

Evolve Power Limited (formerly Montem Resources Limited)

ABN 87 623 236 831

Annual Report - 31 December 2023

Evolve Power Limited (formerly Montem Resources Limited)

Contents

31 December 2023



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Evolve Power Limited (formerly Montem Resources Limited)

Corporate directory

31 December 2023



| | |
|---|---|
| Directors | Mark Lochtenberg, Chairman and Non-executive Director Peter Doyle, Managing Director and CEO Robert Tindall, Non-executive Director Susie Henderson, Non-executive Director William Souter, Non-executive Director William Bridge, Executive Director and Chief Development Officer (Appointed on 12 April 2023) |
| Company Secretary | Melanie Leydin |
| Registered office and principal place of business | Level 4, 100 Albert Road South Melbourne VIC 3205 |
| Auditor | William Buck Level 20, 181 William Street Melbourne VIC 3000 |
| Solicitors | Dentons Australia Pty Ltd 567 Collins Street Melbourne VIC 3000 Bennett Jones LLP 4500, 855 - 2nd Street S.W. Calgary, Alberta, Canada T2P 4K7 |
| Bankers | National Australia Bank 800 Bourke Street Docklands VIC 3008 Royal Bank of Canada 1025 West Georgia Street Vancouver BC Canada V6E 3N9 |
| Website | www.evolvepower.ca |

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Evolve Power Limited (formerly Montem Resources Limited) (referred to hereafter as the 'Company', 'Evolve' or 'Parent Entity') and the entities it controlled at the end of, or during, year ended 31 December 2023.

Directors

The following persons were Directors of Evolve Power Limited (formerly Montem Resources Limited) during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mark Lichtenberg, Chairman and Non-executive Director
Peter Doyle, Managing Director and CEO
Robert Tindall, Non-executive Director
Susie Henderson, Non-executive Director
William Souter, Non-executive Director
William Bridge, Executive Director and Chief Development Officer (appointed on 12 April 2023)

Company overview and principal activities

In April 2023, Evolve, transitioned from being a steelmaking coal development company to an energy storage development company. As a result of this transition, it was appropriate to rebrand the Company to reflect the new business. Resultingly, following the 12 July 2023 General Meeting to vote on the name change, Montem Resources Limited was renamed as Evolve Power Limited.

Evolve's projects are based in Alberta, Canada and include the Tent Mountain Pumped Hydro Energy Storage (TM-PHES) project and Evolve's distributed battery storage solutions.

The Consolidate Entity is also preserving it's legal rights by pursuing a legal claim for to recover damages arising from the constructive taking (de facto expropriation) of Evolve's freehold mineral rights and coal leases. The litigation process began in early 2023, and continued throughout 2023 and 2024, with a trial date set for early Q2 2025.

Tent Mountain Pumped Hydro Energy Storage (TM-PHES)

The TM-PHES will repurpose the historical Tent Mountain Mine, which is a reclaimed legacy coal mine, located in the Crowsnest Pass, Alberta, to develop a 320 MW / 4,955 MWh pumped hydro energy storage (PHES) facility. The TM-PHES leverages existing assets at Tent Mountain, which includes a 300m drop (or "head") between two large water reservoirs left behind from historical mining operations, which are predominantly located on private land owned by Evolve.

On 14 February 2023, Evolve signed a binding agreement with TransAlta TMPH LP, a wholly owned subsidiary of NYSE and TSX listed TransAlta Corporation (TransAlta) to sell 50% of its Tent Mountain Renewable Energy Complex (TM-REX) assets in Alberta, Canada. The sale includes rights to the Tent Mountain land, fixed assets and intellectual property associated with the TM-PHES, offsite green hydrogen electrolyser, and offsite wind farm. The TM-PHES is expected to be developed over the next 4 years and subject to regulatory, commercial, and engineering considerations, could be ready for construction as early as 2026, with a target commercial operation date between 2028 to 2030.

In April 2023, the Shareholders approved completion of the sale of 50% of the TM-REX Project to TransAlta. Subject to the terms of the definitive agreements between the parties, TransAlta will pay up to C\$24.7M for 50% equity interest in the TM-REX based on achieving development and commercial milestones. These cash flows will offset a significant portion of Evolve Power's 50% share of the development costs.

Following the establishment of the partnership with TransAlta, the project team, led by TransAlta, was assembled. The TM-PHES project team has worked throughout the year advancing the project in all facets, including engineering, interconnection, regulatory/permitting, environmental, and commercial/marketing.

In July and August 2023, a successful geotechnical investigation program was completed for the TM-PHES. This included drilling, test pitting, and a seismic survey. The data collected during the 2023 geotechnical investigation program will be used in 2024 to guide the final engineering design for the project, through a feasibility study and into the front-end engineering and design (FEED) project stage.

On 15 June 2023, the System Access Service Request (SASR) for the TM-PHES was re-submitted and formally accepted by the Alberta Electric System Operator (AESO). TM-PHES is part of the AESO led Cluster Assessment #1, which kicked off in September 2023. Cluster Assessment is the new way for the AESO to assess projects. Instead of assessing projects individually, projects will be batched (i.e. geographically clustered) and assessed together simultaneously. This is a common industry practice across many other North American independent system operators. The Cluster Assessment is expected to deliver a preferred connection option for the TM-PHES in early 2024.

To date no critical environmental risks or barriers have been identified regarding the development of the TM-PHES. Permitting is progressing with meetings scheduled at the provincial regulatory level to finalize the required permit application content.

Strategies are being developed for pursuing a Power Purchase Agreement / Energy Storage Agreement / Off-take Agreement for the TM-PHES.

Evolve Battery Storage

Throughout 2023, Evolve worked closely with Boost Energy Ventures to advance the new Evolve Battery Storage business through its pilot phase. The business provides distributed battery storage solutions for energy intensive businesses in Alberta to help lower power bills and increase reliability. It also supplies renewable energy generators with distributed battery storage solutions to help them increase revenue and improve output reliability.

In mid-2023, Evolve assembled a team of experienced originators who have been working to locate potential site hosts for the Company's distributed battery storage solutions. As of the end of 2023 Evolve has signed multiple NDAs and LOIs with several interested parties and is working with these parties to understand their needs.

Additionally, Evolve has established relationships with third party engineering and project execution specialists and is undertaking other preparatory work in anticipation of needing to move at pace from opportunity origination to commercial agreements and project delivery.

