

Other Matter

The consolidated financial statement for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on April 30, 2024.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Canadian generally accepted auditing standards 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 consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Scott Laluk.

Calgary, Alberta

MNP LLP

April 30, 2025

Chartered Professional Accountants

MNP

MKANGO RESOURCES LTD
Consolidated Statements of Financial Position

Expressed in US dollars	Notes	As at 31 December 2024	As at 31 December 2023
ASSETS			
Current			
Cash and cash equivalents		1,159,807	996,782
Government remittances receivable	8	121,782	107,578
Other receivables		30,401	27,041
Prepaid expenses and accrued income	9	303,562	195,012
Due from related parties	18	57,781	120,133
Total current assets		**1,673,333**	**1,446,546**
Non-current			
Exploration and evaluation assets	10	745,350	679,131
Intangible assets	11	3,195,804	3,729,653
Goodwill	14	2,681,441	2,681,441
Property, plant and equipment	12	2,415,592	657,074
Government remittances receivable	8	-	99,526
Total non-current assets		**9,038,187**	**7,846,825**
TOTAL ASSETS		**10,711,520**	**9,293,371**
LIABILITIES			
Current			
Accounts payable and accrued liabilities	19	648,389	590,990
Short-term contingent consideration	15	-	1,382,358
Derivative liability	16	1,286,206	-
Due to related parties	18	300,563	61,754
Lease liability	17	159,489	-
Total current liabilities		**2,394,647**	**2,035,102**
Non-current			
Long-term contingent consideration	15	-	1,696,229
Deferred tax liability	23	857,492	1,000,734
Lease liability	17	1,025,770	-
Total non-current liabilities		**1,883,262**	**2,696,963**
TOTAL LIABILITIES		**4,277,909**	**4,732,065**
SHAREHOLDERS' EQUITY			
Share capital	20	45,246,306	43,522,854
Contributed surplus		6,069,441	5,680,588
Accumulated other comprehensive loss		(63,943)	(70,414)
Deficit		(47,372,085)	(46,585,867)
Non-controlling interest		2,553,892	2,014,145
TOTAL EQUITY		**6,433,611**	**4,561,306**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10,711,520**	**9,293,371**

Subsequent events & Commitments (Note 26 and Note 22)

On behalf of the Board of Directors:

"William Dawes"
William Dawes, Chief Executive Officer, Director

"Alexander Lemon"
Alexander Lemon, President, Director

The accompanying notes are an integral part of these consolidated financial statements.

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

	Notes	For the year ended: 31 December 2024	31 December 2023
Expenses			
General and administrative	6	(3,110,097)	(4,134,980)
Mineral project expenditures		(89,677)	(358,542)
Total Expenses		**(3,199,774)**	**(4,493,522)**
Other items			
Interest income		14	53
Finance expense	15,17	(155,952)	(58,356)
Share of associated company losses		-	(79,202)
Fair value losses		-	(8,804)
Reversal of contingent consideration	15	3,237,152	-
Foreign exchange gain/(loss)		(129,288)	74,543
Fair value adjustment – embedded derivative		-	326,240
Fair value adjustment – derivative liability	16	(316,673)	-
Loss before tax		**(564,521)**	**(4,239,048)**
Income tax	23	143,242	59,097
Loss after tax		**(421,279)**	**(4,179,951)**
Loss attributable to			
Common shareholders		(786,218)	(4,057,025)
Non-controlling interest	7	364,939	(122,926)
Attributable loss		**(421,279)**	**(4,179,951)**
Other comprehensive profit/(loss)			
Items that may be reclassified subsequently to net loss:			
Exchange difference on translating foreign operations		6,471	(46,613)
Total comprehensive loss		**(414,808)**	**(4,226,564)**
Total comprehensive loss attributable to			
Common shareholders		(779,747)	(4,103,638)
Non-controlling interest		364,939	(122,926)
Attributable comprehensive loss		**(414,808)**	**(4,226,564)**
Loss per share - basic and diluted	24	**(0.0029)**	**(0.017)**

The accompanying notes are an integral part of these consolidated financial statements.

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

		For the year ended:	
	Notes	**31 December 2024**	**31 December 2023**
Cash flow used by operating activities			
Loss for the year		(421,279)	(4,179,951)
Adjustments for:			
Share based payments	20	302,851	559,787
Issue of shares in exchange for services		-	69,000
Share of associated company losses		-	79,202
Fair value losses		-	8,804
Depreciation	12	191,353	32,860
Amortisation of intangible assets	11	533,849	220,249
Reversal of contingent consideration	15	(3,237,152)	-
Finance expense – contingent consideration	15	144,081	-
Finance expense – lease	17	11,871	-
Expected credit loss		96,609	
Lease payments	17	(70,116)	-
Fair value adjustment – embedded derivative		-	326,240
Fair value adjustment – derivative liability	16	316,673	-
Unrealised foreign exchange loss/(profit)		-	(74,543)
Deferred tax recovery	23	(143,242)	(59,097)
Change in non-cash operating capital			
Government remittances receivable		(10,533)	(65,803)
Prepaid expenses and accrued income		(111,910)	(53,757)
Due to/from related parties		301,161	(240,159)
Accounts payable and accrued liabilities		(39,718)	(181,273)
Cash flow used by operating activities		(2,135,502)	(3,558,441)
Cash flow used by investing activities			
Acquisition of exploration and evaluation assets		(92,399)	(481,401)
Acquisition of property, plant and equipment		(623,343)	(520,153)
Acquisition of HyProMag – cash consideration		-	(1,271,086)
Cash acquired as part of acquisition		-	231,029
Cash flow used by investing activities		(715,742)	(2,041,611)
Cash flow generated by financing activities			
Proceeds from CoTec advance note		-	517,019
Share issue proceeds		2,914,214	4,214,600
Share issue expenses		(135,228)	(282,987)
CoTec investment into Maginito		174,808	2,041,862
Cash flow generated by financing activities		2,953,794	6,490,494
Effect of exchange rate changes on cash		60,475	(387,363)
Change in cash		163,025	503,079
Cash at the beginning of the year		996,782	493,703
Cash at the end of the year		1,159,807	996,782

The accompanying notes are an integral part of these consolidated financial statements.

MKANGO RESOURCES LTD
Consolidated Statement of Changes in Equity
Expressed in US dollars

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Deficit	Non-controlling interest ("NCI")	Total
Balance at 31 December 2022	**38,376,817**	**5,120,801**	**(23,801)**	**(44,639,933)**	**-**	**(1,166,116)**
Loss for the year	-	-	-	(4,057,025)	(122,926)	(4,179,951)
Other comprehensive income:						
Foreign exchange losses	-	-	(46,613)	-	-	(46,613)
Total comprehensive loss	-	-	(46,613)	(4,057,025)	(122,926)	(4,226,564)
Transactions with owners:						
Non-controlling interest on acquisition of subsidiary	-	-	-	-	2,041,862	2,041,862
Conversion of convertible loan note into Maginito shares	-	-	-	2,111,091	95,209	2,206,300
Issue of shares	5,429,024	-	-	-	-	5,429,024
Share issue expenses	(282,987)	-	-	-	-	(282,987)
Share-based payments	-	559,787	-	-	-	559,787
Total transactions with owners	228,546	963,988	-	-	-	961,431
Balance at 31 December 2023	**43,522,854**	**5,680,588**	**(70,414)**	**(46,585,867)**	**2,014,145**	**4,561,306**
Loss for the period	-	-	-	(786,218)	364,939	(421,279)
Other comprehensive income						
Foreign exchange losses	-	-	6,471	-	-	6,471
Total comprehensive loss	-	-	6,471	(786,218)	364,939	(414,808)
Transactions with owners:						
Issue of shares	1,951,334	-	-	-	-	1,951,334
Share issue expenses	(227,882)	-	-	-	-	(227,882)
CoTec investment into Maginito	-	-	-	-	174,808	174,808
Share based payments	-	302,851	-	-	-	302,851
Broker warrants within share issue costs	-	86,002	-	-	-	86,002
Balance at 31 December 2024	**45,246,306**	**6,069,441**	**(63,943)**	**(47,372,085)**	**2,553,892**	**6,433,611**

The accompanying notes are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

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

The Company is listed on the TSX Venture Exchange (the "TSX-V") and holds an additional listing on the AIM Market of the London Stock Exchange ("AIM") under the symbol MKA. Mkango's corporate strategy is to become a market leader in the production of recycled rare earth magnets, alloys and oxides, and to develop new sustainable sources of neodymium, praseodymium, dysprosium and terbium to supply accelerating demand from electric vehicles, wind turbines and other clean-energy technologies. Mkango also owns the advanced-stage Songwe Hill rare earths project and an extensive rare earths, uranium, tantalum, niobium, rutile, nickel and cobalt exploration portfolio in Malawi, as well as the Pulawy rare earths separation project in Poland.

The consolidated financial statements were authorised for issuance by the Board of Directors of the Company on 30 April 2025.

2. GOING CONCERN

These consolidated financial statements have been prepared on a basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of business.

The Company is at an early stage of development and, as is common with similar early-stage companies, it has not earned any operating income in the current and prior years. For the year ended 31 December 2024, the Company incurred a loss of $421,279 (2023:$4,179,951), had a deficit of $47,372,085 (2023:$46,585,867) and had negative cash flows from operations of $2,135,502 (2023:$3,558,441). As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern, and, accordingly the ultimate use of accounting principles applicable to a going concern.

The Company's ability to continue as a going concern is dependent upon obtaining additional financing and eventually achieving profitable production. These consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the going concern assumption be inappropriate.

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

The Company continues to pursue funds through either equity investment or an alternative financing structure in order to have sufficient funding resources to meet its committed expenditures and to achieve its business objectives. The Company is dependent on raising funds through either equity investment or an alternative financing structure, which is not guaranteed.

3. BASIS OF PRESENTATION

(a) Statement of compliance

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

(b) Basis of presentation and measurement

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

(c) Functional and presentation currency and principles of consolidation

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

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

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

(d) Basis of consolidation

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

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights

- Substantive potential voting rights held by the company and by other parties

- Other contractual arrangements

- Historical patterns in voting

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

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

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity. The non-controlling interests' share of losses, where applicable, is attributed to the non-controlling interests irrespective of whether the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

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

(e) Use of estimates and judgments

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

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

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

(i) Carrying value of exploration and evaluation intangible assets

The carrying value was $745,350 at 31 December 2024 (31 December 2023: $679,131). The Company has determined that there are no indicators of impairment present in accordance with *IFRS 6: Exploration for and evaluation of mineral interests.* Management's conclusion required judgment based on the current status as outlined in the definitive feasibility completed on Songwe Hill in July 2022 and expected future progress of the exploration and evaluation intangible assets as well as forecast rare earth prices.

(ii) Carrying value of technology intangible assets

The carrying value was $3,195,804 at 31 December 2024 (31 December 2023: $3,729,653). The Company has determined that there are no indicators of impairment present in accordance with *IAS 36: Impairment of assets.* Management's conclusion required judgment based on the fact that the value of the HPMS technology had not significantly declined from the date of the HyProMag acquisition and year end, and that plans are on track to develop both the recycling projects in the UK and Germany that use the technology.

(iii) Valuation of goodwill

The carrying value of goodwill arising from the HyProMag acquisition (Note 14) was $2,681,441 at 31 December 2024 (31 December 2023: $2,681,441). The recoverable amount of goodwill is assessed at each reporting date for impairment. The recoverable amount is based on the higher of the value in use and fair value less costs to dispose. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Key areas of judgment include estimates of scrap supply, commissioning timetables, product mix, pricing of magnets and operating cost estimates.

(iv) Fair value of contingent consideration

The fair value of the contingent consideration was estimated based on the Company's expectation of the future performance of the business which would result in milestones being met and milestone payments being made to the HyProMag sellers. At the time of acquisition, these potential milestone payments were discounted to reflect the timing of the expected payments. At 31 December 2024, management reversed the contingent consideration as the milestones have not been met.

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

(i) Share options

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

(ii) Valuation of derivative financial liability

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

(f) New accounting standards, amendments and interpretations adopted

The Company has adopted amendments effective 1 January 2024, related to *IAS 1: Presentation of Financial Statements* relating to the classification of liabilities, and *IFRS 16: Leases*, that did not have a material impact on the Company’s financial statements.