Legacy Coal Assets and Litigation

Due to a government of Alberta imposed moratorium on coal exploration and development that covers Evolve's coal assets in the Crowsnest Pass, Evolve has moved away from its original aim to develop its steelmaking coal assets in the Crowsnest Pass. As the Consolidated Entity exits the coal business, certain assets will remain until the exit is complete. These include freehold surface land, freehold mineral rights, and coal leases.

On 8 February 2023, the Consolidated Entity commenced a legal claim against the Government of Alberta to recover damages arising from the constructive taking (de facto expropriation) of Evolve's freehold mineral rights and coal leases at the Chinook Project and the Greenfield projects (the 4-Stack, Isola, and Oldman projects) (Alberta Litigation). The Consolidated Entity also brings claims for damages in private nuisance and unjust enrichment. The legal action continued throughout the year with evidence and witness statements being collected and a trial date set for April 2025. The pretax net present value of the projects associated with the claim would have exceeded C\$1.76 billion. In addition, to date, Evolve has incurred approximately C\$15 million to invest in and take steps to explore and develop the Chinook Project and the Greenfield projects. Through the litigation, Evolve intends to recover the losses suffered by the Shareholders and the Company.

Late in 2023 the Company engaged with various specific litigation funding groups to secure sufficient funding to undertake the litigation in 2024/25.

In November 2023, the appointed case management judge ordered the litigation to trial in 2025, as early as April. Other deadlines were imposed as follows:

- Questioning in all claims is to be completed by 29 February 2024;
- Plaintiffs' expert reports are to be served and filed by 31 July 2024;
- Alberta's Expert Reports are to be served and filed by 29 November 2024;
- Plaintiff's reply to expert reports by the end of 2024;
- Trial to commence on the first available date after 31 March 2025.

Significant changes in the state of affairs

This section should be read in conjunction with the "Company overview and principal activities", which includes additional details related to the significant changes in the state of affairs during the year.

On 12 January 2023, the Company issued 500,000 fully paid ordinary shares under the shortfall from the Non-renounceable Entitlement Offer Prospectus announced on 20 October 2022.

On 12 January 2023, 2,611,959 Options over ordinary shares were expired as the conditions attached with these securities have not been, or have become incapable of being, satisfied.

PMRU agreement

On 3 February 2023, the Consolidated Entity and Prairie Mines & Royalties ULC (PMRU, a subsidiary of Westmoreland Coal Company) entered an agreement for the requisite release of lien on the Tent Mountain Mine & freehold land, the Chinook Project Assets & rights, and the Greenfield projects (collectively called the Chinook Properties). Further information on this agreement is summarized in note 12 to the financial statements.

TM-REX Sales

On 14 February 2023, the Consolidated Entity signed an agreement with TransAlta to sell 50% of its TM-REX assets in Alberta, Canada. At the Extraordinary General Meeting held on 12 April 2023, the Shareholders approved completion of the sale of 50% of the TM-REX Project to TransAlta. Subject to the terms of the definitive agreements between the parties, TransAlta will pay C\$24,700,000 for 50% equity interest in the TM-REX based on achieving the following development and commercial milestones:

- C\$7,700,000 on completion of the transaction, pursuant to which TransAlta will make its investment in the TM-REX.
- C\$3,500,000 on achievement of Alberta Utilities Commission ("AUC") approval for the TM-PHES;
- C\$3,500,000 on execution of a Power Purchase Agreement ("PPA") for the TM-PHES; and
- C\$10,000,000 on achievement of commercial operations for the TM-PHES.

On 24 April 2023, the Consolidated Entity completed the transaction and received the C\$7,700,000 from TransAlta as per the binding agreement.

Delisting from the Australian Securities Exchange (ASX)

On 17 February 2023, the ASX provided in-principle advice to the Company that it would not satisfy Listing Rule 1.1 condition 1, or that the ASX would otherwise exercise its discretion under Listing Rule 1.19 to refuse the Company's application for re-admission to the official list, if the Company pursued the transaction with TransAlta and sought to re-comply with Chapters 1 and 2 of the Listing Rules.

On 12 April 2023, Shareholders approved, as a special resolution, the removal of the Company from the official list of the ASX (Official List) pursuant to ASX Listing Rule 17.11 (Delisting). Pursuant to this approval, the Company's shares were delisted from the ASX official list on 26 April 2023. Following the completion of the Delisting the Company's shares are no longer quoted on the ASX.

On 17 April 2023, the Company issued 12,806,849 Shares at an issue price of \$0.04 per Share in the Company for the settlement of a loan amounting to \$512,274 owed to Rigi Investments Pty Ltd, a company associated with Mr Mark Lochtenberg, Chairman and Non-executive Director.

On 31 December 2023, 3,342,411 Options over ordinary shares were cancelled by the Board of Directors, as the conditions attached with these securities had not been, or had become incapable of being, satisfied.

The Company had multiple capital raises during the second half of the financial year. Please refer to note 13 of the financial statements for further details.

Matters subsequent to the end of the financial year

On 16 April 2024, the Consolidated Entity entered into a litigation funding agreement with Wahl Citadel Pty Ltd to provide funding (*Amounts are commercially confidential*) for the pre-trial and trial in order for Montem Resources Alberta Operations Ltd (a wholly owned subsidiary) to pursue its claim against the Government of Alberta.

On 30 April 2024, Montem Resources Alberta Operations Ltd. issued one hundred (100) Class "I" Preferred Shares to Wahl Citadel Pty Ltd, as Trustee of the WAHL Citadel Montem Alberta Fund as a condition of the litigation funding agreement.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Review of financial results

The profit for the Consolidated Entity after providing for income tax amounted to \$8,207,329 (31 December 2022: loss of \$15,097,654). Refer "Company overview and principal activities" and "Significant changes" in the state of affairs for further information on strategic and operational developments during the year.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Risks and uncertainties

The Company is subject to a range of risks, some specific to the Company and its Company's business activities, and others being general risks arising from and affecting the general economy as a whole.

Current material risks most relevant to the Company and its future prospects, are:

Future funding risks

The Company is involved in the development of energy storage assets in Canada and yet to generate revenues. At 31 December 2023, the Company had a cash and cash equivalents balance of \$524,362 and net assets of \$12,798,378. The Company may require substantial additional financing in the future to sufficiently fund exploration and development commitments and its other longer-term objectives.

The Company's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and share markets generally. If for any reason the Company was unable to raise future funds, its ability to meet the development commitments would be significantly affected.