(g) Future accounting changes

There are new accounting standards and amendments to accounting standards and interpretations that are effective for annual periods beginning on or after 1 January 2025, that have not been applied in preparing the financial statements for the year ended 31 December 2024. Except as disclosed below, these standards and interpretations are not expected to have a material impact on the Company's Financial Statements.

On 9 April 2024, the IASB issued *IFRS 18: Presentation and Disclosure in Financial Statements* to improve reporting of financial performance. *IFRS 18* replaces *IAS 1: Presentation of Financial Statements*. It carries forward many requirements from *IAS 1*. *IFRS 18* applies to annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted. The key new concepts introduced in *IFRS 18* relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity’s financial statements; and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes. The Company is currently assessing the impact and efforts related to adopting *IFRS 18*.

On 30 May 2024, the IASB issued amendments to *IFRS 9: Financial Instruments* and *IFRS 7: Classification and Measurement of Financial Instruments*. These amendments clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). These amendments apply to annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. The Company is currently assessing the impact and efforts related to the amendments to *IFRS 9* and *IFRS 7*.

4. MATERIAL ACCOUNTING POLICIES

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

(a) Mineral exploration expenditures and property and equipment assets

(i) Recognition and measurement

Exploration and evaluation ("E&E") expenditures

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

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

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

Property and equipment ("P&E") expenditures

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

(b) Externally acquired intangible assets

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

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

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

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

(c) Goodwill

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

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

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

(d) Government grants

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

(e) Impairment

(i) Non-financial assets

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

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

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

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

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

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

(f) Foreign currency translation

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

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

(g) Taxation

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

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

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

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

(h) Earnings/Losses per share

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

(i) Share-based payments

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

(j) Cash and cash equivalent

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

(k) Provisions

The Company makes a distinction between:

- Provisions: Present obligations, either legal or constructive, arising from past events, the settlement of which is expected to give rise to an outflow of resources, the amount and timing of which are uncertain; and,

- Contingent liabilities: Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company, or present obligations arising from past events, the amount of which cannot be estimated reliably or whose settlement is not likely to give rise to an outflow of resources.

Provisions are recognised when the liability or obligation, giving rise to the indemnity or payment arises, to the extent that its amount can be reliably estimated and it is probable that the commitment will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather disclosed.

(l) Financial instruments

Classification and measurement of financial assets and liabilities

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

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

- A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortised costs using the effective interest method.

- Financial assets at fair value through profit or loss: assets that do not meet the criteria for amortised cost or fair value through other comprehensive income.

- Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to those assets are transferred.

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

- Financial liabilities measured at amortised cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in the consolidated statement of comprehensive income.

- Financial liabilities measured at fair value through profit or loss: financial liabilities measured a fair value with changes in fair value and interest expense recognised in the consolidated statement of comprehensive income.

- Financial liabilities are derecognised when the obligation is discharged, cancelled or expired.

Impairment of financial assets

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

(m) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset on the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term. Judgment is applied to determine the lease term where a renewal option exists. Right-of-use assets are depreciated using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. In addition, the right-of-use assets may be reduced by impairment losses or adjusted for certain remeasurements of the lease liability.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less. The lease payments are recognized as an expense when incurred over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments include fixed payments, and variable payments that are based on an index or rate.

All figures in US dollars unless indicated otherwise

(n) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed regularly by the Company's Board of Directors in order to make decisions regarding the allocation of resources to the segment. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

5. SEGMENTED INFORMATION

The Company operates in three reportable segments, based on the nature of operations and internal reporting to the Chief Operating Decision Maker (the Board of Directors):

Rare earths recycling projects – the development and commercialisation of short loop and long loop rare earth magnet recycling technologies (Maginito, HyProMag Limited (UK), HyProMag GmbH (Germany), Mkango Rare Earths UK Limited(UK)).

Rare earths mining and refining projects – development of the advanced stage Songwe Hill rare earths project in Malawi and the Pulawy rare earths separation project in Poland. (Lancaster Exploration Limited (BVI), Lancaster Exploration Limited (Malawi), MKA Exploration Limited (BVI), MKA Exploration Limited (Malawi), Mkango Polska (Poland)).

Corporate – administrative and head office activities including group-level financing, corporate development, and regulatory compliance (Mkango Resources Ltd and Mkango ServiceCo UK Limited).

Management monitors the operating results of the Company's segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with the Company's consolidated financial statements.

There was no revenue recognised in any operating segment for the years ended 31 December 2024 and 2023.

The following tables present selected financial information regarding the Company's operating segments:

Segment results for the year ended 31 December 2024

	Operating expenses (net of grants)	Depreciation and amortisation	Reversal of contingent consideration	Profit/(loss) before tax	Assets	Liabilities
Rare earths recycling projects	(1,270,197)	(714,040)	3,237,152	1,796,663	9,016,051	2,399,280
Rare earths mining and refining projects	(340,791)	(10,519)	-	(341,441)	975,937	191,942
Corporate	(1,588,786)	(643)	-	(2,019,743)	719,532	1,686,687
	(3,199,774)	**(725,202)**	**3,237,152**	**(564,521)**	**10,711,520**	**4,277,909**

All figures in US dollars unless indicated otherwise

Segment results for the year ended 31 December 2023

	Operating expenses (net of grants)	Depreciation and amortisation	Reversal of contingent consideration	Profit/(loss) before tax	Assets	Liabilities
Rare earths recycling projects	(856,823)	(240,073)	-	(981,261)	7,834,488	4,249,357
Rare earths mining and refining projects	(1,904,765)	(13,037)	-	(1,889,480)	1,079,968	252,172
Corporate	(1,731,934)	-	-	(1,368,307)	378,915	230,540
	(4,493,522)	**(253,110)**	**-**	**(4,239,048)**	**9,293,371**	**4,732,069**

Basis of Measurement

- Segment profit or loss represents profit or loss before tax at the segment level.
- Inter-segment transactions are eliminated on consolidation.
- Segment assets and liabilities are allocated based on the operations of each segment.
- Depreciation, amortisation and material non-cash items such as the reversal of contingent consideration are disclosed separately.

Geographic information

The Company's non-current assets, excluding goodwill, deferred tax assets, and financial instruments, are located in the following geographical regions:

	31 December 2024	31 December 2023
United Kingdom	812,669	376,984
Malawi	748,343	692,643
Germany	1,599,930	266,578
	3,160,942	**1,336,205**

The goodwill and intangible asset relating to HPMS technology is not allocated by geography due to the integrated nature of operations.

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2024	Year ended 31 December 2023
Audit fees	210,231	155,705
Salaries – Note 18	1,235,741	1,648,454
Share-based payments – Note 20	302,851	559,787
Depreciation – Note 12	191,353	32,860
Amortisation of intangible assets – Note 11	533,849	220,249
Expected credit losses	96,609	-
Other	539,463	1,517,925
	3,110,097	**4,134,980**

7. NON-CONTROLLING INTEREST

The income/(loss) attributable to non-controlling interests for the years ended 31 December 2024 and 2023 are as follows:

All figures in US dollars unless indicated otherwise

	Year ended 31 December 2024	Year ended 31 December 2023
Maginito	609,569	(32,814)
Mkango Rare Earths UK Limited	(44,545)	(16,874)
HyProMag Limited	(85,685)	(14,586)
HyProMag GmbH	(4,427)	(22,493)
Amortisation of HPMS technology	(109,973)	(36,249)
	364,939	**(122,926)**

8. GOVERNMENT REMITTANCES RECEIVABLE

	31 December 2024	31 December 2023
Recoverable within one year	121,782	107,578
Recoverable after one year	-	99,526
	121,782	**207,104**

The amount recoverable within one year relates to recoveries of indirect taxes paid to governments in the countries in which the Company operates.

9. PREPAID EXPENSES AND ACCRUED INCOME

	31 December 2024	31 December 2023
Prepaid expenses	40,755	87,230
Deposits	33,536	-
Government grant receivables	229,271	107,782
	303,562	**195,012**

10. EXPLORATION AND EVALUATION ASSETS

	Exploration & evaluation assets
Cost	
Balance at 31 December 2022	**273,763**
Additions	405,368
Balance at 31 December 2023	**679,131**
Additions	66,219
Balance at 31 December 2024	**745,350**

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

11. INTANGIBLE ASSETS

	Technology
Cost	
Balance at 31 December 2022	**-**
Additions	3,949,902
Balance at 31 December 2023	**3,949,902**
Additions	-
Balance at 31 December 2024	**3,949,902**

Accumulated Amortisation

All figures in US dollars unless indicated otherwise

Balance at 31 December 2022	**-**
Amortisation	220,249
Balance at 31 December 2023	**220,249**
Amortisation	533,849
Balance at 31 December 2024	**754,098**
Net Book Value	
31 December 2023	3,729,653
31 December 2024	**3,195,804**

The technology intangible assets additions in the prior year relate to the HyProMag acquisition (Refer to Note 14).

12. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment	Right of Use Asset	Plant and equipment	Computer Equipment	Vehicles	Total
Cost						
Balance at 31 December 2022	**289**	**-**	**72,090**	**60,256**	**80,011**	**212,646**
Additions	-	-	595,203	-	-	595,203
Acquisition of HyProMag Limited	-	-	27,024	4,794	-	31,818
Foreign exchange differences	-	-	15,196	-	-	15,196
Balance at 31 December 2023	**289**	**-**	**709,513**	**65,050**	**80,011**	**854,863**
Additions	-	1,297,317	738,784	7,859	-	2,043,960
Disposals	-	-	-	-	(80,011)	(80,011)
Foreign exchange differences	-	(56,343)	(50,908)	(426)	-	(107,677)
Balance at 31 December 2024	**289**	**1,240,974**	**1,397,389**	**72,483**	**-**	**2,711,135**
Accumulated Depreciation						
Balance at 31 December 2022	**289**	**-**	**32,816**	**51,331**	**80,011**	**164,447**
Depreciation	-	-	28,861	3,999	-	32,860
Foreign exchange differences	-	-	482	-	-	482
Balance at 31 December 2023	**289**	**-**	**62,159**	**55,330**	**80,011**	**197,789**
Depreciation	-	61,777	123,361	6,215	-	191,353
Disposals	-	-	-	-	(80,011)	(80,011)
Foreign exchange differences	-	(2,683)	(10,722)	(183)	-	(13,588)
Balance at 31 December 2024	**289**	**59,094**	**174,798**	**61,362**	**-**	**295,543**
Net Book Value						
31 December 2023	-	-	647,354	9,720	-	657,074
31 December 2024	**-**	**1,181,880**	**1,222,591**	**11,121**	**-**	**2,415,592**

Additions to plant and equipment are presented net of government grants received. Gross additions for year ended 31 December 2024 were $925,841, with government grants related to this capital expenditure totalling $330,638. No government grants related to capital expenditure were received in the year ended 31 December 2023. Included in additions to plant and equipment are progress payments directly attributable to specific equipment being constructed for the Company, which will contribute to future operations once delivered. The amounts are clearly defined under binding contracts and are being tracked reliably.

The Company recognises right-of-use (ROU) assets in relation to leased premises, including office and manufacturing facilities, in accordance with *IFRS 16:Leases*. ROU assets represent the Company's right to use the underlying leased assets over the lease term.

All figures in US dollars unless indicated otherwise

The manufacturing facility lease for HyProMag Germany in Germany commenced in September 2024 and has an initial term of 5 years, with an option to extend for a further 2 years. The ROU asset is being depreciated over 7 years.

13. HYPROMAG USA LLC

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

HyProMag USA is classified as a joint venture under *IFRS 11: Joint arrangements*, as the parties have joint control and rights to the net assets of the entity. The investment is accounted for using the equity method in accordance with *IAS 28: Investments in Associates and Joint Ventures*.

Maginito's investment into HyProMag USA was zero and Maginito has not incurred legal or constructive obligations or made payments on behalf of HyProMag USA. As such, the attributable losses in HyProMag USA incurred for the year ended 31 December 2024 have not been equity accounted for.