The Directors regularly review the spending pattern and the ability to raise additional funds to ensure the Company has the capability to generate sufficient cash inflows to settle its creditors and other liabilities.

Laws and regulations

The Company is subject to laws in various jurisdictions. Existing and future legislation, regulation and actions could cause additional expense, capital expenditure and restrictions and delays in the activities of the Company, the extent of which cannot be predicted. No assurance can be given that new laws, rules and regulations will not be enacted or existing laws, rules and regulations will not be applied in a manner which could limit or curtail certain of the Company's activities or services.

Alberta regulations

The Government of Alberta announced in March 2022 that it will update the framework around which it manages its land and natural resources, referred to as land use planning. The Province's coal development policy will then be updated to reflect the updated land use planning framework. Until that update, The Company is unable to conduct exploration and development activities at its Chinook and greenfield coal projects. No assurance can be given that the Government of Alberta will revise the coal development policy in a timely manner or that the revised policy will allow the Company's coal projects to proceed.

Approvals and licences

Evolve does not have some key approvals necessary to develop the TM-PHES Project at Tent Mountain, or to connect the TM-PHES Project to Alberta's electricity transmission system.

Obtaining necessary regulatory and environmental approvals may be delayed, more expensive than expected, or not be obtained at all. Failure to obtain, or delays in obtaining necessary regulatory and environmental approvals required to develop and operate the Projects may materially adversely affect the Consolidated Entity's activities.

Environmental and social risks

The operations and activities of the Company are subject to Provincial and Federal laws and regulations concerning the environment. As with most large infrastructure projects, the Company's activities may have an impact on the environment, particularly if construction proceeds for the TM-PHES. Such impact can give rise to substantial costs for environmental rehabilitation, damage, control and losses.

The Company ensures that it complies with relevant laws relating to its activities and, where applicable, undertakes any required rehabilitation processes.

Dependence on service providers and third-party collaborators

There is no guarantee that the Company will be able to find suitable third-party providers and third-party collaborators to complete its activities. The Company therefore is exposed to the risk that any of these parties can experience problems related to operations, financial strength or other issues, and collaborative agreements may be terminable by the Company's partners. Non-performance, suspension or termination of relevant agreements could negatively impact the progress or success of the Company's development efforts, financial condition and results of operations.

Reliance on key personnel

The Company's success depends to a significant extent upon its key management personnel, as well as other management and technical personnel including those employed on a contractual basis. The loss of the services of such personnel or the reduced ability to recruit additional personnel could have an adverse effect on the performance of the Company.

The Company maintains a mixture of permanent staff and expert consultants to advance its programs and ensure access to multiple skill sets. The Company, through the Remuneration and Nomination Committee (or in its absence the Board) reviews remunerations to human resources regularly.

Future profitability

The Company is in the growth stage of its development and is currently making losses. The Company's performance will be impacted by, among other things, the success of its development activities, economic conditions in the markets in which it operates, competition factors and any regulatory developments. Accordingly, the extent of future profits (if any) and the time required to achieve sustained profitability are uncertain and cannot be reliably predicted.

Likely developments and expected results of operations

Refer "Company overview and principal activities" and "Significant changes" in the state of affairs for further information on strategic and operational developments during the period.

Environment, Health and Safety

The Company's Board believes that all workplace injuries are avoidable. To that end, Evolve has adopted an overall environmental, health and safety policy. The detailed policies and procedures were written with the assistance of third-party expertise in the development of such policies for development projects in Alberta and British Columbia.

The Company conducts its operations in compliance with the relevant Albertan regulations for occupational health and safety. The Company has recorded no Loss Time Injuries and continues to operate without a Loss Time Injury since inception.

Directors address Health, Safety and Environment issues at each Board meeting and are satisfied that there were no reported Lost Time Injuries or environmental incidents during the period.

Development activities require a variety of regulatory approvals as detailed in the applicable regulatory regime, including environment plans, safety procedures and the preparation of plans to manage the undertaking of the activities and the contractors engaged in undertaking such activities.

Information on Directors

Name: Mark Lochtenberg
Title: Chairman and Non-executive Director
Qualifications: LLB (Hons)
Experience and expertise: Mr. Lochtenberg graduated with a Bachelor of Law (Hons) degree from Liverpool University, U.K. and has been actively involved in the coal industry for more than 30 years.

Mr. Lochtenberg is the former Executive Chairman and founding Managing Director of ASX-listed Baralaba Coal Company Limited (formerly Cockatoo Coal Limited). He was a principal architect of Cockatoo's inception and growth from an early-stage grassroots explorer through to an emerging mainstream coal producer.

Mr. Lochtenberg was also formerly the co-head of Glencore International AG's worldwide coal division, where he spent 13 years overseeing a range of trading activities including the identification, due diligence, negotiation, acquisition, and aggregation of the coal project portfolio that would become Xstrata Coal.

Prior to this Mr. Lochtenberg established a coal "swaps" market for Bain Refco, (Deutsche Bank) after having served as a senior coal trader for Hansen Neuerburg AG and as coal marketing manager for Peko Wallsend Limited.

Mr. Lochtenberg has previously been a Director of ASX-listed Pacific American Coal Limited and Cumnock Coal Limited and of privately held United Collieries Pty Limited and is currently a Director of Australian Transport and Energy Corridor Pty Limited, (ATEC), ASX-listed Nickel Mines Limited Equus Mining Limited and Terracom Resources Limited.

Special responsibilities: Member of Audit and Risk Committee

Name: Peter Doyle
Title: Managing Director and Chief Executive Officer
Qualifications: BSc (Geol), MBA
Experience and expertise: Mr. Doyle is a geologist with 25 years coal industry experience. Mr Doyle has worked in roles in exploration, planning, development, production, and management. Previous positions include VP Marketing and Business Development at Atrum Coal Ltd, Chief Operating Officer at Cockatoo Coal Ltd, VP Coal at Wood Mackenzie and Project Manager at Glencore (Xstrata Coal).

As well as having spent the first decade of his career working at coal mines in the Hunter Valley, Mr. Doyle has worked in project development, marketing and management in the coal industries of China, USA, Mongolia, Russia, and Europe. Mr. Doyle has been involved in successful greenfield and brownfield coal mine developments, and managed coal mines selling to export metallurgical markets.

Mr. Doyle was previously a Director at Wiggins Island Coal Terminal, and at ATEC Rail Group.