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

14. HYPROMAG ACQUISITION

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

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

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

All figures in US dollars unless indicated otherwise

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

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

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

The completion equity consideration of 9,742,031 common shares has been fair valued to £901,138 ($1,145,424) based on the share price of Mkango of £0.0925 ($0.1176) at the acquisition date.

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

The contingent consideration is based on future milestone payments and has been considered a financial liability and has been discounted to present value at a rate of 7.4% under *IFRS 9: Financial Instruments* to $3,014,297.

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

Analysis of cash flows on acquisition	
Cash paid as consideration on acquisition	(1,271,086)
Cash acquired at acquisition	231,029
Net cash outflow on acquisition	**(1,040,057)**

Impairment of goodwill and intangible assets

The recoverable amount of goodwill is assessed at each reporting date for impairment. The recoverable amount is based on the higher of the value in use and fair value less costs to dispose. In assessing the fair value less costs to dispose, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Key inputs include future cash flows, growth rates, gross margins, terminal value and discount rate.

Pricing of powder, swarf and magnets is based on management's estimates for future prices and are based on external views of future magnet prices. The discount rate is based on estimate of the weighted average cost of capital for a market participant which includes estimates for risk-free interest rates, cost of equity, asset-specific risk, and debt-to-equity financing ratio. The discount rate used in the impairment model was 20%.

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

Sales growth assumptions are based on contracted and forecasted sales into the future. With regard to gross margins, consideration is given to forecasting and other industry information and knowledge. A 1% change in gross margin in isolation would not result in an impairment charge. The terminal value was calculated using an annual growth of 2.5% in the terminal year.

Pre-tax discount rates used reflect management's assessment of the risks of the CGU or group of CGUs and its past experience in raising capital. Furthermore, suitable sensitivity tests are also applied in conjunction with cash flow forecasts for the CGU in question. A change in the absolute discount rate of 1% in isolation would not result in an impairment charge.

15. CONTINGENT CONSIDERATION

The contingent consideration arose as a result of future milestone payments being included in the purchase consideration relating to the HyProMag acquisition (See Note 14).

Since the contractual milestones have not been met, the contingent consideration has been reversed through the statement of loss during the current financial year.

	31 December 2024	31 December 2023
Opening balance	3,078,587	-
Acquisition of HyProMag	-	3,014,297
Finance expense	144,081	59,662
Reversal of contingent consideration	(3,237,152)	-
Foreign exchange difference	14,484	4,628
Closing balance	**-**	**3,078,587**
Split between:		
Current liabilities	-	1,382,358
Non-current liabilities	-	1,696,229

16. DERIVATIVE LIABILITY

At 31 December 2024, the Company held warrants issued to investors in connection with the 5 September 2024 capital raise. These warrants are classified as derivative financial liabilities because their exercise prices are denominated in GBP, while the Company's functional currency is USD. Under *IAS 32* and *IFRS 9*, such instruments do not meet the "fixed-for-fixed" criterion for equity classification and are therefore accounted for as derivatives measured at fair value through profit or loss.

The fair value of the derivative liability is calculated using the Black-Scholes option pricing model, which incorporates share price at valuation date, exercise price (in GBP), volatility (based on historical data), risk-free interest rate, expected life of the instrument and GBP/USD exchange rate. (see Note 20 (d))

	31 December 2024	31 December 2023
Opening balance	**-**	**-**
Investor warrants – 5 September (Note 20 (d))	969,533	-
Fair value adjustment – investor warrants	316,673	-
Closing balance	**1,286,206**	**-**

The total movement of $316,673 during the year (arising from fair value remeasurements) has been recognised as a non-cash charge in the consolidated statement of profit or loss.

17. LEASES

The Company leases certain assets under lease agreements. During the year ended 31 December 2024, the Company entered into a new manufacturing facility lease in Germany, commencing 1 September 2024. The lease has an initial term of 5 years, with an option to extend for a further 2 years.

All figures in US dollars unless indicated otherwise

The Company used an incremental borrowing rate ("IBR") of 3.75% in determining its lease liabilities.

	31 December 2024	31 December 2023
Opening balance	-	-
Additions	1,297,317	-
Finance expense	11,871	-
Lease payments	(70,116)	-
Foreign exchange difference	(53,813)	-
Closing balance	**1,185,259**	**-**

As at 31 December 2024 and 31 December 2023, the Company's lease liability is as follows:

Split between:	31 December 2024	31 December 2023
Current portion of lease liability	159,489	-
Non-current portion of lease liability	1,025,770	-
Closing balance	**1,185,259**	**-**

Future minimum lease payments to be paid by the Company as a lessee as of 31 December 2024 are as follows:

Maturity Analysis – Contractual undiscounted cash flows	
2025	201,214
2026	201,214
2027	201,214
Thereafter	737,784
Total future minimum lease payments	1,341,426
Discount	(156,167)
Total	**(1,185,259)**

All figures in US dollars unless indicated otherwise

18. RELATED-PARTY TRANSACTIONS AND BALANCES

(a) Key management compensation was as follows:

Year ended 31 December 2024	Salaries	Bonus reinvested	Director fees	Share option charge	Total
A Lemon – President	170,377	89,529	-	96,552	356,458
W Dawes – Chief Executive Officer	170,377	89,529	-	96,552	356,458
D Linfield – Chairman	-	-	-	8,252	8,252
S Muir – Non-Executive Director	-	-	-	5,777	5,777
S Treacy – Non-Executive Director	-	-	-	5,777	5,777
R Sewell – Chief Financial Officer	179,138	40,928	-	20,315	240,381
P Varris – Non-Executive Director	-	-	-	13,204	13,204
Total key management compensation	519,892	219,986	-	246,429	986,307

Year ended 31 December 2023	Consulting fees/ Salaries	Bonus reinvested	Director fees	Share option charge	Total
A Lemon	237,794	-	-	107,869	345,663
W Dawes	237,794	-	-	107,869	345,663
D Linfield	-	-	87,028	40,991	128,019
S Muir	-	-	25,000	19,163	44,163
S Treacy*	-	-	25,000	19,163	44,163
R Sewell	205,138	-	-	41,137	246,275
P Varris**	-	-	14,708	31,700	46,408
Total key management compensation	680,726	-	151,736	367,892	1,200,354

* paid to Zenith Advisory Services Pty Limited
** appointed 24 May 2023

(b) Share options granted to directors and key management were as follows:

Year ended 31 December 2024	Outstanding at beginning of year	Granted	Exercised	Cancelled	Outstanding at end of year
A Lemon	4,487,500	-	-	-	4,487,500
W Dawes	4,487,500	-	-	-	4,487,500
D Linfield	3,410,000	-	-	(1,250,000)	2,160,000
S Muir	1,370,000	-	-	-	1,370,000
S Treacy	1,370,000	-	-	-	1,370,000
R Sewell	725,000	-	-	-	725,000
P Varris	400,000	-	-	-	400,000
	16,250,000	-	-	(1,250,000)	15,000,000

Year ended 31 December 2023	Outstanding at beginning of year	Granted	Exercised	Cancelled	Outstanding at end of year
A Lemon	4,200,000	287,500	-	-	4,487,500
W Dawes	4,200,000	287,500	-	-	4,487,500
D Linfield	3,160,000	250,000	-	-	3,410,000
S Muir	1,195,000	175,000	-	-	1,370,000
S Treacy	1,195,000	175,000	-	-	1,370,000
R Sewell	350,000	375,000	-	-	725,000
P Varris	-	400,000	-	-	400,000
	14,300,000	1,950,000	-	-	16,250,000

All figures in US dollars unless indicated otherwise

(c) RSUs granted to key management were as follows:

Year ended 31 December 2024	Outstanding at beginning of year	Granted	Outstanding at end of year
A Lemon	2,287,500	2,452,217	4,739,717
W Dawes	2,287,500	2,452,217	4,739,717
R Sewell	-	1,947,589	1,947,589
	4,575,000	6,852,023	11,427,023

Year ended 31 December 2023	Outstanding at beginning of year	Granted	Outstanding at end of year
A Lemon	2,000,000	287,500	2,287,500
W Dawes	2,000,000	287,500	2,287,500
R Sewell	-	-	-
	4,000,000	575,000	4,575,000

(d) Other related-party transactions

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

As of 31 December 2024, the Company owed Leo Mining an amount of $2,055 (31 December 2023: $12,434). The amount is unsecured and due on demand. Mkango re-imbursed Leo Mining $30,969 for costs incurred by Leo Mining on behalf of Mkango during the year ended 31 December 2024 (31 December 2023: $77,157).

CoTec Holdings ("CoTec") is considered related as they have a 20.6% interest in Maginito.

As of 31 December 2024, CoTec owed the Company $57,781 (31 December 2023: $120,133) relating to costs incurred by the Company relating to the roll-out of HPMS technology into the United States on behalf of HyProMag USA LLC. CoTec are responsible for these costs. HyProMag USA LLC re-imbursed the Company for these costs post year end.

The amounts due to related parties were as follows:

	31 December 2024	31 December 2023
Due to key management and directors	298,508	49,323
Due to related parties with common directors (Leo Mining)	2,055	12,431
Total due to related parties	300,563	61,754

The amounts due from related parties were as follows:

	31 December 2024	31 December 2023
CoTec/HyProMag USA	57,781	120,133
Total due from related parties	57,781	120,133

19. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	31 December 2024	31 December 2023
Accounts payable	405,234	277,302
Other payables	23,168	68,020
Government grants received in advance	173,218	198,605
Accrued liabilities	46,769	47,063
	648,389	590,990

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

All figures in US dollars unless indicated otherwise

20. SHARE CAPITAL

(a) Common shares

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

	Ref	Number	Amount ($)
Closing balance 31 December 2022		**215,206,548**	**38,376,817**
Issued for cash	(i)	28,000,000	4,214,600
Share issue expenses	(i)	-	(282,987)
Issued in exchange for services	(ii)	224,317	34,000
Issued to HyProMag sellers	(iii)	9,742,031	1,145,424
Issued in exchange for services	(iv)	280,678	35,000
Closing balance 31 December 2023		**253,453,574**	**43,522,854**
Issued for cash	(v)	15,000,000	943,957
Share issue expenses	(v)	-	(68,721)
Issued for cash	(vi)	25,000,000	678,996
Share issue expenses	(vi)	-	(152,521)
Issued for cash	(vii)	1,583,332	120,430
Share issue expenses	(vii)	-	(1,437)
Issued to EIT Raw Materials	(viii)	2,041,855	207,951
Share issue expenses	(viii)	-	(5,203)
Closing balance 31 December 2024		**297,078,761**	**45,246,306**

(i) On 13 February 2023, Mkango raised gross proceeds of £3.5 million ($4,214,600) via a placing and subscription totalling 28,000,000 placing shares at a price of 12.5 pence per share. The net proceeds were £3.3 million ($3,931,613).

(ii) On 2 May 2023, 224,317 common shares of the Company were issued for settlement of the financial advisory services provided by Bacchus Capital to the Company for the period from 23 January 2023 to 31 March 2023. An amount of $34,000 was credited to share capital.

(iii) On 2 August 2023, 9,742,031 common shares of the Company were issued to the HyProMag sellers as part consideration for the acquisition of the remaining 58.4% of the share capital of HyProMag Limited.

(iv) On 25 August 2023, 280,678 common shares of the Company were issued for settlement of the financial advisory services provided by Bacchus Capital to the Company for the period from 1 April 2023 to 30 June 2023. An amount of $35,000 was credited to share capital.

(v) On 11 April 2024, Mkango raised gross proceeds of £750,000 ($943,957) via a placing and subscription totalling 15,000,000 placing shares at a price of 5 pence per share. The net proceeds were £684,318 ($875,236) after taking into account share issue costs which include the valuation of the broker warrants associated with the placing.

(vi) On 5 September 2024, Mkango raised gross proceeds of £1,250,000 (approximately $1,649,000) through a private placement of 25,000,000 shares at a price of 5 pence per share. In connection with the placement, the Company also issued 25,000,000 investor warrants—one warrant for each share issued. Each warrant entitles the holder to acquire one common share at a price of 7 pence (approximately $0.092) per share, exercisable for a period of three years, expiring on 4 September 2027. On the date of issuance, the Company recognized a derivative liability of $969,533 related to these investor warrants, which was deducted from the gross proceeds when recording the share capital.