Mr. Doyle has been based in Canada since 2014. Mr. Doyle joined Montem Canada in 2017 and became Managing Director of the Company in January 2018.

Special responsibilities: Mr. Doyle holds a Bachelor of Science (Geology), and MBA from Newcastle University.
Nil

Evolve Power Limited (formerly Montem Resources Limited)

Directors' report 31 December 2023



Name: Robert Tindall
Title: Non-executive Director
Qualifications: BA, M.Tax
Experience and expertise: Mr. Tindall has over 25 years of resources and finance experience and is the founder of Montem Resources.

Mr. Tindall has been the founder of several resource companies including being the Co-Founder and Chairman of Origins, a bulk soft commodities business. Mr. Tindall was previously the CEO of Transatlantic Mining Corporation. He is the principal of GTG Corporate and has extensive experience in funding a number of resource projects globally including coal projects in Australia.

Mr. Tindall holds a Bachelor of Arts and a Master of Taxation Degree and is a Fellow of the Australian Institute of Company Directors.

Special responsibilities: Member of Remuneration and Nomination Committee

Name: Susie Henderson
Title: Non-executive Director
Qualifications: BBus (Acct), CPA, GAICD.
Experience and expertise: Ms. Henderson is a management consultant with focus on infrastructure and mining. Ms. Henderson is currently President North America for GHD Advisory, a global consulting firm.

Ms. Henderson has over 20 years global experience in the field and is highly respected for her strong strategic positioning skills and has a background in operational and financial audit. Ms. Henderson is also currently a committee member on the Global GHD Board finance committee. Previous roles include GM – Strategic Infrastructure and Government Relations at Macarthur Coal Ltd, Executive Management with Aurizon (Coal) and Project Development Manager with London Underground.

Ms. Henderson has worked across a wide range of industries and across a variety of jurisdictions in Canada, the United States, Latin America, Southeast Asia, England, and Australia. Ms. Henderson's areas of focus include government, mining/ resources, infrastructure/ logistics and energy. In addition to her degree in Accounting, Ms. Henderson has completed the globally recognized and rigorous CPA® and AICD® Programs as well as being nominated for the EY Entrepreneur of the Year.

Ms. Henderson is a Graduate of Australian Institute of Company Directors, a Certified Practising Accountant and holds a Bachelor of Business.

Special responsibilities: Member of Audit and Risk Committee and Chair of Remuneration and Nomination Committee

Name: William Souter
Title: Non-executive Director
Qualifications: BCom, LLB (Adel), IPAA, Admitted to the Supreme Court of NSW, GAICD
Experience and expertise: Mr. Souter is a lawyer and investment banker with extensive global transaction and fundraising experience, particularly in the resource sector.

Mr. Souter was previously Executive Director at RFC Ambrian and currently CFO at Actinogen Medical Limited. Prior roles of Mr. Souter include as a Director at PricewaterhouseCoopers, and at Minter Ellison Lawyers.

Special responsibilities: Member of Remuneration and Nomination Committee and Chair of Audit and Risk Committee

Evolve Power Limited (formerly Montem Resources Limited)

Directors' report 31 December 2023



Name: William Bridge
Title: Executive Director and Chief Development Officer (Appointed 12 April 2023)
Qualifications: B.Eng., ICD.D
Experience and expertise: Mr. William Bridge is a 30-year power industry executive and corporate director with a track record of strategic leadership and growth in domestic and international power markets. Mr. Bridge has held leadership positions with TransAlta Corporation (1996-2012), and ATCO Power including Chief Technology Officer, Executive Vice-President Generation Technology, and Executive Vice-President, Business Development.

Mr. Bridge is holder of the Canadian Institute of Corporate Directors Director designation and currently serves as Board Chair for Calgary Housing Company and Board Director for the Fusion Energy Council of Canada. He is also a mentor in the Start-Up incubator Creative Destruction Lab located at the University of Calgary's Haskayne School of Business.

In addition to his current roles, Mr. Bridge is past Chair of the Alberta Electric System Operator (AESO) and has held board positions with the Canadian Electricity Association, the Alberta Chamber of Resources, and the Association of Power Producers of Ontario.

Special responsibilities: Nil

Company Secretary

Melanie Leydin – BBus (Acc. Corp Law) CA FGIA

Ms. Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. Ms. Leydin is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia and is a Registered Company Auditor. Ms. Leydin graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and from February 2000 to October 2021 was the principal of Leydin Freyer which was acquired by Vistra in November 2021. Ms. Leydin is now Vistra Australia's Managing Director and Regional Managing Director. Vistra is a prominent provider of governance and compliance solutions and finance and accounting solutions in the Fund, Corporate, Capital Markets, and Private Wealth sectors.

Ms. Leydin has over 30 years' experience in the accounting profession and over 20 years' experience holding Board positions including Company Secretary and CFO of ASX listed entities. Ms. Leydin has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies, initial public offerings, secondary raisings and shareholder relations.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 31 December 2023, and the number of meetings attended by each Director were:

| | Full Board | | Audit and Risk | |
|------------------|------------|------|----------------|------|
| | Attended | Held | Attended | Held |
| Mark Lochtenberg | 10 | 13 | 1 | 2 |
| William Souter | 12 | 13 | 2 | 2 |
| Susie Henderson | 11 | 13 | 2 | 2 |
| Peter Doyle | 13 | 13 | - | - |
| Robert Tindall | 12 | 13 | - | - |
| William Bridge | 10 | 10 | - | - |

Held: represents the number of meetings held during the time the Director held office.

Shares under option

There were no unissued ordinary shares of Evolve Power Limited (formerly Montem Resources Limited) under option outstanding at the date of this report.

Shares under performance rights

There were no unissued ordinary shares of Evolve Power Limited (formerly Montem Resources Limited) under performance rights outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Evolve Power Limited issued on the exercise of options during the year ended 31 December 2023 and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of Evolve Power Limited issued on the exercise of performance rights during the year ended 31 December 2023 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

Auditor

William Buck continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Mark Lochtenberg', written over a horizontal line.

Mark Lochtenberg
Chairman

20 May 2024

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of Evolve Power Limited

As lead auditor for the audit of Evolve Power Limited for the year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Evolve Power Limited and the entities it controlled during the year.