All figures in US dollars unless indicated otherwise

(vii) On 20 November 2024, 1,583,332 shares were issued to management in connection with the reduction in management salaries announced earlier in the year. For tax and regulatory purposes, a cash bonus was paid to management and the after tax bonus of £95,000 ($120,430) was invested back into the Company via a private placement at a price of 6p per share.

(viii) On 26 November 2024, Mkango exercised its call option to acquire the 6 shares held by EIT Raw Materials in Mkango Polska with a nominal value of PLN50. To settle the agreed purchase price of EUR200,000 and PLN300, Mkango issued 2,041,855 shares on 30 December 2024 to EIT Raw Materials at a price of C$0.145 (approximately 8.3 pence) per share.

(b) Share-based payments

(i) Stock options

The Company has a rolling stock option plan (the "Plan") established to recognise contributions made by key personnel, to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continued association with the Company. The number of options granted under the Plan is limited to 10% in the aggregate of the number of issued and outstanding common shares of the Company at the date of the grant of the options.

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

On 10 May 2024, Derek Linfield, the Company's Chairman surrendered 1,250,000 options, previously granted on 30 August 2021 and 30 May 2023 to facilitate the awarding of Restricted Share Units to senior management.

The share-based payments expense that has been recognised in respect of stock options in the consolidated statements of comprehensive loss for the year ended 31 December 2024 is $115,215 (31 December 2023: $353,308). The stock options pursuant to the Plan vest over a term of 18 to 24 months.

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

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

As at 31 December 2024	**Options**	**Weighted-average exercise price (USD)**
Opening	19,550,000	0.16
Exercised	-	-
Cancelled – 10 May 2024	(1,250,000)	0.31
Expired	(381,666)	0.08
Total options	17,918,334	0.15
Vested options	15,333,959	0.15

All figures in US dollars unless indicated otherwise

The following provides a summary of the stock option plan as at 31 December 2024

Range of exercise price (USD)	*Number outstanding*	*Weighted-average remaining contractual life (years)*	*Weighted-average exercise price (USD)*	*Number exercisable*
0.04 - 0.37	17,918,334	4.72	0.15	15,333,959

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

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

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

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

(ii) Restricted Share Units (“RSUs”)

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

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

At 31 December 2024 the Company had 11,427,023 (31 December 2023: 4,575,000) RSUs outstanding. The RSUs vest over a period of ten years. The Company has recognised a share-based payment charge related to these RSUs of $177,427 (31 December 2023: $153,724) during the year ended 31 December 2024.

(c) Broker warrants

On 27 February 2023, the Company issued 1,400,000 non-transferable warrants to the brokers who provided advice in connection with the placing in February 2023. These warrants expired on 26 February 2024 and were not exercised. Each warrant was exercisable for a period of 12 months with an exercise price of £0.125 ($0.151) per warrant.

All figures in US dollars unless indicated otherwise

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

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

	11 April 2024
Share price (GBP)	0.065
Exercise price (GBP)	0.05
Risk-free interest rate (%)	4.60
Expected life (years)	3
Expected volatility (%)	69.4
Dividends (%)	Nil
Weighted average fair value (GBP)	0.03664
Exchange rate	0.7976
Weighted average fair value at issuance (USD)	0.0462

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

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

	5 September 2024
Share price (GBP)	0.065
Exercise price (GBP)	0.05
Risk-free interest rate (%)	3.73
Expected life (years)	3
Expected volatility (%)	67.7
Dividends (%)	Nil
Weighted average fair value (GBP)	0.0355
Exchange rate	0.7591
Weighted average fair value at issuance (USD)	0.0468

The following provides a summary of the Company's outstanding broker warrants as at 31 December 2024:

Range of exercise price	*Number outstanding*	*Weighted-average remaining contractual life (years)*	*Weighted-average exercise price*
0.067	1,850,000	2.55	0.067

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

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

(d) Investor warrants

On 5 September 2024, the Company issued 25,000,000 investor warrants (one warrant for each subscription share issued on the same date). Each warrant will entitle the holder to acquire one common share at a price of £0.07 ($0.092) per common share for a period of 3 years (i.e. up until 4 September 2027). On 5 September

All figures in US dollars unless indicated otherwise

2024, the Company recognised a derivative liability of $969,533 related to these investor warrants. This derivative liability was revalued at $1,286,206 on 31 December 2024 and the fair value adjustment of $316,673 went through profit and loss.

The following provides a summary of the Company's outstanding investor warrants as at 31 December 2024:

Range of exercise price	*Number outstanding*	*Weighted-average remaining contractual life (years)*	*Weighted-average exercise price*
0.088	25,000,000	2.68	0.088

The fair value of each share-based payment warrant granted is estimated as of the grant date using the Black-Scholes option-pricing model. The following assumptions were used to arrive at the fair value for the investor warrants that were issued on 5 September 2024 and when they were revalued on 31 December 2024:

	5 September 2024	**31 December 2024**
Share price (GBP)	0.065	0.0795
Exercise price (GBP)	0.07	0.07
Risk-free interest rate (%)	3.73	3.73
Expected life (years)	3	2.68
Expected volatility (%)	67.7	72.7
Dividends (%)	Nil	Nil
Weighted average fair value (GBP)	0.0294	0.0411
Exchange rate	0.76	0.80
Weighted average fair value (USD)	0.0388	0.0514

21. FINANCIAL INSTRUMENTS

Determination of fair values

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

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

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

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

Financial risk management

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

Foreign currency risk

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

	31 December 2024	**31 December 2023**
Cash:		
Canadian Dollar	390	882
United States Dollar	14,934	7,637
Pound Sterling	752,905	768,781
Euro	386,865	214,557
Malawian Kwacha	2,918	4,845
Australian Dollar	73	80
Polish Zloty	1,722	-
	1,159,807	996,782

A 5% reduction in the value of the C$, Euro, GBP, MWK and AUD in comparison to the USD would cause a change in net loss of approximately $57,244 (31 December 2023: $49,457).

Interest-rate risk

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

Liquidity risk

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

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

b) The Company will be forced to dispose of financial assets at a value which is less than the fair value; or

c) The Company may be unable to settle or recover a financial asset at all.