William Buck

William Buck Audit (Vic) Pty Ltd

ABN 59 116 151 136



N. S. Benbow

Director

Melbourne, 20 May 2024

Evolve Power Limited (formerly Montem Resources Limited)
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2023



| | | Consolidated | |
|---|-------------|-------------------------|-------------------------|
| | Note | 31 December 2023 | 31 December 2022 |
| | | \$ | \$ |
| Other income | | | |
| Other income | 4 | 13,917,631 | 8,980 |
| Expenses | | | |
| TM-REX project sale and consulting expenses | | (3,146,805) | (2,515,188) |
| Professional fees | | (1,162,504) | (485,508) |
| Employee benefits expense | | (724,839) | (816,906) |
| Corporate expenses | | (405,210) | (612,714) |
| Share of TM-REX Joint Venture losses | | (25,673) | - |
| Financing costs | | (136,468) | (2,837) |
| Marketing and business development | | (77,106) | (112,821) |
| Share based payments | | (4,305) | 1,366,984 |
| Impairment of exploration and evaluation assets | | - | (11,887,242) |
| Depreciation charges | | (27,392) | (40,402) |
| Profit/(loss) before income tax expense | | 8,207,329 | (15,097,654) |
| Income tax expense | 5 | - | - |
| Profit/(loss) after income tax expense for the year attributable to the owners of Evolve Power Limited (formerly Montem Resources Limited) | | 8,207,329 | (15,097,654) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss net of tax</i> | | | |
| Foreign currency translation | | 40,233 | 60,579 |
| Other comprehensive income for the year, net of tax | | 40,233 | 60,579 |
| Total comprehensive income / (loss) for the year attributable to the owners of Evolve Power Limited (formerly Montem Resources Limited) | | 8,247,562 | (15,037,075) |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Evolve Power Limited (formerly Montem Resources Limited)
Statement of financial position
As at 31 December 2023



| | | Consolidated | |
|--------------------------------------|-------------|-------------------------|-------------------------|
| | Note | 31 December 2023 | 31 December 2022 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 524,362 | 363,696 |
| Trade and other receivables | | 260,669 | 90,870 |
| Deposits, advances and prepayments | | 31,962 | 8,576 |
| Total current assets | | <u>816,993</u> | <u>463,142</u> |
| Non-current assets | | | |
| Investment in TM-REX Joint Venture | 7 | 9,955,931 | - |
| Property, plant and equipment | 8 | 1,406,623 | 193,191 |
| Right-of-use assets | | 19,375 | 60,416 |
| Exploration and evaluation | 9 | 2,906,376 | 2,844,746 |
| Non-current deposits | | 275,230 | 201,950 |
| Total non-current assets | | <u>14,563,535</u> | <u>3,300,303</u> |
| Total assets | | <u>15,380,528</u> | <u>3,763,445</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 10 | 601,108 | 473,063 |
| Borrowings | 11 | - | 344,401 |
| Lease liability | | 10,397 | 30,636 |
| Employee benefits | | 59,291 | 161,143 |
| Total current liabilities | | <u>670,796</u> | <u>1,009,243</u> |
| Non-current liabilities | | | |
| Other financial liabilities | 12 | 1,910,845 | - |
| Lease liabilities | | 509 | 21,492 |
| Total non-current liabilities | | <u>1,911,354</u> | <u>21,492</u> |
| Total liabilities | | <u>2,582,150</u> | <u>1,030,735</u> |
| Net assets | | <u>12,798,378</u> | <u>2,732,710</u> |
| Equity | | | |
| Issued capital | 13 | 48,152,598 | 46,338,797 |
| Reserves | | 782,647 | 2,294,337 |
| Accumulated losses | | (36,136,867) | (45,900,424) |
| Total equity | | <u>12,798,378</u> | <u>2,732,710</u> |

The above statement of financial position should be read in conjunction with the accompanying notes

Evolve Power Limited (formerly Montem Resources Limited)
Statement of changes in equity
For the year ended 31 December 2023



| Consolidated | Issued capital \$ | Foreign currency translation reserve \$ | Share based payments reserve \$ | Accumulated losses \$ | Total equity \$ |
|--|------------------------------|--|--|----------------------------------|----------------------------|
| Balance at 1 January 2022 | 45,054,400 | 681,835 | 3,097,895 | (30,981,757) | 17,852,373 |
| Loss after income tax expense for the year | - | - | - | (15,097,654) | (15,097,654) |
| Other comprehensive income for the year, net of tax | - | 60,579 | - | - | 60,579 |
| Total comprehensive income / (loss) for the year | - | 60,579 | - | (15,097,654) | (15,037,075) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs (note 13) | 1,284,397 | - | - | - | 1,284,397 |
| Vesting charge for share-based payments | - | - | 24,575 | - | 24,575 |
| Share options lapsed | - | - | (178,987) | 178,987 | - |
| Performance rights lapsed | - | - | (1,391,560) | - | (1,391,560) |
| Balance at 31 December 2022 | <u>46,338,797</u> | <u>742,414</u> | <u>1,551,923</u> | <u>(45,900,424)</u> | <u>2,732,710</u> |

| Consolidated | Issued capital \$ | Foreign currency translation reserve \$ | Share based payments reserve \$ | Accumulated losses \$ | Total equity \$ |
|---|------------------------------|--|--|----------------------------------|----------------------------|
| Balance at 1 January 2023 | 46,338,797 | 742,414 | 1,551,923 | (45,900,424) | 2,732,710 |
| Profit after income tax expense for the year | - | - | - | 8,207,329 | 8,207,329 |
| Other comprehensive income for the year, net of tax | - | 40,233 | - | - | 40,233 |
| Total comprehensive income for the year | - | 40,233 | - | 8,207,329 | 8,247,562 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs (note 13) | 1,813,801 | - | - | - | 1,813,801 |
| Share-based payments net of share options cancelled and expired | - | - | (1,551,923) | 1,556,228 | 4,305 |
| Balance at 31 December 2023 | <u>48,152,598</u> | <u>782,647</u> | <u>-</u> | <u>(36,136,867)</u> | <u>12,798,378</u> |

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

Evolve Power Limited (formerly Montem Resources Limited)
Statement of cash flows
For the year ended 31 December 2023



| | | Consolidated | |
|--|-------------|-------------------------|-------------------------|
| | Note | 31 December 2023 | 31 December 2022 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (2,492,138) | (1,888,778) |
| Payments for sale and consulting work for TM-REX | | (2,923,908) | (2,386,830) |
| Interest and other finance costs paid | | (4,192) | (1,935) |
| Interest received | | - | 10,732 |
| | | <u>-</u> | <u>10,732</u> |
| Net cash used in operating activities | 23 | <u>(5,420,238)</u> | <u>(4,266,811)</u> |
| Cash flows from investing activities | | | |
| Proceeds from sale of TM-REX project assets | | 8,621,011 | - |
| Payments to PMRU for land acquisition | | (2,760,906) | - |
| Investments in TM-REX Project | | (1,402,772) | - |
| Payments for security deposits | | (64,993) | - |
| Proceeds from disposal of property, plant and equipment | | - | 456,444 |
| Receipt from promissory note facility agreement | | - | 145,961 |
| Payments for exploration and evaluation | | - | (1,006,698) |
| Payments for property, plant and equipment | | - | (43,988) |
| | | <u>-</u> | <u>(43,988)</u> |
| Net cash from/(used in) investing activities | | <u>4,392,340</u> | <u>(448,281)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 13 | 1,094,161 | 1,082,520 |
| Share issue transaction costs | | (31,174) | (48,928) |
| Proceeds from related party loan | 11 | 200,000 | 300,000 |
| Repayment of borrowings | | (33,201) | - |
| Repayment of lease liabilities | | (41,222) | (58,829) |
| | | <u>-</u> | <u>(58,829)</u> |
| Net cash from financing activities | | <u>1,188,564</u> | <u>1,274,763</u> |
| Net increase/(decrease) in cash and cash equivalents | | 160,666 | (3,440,329) |
| Cash and cash equivalents at the beginning of the financial year | | 363,696 | 3,803,727 |
| Effects of exchange rate changes on cash and cash equivalents | | - | 298 |
| | | <u>-</u> | <u>298</u> |
| Cash and cash equivalents at the end of the financial year | 6 | <u><u>524,362</u></u> | <u><u>363,696</u></u> |

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

1. General information

The financial statements cover Evolve Power Limited (formerly Montem Resources Limited) as a Consolidated Entity consisting of Evolve Power Limited (formerly Montem Resources Limited) and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Evolve Power Limited's (formerly Montem Resources Limited) functional and presentation currency.

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 20 May 2024. The Directors have the power to amend and reissue the financial statements.

2. Material accounting policy information

The accounting policies that are material to the Consolidated Entity are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

During the year ended 31 December 2023, the Consolidated Entity incurred net operating cash outflows of \$5,420,238 and as at 31 December 2023, the cash balance was \$524,362 with a working capital surplus of \$146,197. Cash flow forecasts prepared by management includes additional capital required to meet commitments for at least a period of twelve months from the signing of the financial statements.

The Directors have assessed that these conditions indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the above, the Directors determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. The assessment of the going concern assumption is based on the Consolidated Entity's cash flow projections and application of a number of judgements and estimates, resulting in the conclusion of a range of reasonably possible scenarios. Included in the Directors going concern cash flow assessment is that sufficient funds can be secured if required by a combination of capital raisings, alternative funding arrangements and deferment of forecast payments for development and exploration. This forecast includes the following features:

Share Subscription Agreement

On 16 April 2024, the Consolidated Entity entered into a litigation funding agreement with Wahl Citadel Pty Ltd to provide funding (*Amounts are commercially confidential*) for the pre-trial and trial in order for Montem Resources Alberta Operations Ltd to pursue its claim against the Government of Alberta.

Curtailing operating and non-operating expenses

Cash forecasts include general austerity measures including reduction in salaries of key management personal, reduction in non-operating expenses and only undertaking compulsory compliance activities for coal assets.

Sale of power business

Management and the Board of Directors are currently focused on a process to sell Evolve's remaining stake in the TM-PHES and the listing or sale of EBS. This process is underway at the date of this report and the forecast assumes the EBS power business is sold, or self-funded post 30 June 2024.

2. Material accounting policy information (continued)

The claim against the Government of Alberta

On 8 February 2023, Montem Resources Alberta Operations filed a civil claim against the Government of Alberta to recover damages arising from the constructive taking of the Consolidated Entity's freehold mineral rights and coal leases at the Chinook Project and the Greenfield projects (the 4-Stack, Isola, and Oldman projects). Montem Resources Alberta Operations also brings claims for damages in private nuisance and unjust enrichment. Montem Resources Alberta Operations is progressing work to quantify the claim. The pretax net present value of the Chinook Project would have exceeded \$1.76 billion. In addition, to date, the Consolidated Entity has incurred approximately \$15 million to invest in and take steps to explore and develop the Chinook Project and the Greenfield projects. Through the litigation, the Consolidated Entity intends to recover the losses suffered by the Shareholders and the Company.

Other funding alternatives

The Consolidated Entity is still in the early development phase of activities with additional funds required to advance the development work on the Consolidated Entity's assets including;

- Raising additional capital through the Company's existing placement capacity;
- Subject to negotiation and approval, vary the TM-REX Joint Venture cash call contributions.

Based upon the aforementioned assumptions set out in the cashflow forecast, the directors of the Consolidated Entity have applied the going concern basis of accounting in these financial statements. In the event that all or some of these assumptions do not eventuate, this may mean that the actual amounts of assets and liabilities may differ from the amounts recorded for assets and liabilities in the financial statements, should the entity not continue as a going concern.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in Note 20.

3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

3. Critical accounting judgements, estimates and assumptions (continued)

Acquisition of Chinook and Tent Mountain Land

The Consolidated Entity and Prairie Mines & Royalties ULC (PMRU) signed a Termination and Release Agreement on 3 February 2023, for the requisite release of lien on the Chinook and Tent Mountain properties for a total payment of C\$5 million. This agreement removed the restrictive securities over the Chinook and Tent Mountain properties and enabled the Consolidated Entity to realize benefits associated with legal and beneficial ownership, including entering in the joint venture agreement with TransAlta in April 2023. Therefore, the Consolidated Entity recognised the land assets in the financial statements. See note 8 to the financial statements for further information.

Payable to Prairie Mines & Royalties ULC (PMRU)

Payments under the Termination and Release Agreement with PMRU are considered present obligation and likely to result in outflow of resources in the form of future cash payments. Therefore, the total land purchase payments, adjusted for time value of money has been recognised in the financial statements at 31 December 2023. See note 12 of the financial statements for further information.