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

The following table outlines the maturities of the Company’s financial liabilities as at 31 December 2024:

	Contractual cash flows	Less than 1 year	Greater than 1 year
Accounts payable and accrued liabilities	648,389	648,389	-
Due to related parties	300,563	300,563	-

All figures in US dollars unless indicated otherwise

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

	Contractual cash flows	Less than 1 year	Greater than 1 year
Accounts payable and accrued liabilities	590,990	590,990	-
Due to related parties	61,754	61,754	-

Credit risk

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

Financial instruments by category

Financial Assets	**Fair value through profit or loss**		**Amortised cost**	
	31 December 2024	**31 December 2023**	**31 December 2024**	**31 December 2023**
Cash	-	-	1,159,807	996,782
Receivables	-	-	30,401	27,041
Due from related parties	-	-	57,781	120,133
Total financial assets	**-**	**-**	**1,247,989**	**1,143,956**
Financial liabilities				
Accounts payable and accrued liabilities	-	-	648,389	590,990
Due to related parties	-	-	300,563	61,754
Finance lease liability	-	-	1,185,259	-
Derivative liability	1,286,206	-	-	-
Total financial liabilities	**1,286,206**	**-**	**2,134,211**	**652,744**

22. COMMITMENTS

Malawi

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

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

HyProMag Germany

As at 31 December 2024, the Company had outstanding commitments related to the purchase of specialised equipment for use in its German operations. Contracts for this equipment have been signed, and progress payments have been made during the year.

All figures in US dollars unless indicated otherwise

The remaining committed payments, which fall due within the next 12 months, total approximately $1,490,762 and are expected to be settled in line with the agreed manufacturing and delivery schedules.

23. TAXES

The differences between the tax provisions calculated using the statutory rates and the reported tax provision are as follows:

	For the year ended 31 December 2024	For the year ended 31 December 2023
Losses before taxes	(564,521)	(4,239,048)
Statutory tax rate	27%	27%
Expected tax recovery	(152,421)	(1,144,543)
Increase (decrease) in taxes:		
Non-deductible expenses	232,857	151,142
Reversal of contingent consideration	(874,031)	-
Tax rate differential between Canada and foreign jurisdictions (30% in Malawi, 0% in BVI, 25% in UK, 19% in Poland, 30% in Germany)	83,666	424,041
Change in deferred tax assets not recognised	566,687	510,263
Tax expense (recovery)	(143,242)	(59,097)

No deferred tax assets have been recognised in respect of the following deductible temporary differences as it is not probable that future taxable profit will allow the deferred tax asset to be recovered.

	For the year ended 31 December 2024	For the year ended 31 December 2023
Exploration and evaluation costs	8,322,761	8,276,898
Loss carry forwards - Canada	5,396,445	4,467,106
Loss carry forwards - UK	3,109,909	1,906,471
Loss carry forwards - Poland	424,867	366,526
Loss carry forwards - Malawi	5,397,826	5,262,660
Loss carry forwards - Germany	101,775	89,640
	22,753,583	20,369,301

All figures in US dollars unless indicated otherwise

As at 31 December 2024, the Company had $5,396,445 (2023 :$4,467,106) in non-capital losses available to claim against future taxable income in Canada. These non-capital losses expire as follows:

	Amount ($)
2032	140,827
2033	404,991
2034	467,805
2035	439,706
2036	413,391
2037	-
2038	536,011
2039	146,021
2040	246,792
2041	718,534
2042	458,460
2043	494,568
2044	929,339
	5,396,445

As at 31 December 2024, the Company had unutilized exploration and evaluation costs of $8,322,761 (2023: $8,276,898) to claim against future taxable income in Canada. These capital losses do not expire.

As at 31 December 2024, the Company had $5,397,826 (2023:$5,262,660), $424,867 (2023:$366,526), $3,109,909 (2023:$1,906,471), and $101,775 (2023:$89,640) in non-capital losses available to claim against future taxable income in Malawi, Poland, UK and Germany respectively. These non-capital losses do not expire.

The deductible temporary differences attributable to subsidiaries in the BVI have not been disclosed as those subsidiaries are not subject to income tax in the BVI.

Deferred tax liability

	31 December 2024	**31 December 2023**
Opening balance	1,000,734	-
Deferred tax liability – business combination (Note 14)	-	1,059,831
Deferred tax recovery	(143,242)	(59,097)
Closing balance	**857,492**	**1,000,734**

All figures in US dollars unless indicated otherwise

24. LOSS PER SHARE

The calculation of basic earnings per share at 31 December 2024 was based on the loss attributable to ordinary shareholders of $786,218 (31 December 2023:$4,057,025) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2024 of 272,447,996 (31 December 2023: 238,757,233) calculated as follows:

	31 December 2024	31 December 2023
Loss attributable to the ordinary shareholders (USD)	(786,218)	(4,057,025)
Number of ordinary shares outstanding at beginning of year	253,453,574	215,206,548
Effect of shares issued during the year	18,994,422	23,550,685
Weighted average number of ordinary shares outstanding	272,447,996	238,757,233
Loss per share (USD)	(0.0029)	(0.0170)

Diluted loss per share did not include the effect of options, warrants and RSUs for the year ended 31 December 2024 as they were anti-dilutive.

25. CAPITAL MANAGEMENT

The Company's total capital consists of Mkango's shareholders' equity of $6,433,611 as at 31 December 2024 (31 December 2023: $4,561,306)).

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

26. SUBSEQUENT EVENTS

a) Equity Fundraising

On 31 January 2025, Mkango raised gross proceeds of £2.34million (approximately $2.93million) via a private placement through the issuance of 29,187,500 common shares of the Company at a price per share of 8 pence (approximately $0.10). In addition to the subscription shares, the Company issued an aggregate of 1,459,375 broker warrants. Each warrant is exercisable for a period of three years with an exercise price of 8 pence (approximately $0.10) per warrant.

b) Management Private Placement

On 13 March 2025, Mkango closed a private placement totalling £63,500 ($79,507) through the issuance of 577,271 common shares of the Company at a price per share of 11 pence (approximately $0.14) to management.