Milestone payments receivable from TransAlta Corporation

On 14 February 2023, the Consolidated Entity entered into an agreement with TransAlta for the sale of a 50% interest in the TM-REX project. Total consideration of the agreement was C\$24.7 million of which C\$7.7 million was received in April 2023 on execution of definitive agreements; and further payments up to C\$17.0 million is receivable when certain project milestones are achieved. These future milestone payments are contingent upon future events and are also subject to change in control provisions. Therefore, these receivables are not considered as contractual receivables, but disclosed as contingent assets in the financial statements. See note 17 of the financial statements for further information.

TM-REX Project Joint Venture

The Consolidated Entity have significant influence over the TM-REX project through participation in financial, technical and strategic policy-making processes. Accordingly, the TM-REX project is classified as a joint venture and equity accounted from the date on which it becomes a joint venture. At the date of initial recognition of the Joint Venture, the fair value of assets vended into the joint venture is determined in reference to the agreed upon asset fair values set out in the Sale and Partnership Interest Purchase and Sale Agreement. The interest in the joint venture agreement upon initial recognition recorded 50% of the value of those assets. See note 7 of the financial statements for further information.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the Consolidated Entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised.

The Consolidated Entity is currently suing the Government of Alberta for constructive taking (de facto expropriation) of the Consolidated Entity's freehold mineral rights and coal leases at the Chinook Project and the Greenfield projects (the 4-Stack, Isola, and Oldman projects). The litigation will not result in revised coal policies enabling the commercial operations, the Consolidated Entity intends to recover the losses suffered by Shareholders and the Company.

In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made. See note 9 of the financial statements for further information on exploration assets.

Share-based payment transactions

During the year the directors of the Company elected to cancel 3,342,411 unexpired options. The Board of Directors assessed that the conditions attached with these securities had not been, or had become incapable of being, satisfied. Regardless of this, as these options were fully vested the full vesting charge of these options, previously recorded to the profit or loss, have been transferred to accumulated losses of the Consolidated Entity.

3. Critical accounting judgements, estimates and assumptions (continued)

Income tax

During the year, the Consolidated Entity recognised a gain of \$13,908,842 from the disposal of 50% TM-REX project assets to TransAlta. Management recognised zero tax expense and liability in the financial statements based on the assessment that the Consolidated Entity will be able to utilise the carried forward tax losses from prior years. See note 5 of the financial statements for further information on income tax.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and carry forward losses, only if the Consolidated Entity considers it is probable that future taxable amounts will be available to utilise those temporary differences.

4. Other income

| | Consolidated | Consolidated |
|--------------------------------|-------------------------|-------------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Gain on sale of TM-REX project | 13,908,842 | - |
| Interest income | 8,789 | 8,980 |
| | <u>13,917,631</u> | <u>8,980</u> |
| Other income | <u>13,917,631</u> | <u>8,980</u> |

On 14 February 2023, the Consolidated Entity signed a binding agreement with TransAlta to sell 50% of its TM-REX assets in Alberta, Canada. The sale includes rights to the Tent Mountain land, fixed assets and intellectual property associated with the TM-PHES, offsite green hydrogen electrolyser and offsite wind farm.

Subject to the terms of the definitive agreements between the parties, TransAlta will pay C\$24,700,000 for 50% equity interest in the TM-REX based on achieving following development and commercial milestones:

- C\$7,700,000 on completion of the transaction, pursuant to which TransAlta will make its investment in the TM-REX.
- C\$3,500,000 on achievement of Alberta Utilities Commission (“AUC”) approval for the TM-PHES;
- C\$3,500,000 on execution of a Power Purchase Agreement (“PPA”) for the TM-PHES; and
- C\$10,000,000 on achievement of commercial operations for the TM-PHES.

On 12 April 2023, the Company's Shareholders approved the transaction and on 24 April 2023, the Consolidated Entity completed the transaction and received \$8,518,013 (C\$7,700,000) from TransAlta as per the binding agreement. Gain on the sale is calculated as follows

| | Consolidated | Consolidated |
|--|-------------------------|-------------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Fair value of assets at initial recognition(a) | 8,621,011 | - |
| Cash consideration received (b) | 8,621,011 | - |
| Value of Tent Mountain land disposed (note 8) | (3,190,894) | - |
| Net book value of other plant and equipment disposed | (142,286) | - |
| | <u>13,908,842</u> | <u>-</u> |

- (a) Fair value of assets at initial recognition was \$17,036,027 (C\$15,400,000), of which the Consolidated Entity's share was \$8,621,011 (C\$7,700,000) or 50% in line with the interest in the joint venture
- (b) At the completion of TM-REX transaction, the Consolidated Entity received \$8,621,011 (C\$7,700,000) before transaction costs to acquire 50% investment in the TM-REX.

5. Income tax

| | Consolidated | |
|---|-------------------------|-------------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> | | |
| Profit/(loss) before income tax expense | 8,207,329 | (15,097,654) |
| Tax at the statutory tax rate of 26% | 2,133,906 | (3,925,390) |
| Current year tax losses not recognised | - | 3,925,390 |
| Prior year tax losses not recognised now recouped | (2,133,906) | - |
| Income tax expense | <u>-</u> | <u>-</u> |

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted at the respective reporting dates.

6. Current assets - cash and cash equivalents

| | Consolidated | |
|--------------|-------------------------|-------------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Cash at bank | <u>524,362</u> | <u>363,696</u> |

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7. Non-current assets - Investment in TM-REX Joint Venture

On 14 February 2023, the Consolidated Entity signed a binding agreement with TransAlta for the sale of TM-REX project, which was completed on 24 April 2024. At the completion of the transaction, the Consolidated Entity entered into a joint venture agreement with TransAlta for the development of TM-REX project. The TM-REX project is expected to be developed over the next 4 years and subject to regulatory, commercial, and engineering considerations, could be ready for construction as early as 2026, with a target commercial operation date between 2028 to 2030.

The Consolidated Entity holds a 50% interest in the TM-REX project, which is legally structured under Tent Mountain Pumped Hydro Limited Partnership ("Limited Partnership") and the Tent Mountain Pumped Hydro GP Ltd ("General Partnership"). The Consolidated Entity has residual interest of 50% in the TM-REX project collectively through, both the Limited Partnership and the General Partnership. The Consolidated Entity and TransAlta (JV Partners) has just under 50% voting in the Limited Partnership, with the deciding vote given to the General Partnership, which is also controlled 50% by the JV Partners.

The Consolidated Entity is required to fund the development costs of TM-REX project in line with its equity interest in the joint venture. Under the joint venture agreement, project funding will be managed through a Project Budget, which has been agreed by the Consolidated Entity and TransAlta.

Information relating to joint ventures that are material to the Consolidated Entity are set out below:

7. Non-current assets - Investment in TM-REX Joint Venture (continued)

| | Ownership interest | |
|---|---------------------------|-------------------------|
| | 31 December 2023 | 31 December 2022 |
| | % | % |
| Tent Mountain Pumped Hydro GP Ltd | 50.00% | - |
| Tent Mountain Pumped Hydro Limited Partnership | 50.00% | - |
| | | |
| | Consolidated | |
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Investment during the period recognised at fair value | <u>9,955,931</u> | <u>-</u> |
| <i>Reconciliation</i> | | |
| Reconciliation of the carrying amounts at the beginning and end of the current and previous financial year are set out below: | | |
| Opening carrying amount | - | - |
| Investment recognised at fair value on establishment of Joint Venture | 8,571,335 | - |
| Cash call investments made during the period | 1,410,269 | - |
| Share of profit / (losses) during the period | <u>(25,673)</u> | <u>-</u> |
| Closing carrying amount | <u>9,955,931</u> | <u>-</u> |

Accounting policy for joint arrangements

Under AASB 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Consolidated Entity has interest in a joint venture, which is accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the Consolidated Entity's accounting policies.

The following is the summary of financial information from the Joint Venture, based on its financial statements.

7. Non-current assets - Investment in TM-REX Joint Venture (continued)

| | Consolidated | |
|-----------------------------------|---------------------|---------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Loss for the period | 51,346 | - |
| Total Comprehensive Income | 51,346 | - |
| Current assets | 4,038,204 | - |
| Non-current assets | 21,188,169 | - |
| Current liabilities | (2,731,770) | - |
| Net asset | 22,494,603 | - |

As at 31 December 2023, the Consolidated Entity's unfulfilled funding commitment was \$C 1,149,989. In addition, the agreed budget for 2024 is approximately C\$5 million. As at 31 December 2023, TransAlta had made a total of C\$ 1,149,989 in cash call investments into the TM-REX Joint Venture. The Consolidated Entity has until 30 June 2024 to reciprocate the cash call investments, which if not made, will mean a pro-rata dilution of the Consolidated Entity's interest into the Joint Venture. As the cash call does not create a legal obligation to pay cash into the Joint Venture, it is not recognised as a liability in these financial statements.

8. Non-current assets - Property, plant and equipment

| | Consolidated | |
|--------------------------------|---------------------|---------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Land - at cost | 1,401,117 | - |
| Computer equipment | 47,272 | 46,270 |
| Less: Accumulated depreciation | (47,272) | (19,667) |
| | - | 26,603 |
| Roads and bridges | - | 162,584 |
| Less: Accumulated depreciation | - | (36,581) |
| | - | 126,003 |
| Furniture and fixtures | 65,598 | 64,207 |
| Less: Accumulated depreciation | (60,092) | (23,622) |
| | 5,506 | 40,585 |
| | 1,406,623 | 193,191 |

8. Non-current assets - Property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

| Consolidated | Land \$ | Computer equipment \$ | Roads and bridges \$ | Furniture and fixtures \$ | Total \$ |
|-----------------------------|-------------------|-------------------------------------|------------------------------------|---|--------------------|
| Balance at 1 January 2023 | - | 26,603 | 126,003 | 40,585 | 193,191 |
| Additions (note 12) | 4,412,520 | - | - | - | 4,412,520 |
| Disposals ^(a) | (3,147,432) | - | (124,152) | - | (3,271,584) |
| Depreciation expense | - | (5,478) | (5,580) | (8,263) | (19,321) |
| Impairment of assets | - | (21,912) | - | (27,974) | (49,886) |
| Exchange differences | 136,029 | 787 | 3,729 | 1,158 | 141,703 |
| Balance at 31 December 2023 | <u>1,401,117</u> | <u>-</u> | <u>-</u> | <u>5,506</u> | <u>1,406,623</u> |

(a) On 3 February 2023, the Consolidated Entity, through its subsidiaries acquired the Tent Mountain Mine & freehold land, the Chinook Project Assets & rights, and the Greenfield projects (collectively called the Chinook Properties) from Prairie Mines & Royalties ULC (PMRU), a subsidiary of Westmoreland coal company, pursuant to the Purchase Agreement (PMRU Purchase Agreement) for a total purchase consideration of \$4,412,520.

On 24 April 2023, the Consolidated Entity sold Tent Mountain land access rights, roads and bridges in the land and the intellectual property associated with the TM-PHES to the joint venture for the development of TM-REX project. The Consolidated Entity received cash consideration of \$8,621,011 (C\$ 7,700,000), which included fair value for Tent Mountain land access right \$3,147,432 (C\$2,850,000). The joint venture has an option to acquire Freehold Surface Interest of the Tent Mountain land title for a nominal value of C\$ 1 ("Land Purchase Option"). The Consolidated Entity concluded that it is reasonably certain that the joint venture will exercise the Land Purchase Option, hence Tent Mountain land was deemed disposed during the period.

Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line or declining balance basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Consolidated Entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

9. Non-current assets - exploration and evaluation

| | Consolidated | Consolidated |
|--|---------------------|---------------------|
| | 31 December | 31 December |
| | 2023 | 2022 |
| | \$ | \$ |
| Exploration and evaluation Chinook – at cost | <u>2,906,376</u> | <u>2,844,746</u> |

9. Non-current assets - exploration and evaluation (continued)

The Consolidated Entity has a portfolio of hard coking coal (steelmaking coal) projects in western Canada's Crowsnest Pass region including the Chinook Project ("Chinook"), and the greenfield exploration Isola, 4-Stack and Oldman projects.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| Consolidated | Chinook \$ | Tent Mountain \$ | Total \$ |
|-----------------------------|----------------------|--------------------------------|--------------------|
| Balance at 1 January 2022 | 2,793,074 | 10,887,030 | 13,680,104 |
| Expenditure during the year | 48,938 | 978,855 | 1,027,793 |
| Exchange differences | 2,734 | 20,850 | 23,584 |
| Impairment of assets | - | (11,886,735) | (11,886,735) |
| Balance at 31 December 2022 | 2,844,746 | - | 2,844,746 |
| Exchange differences | 61,630 | - | 61,630 |
| Balance at 31 December 2023 | <u>2,906,376</u> | <u>-</u> | <u>2,906,376</u> |

Following the completion of the TransAlta transaction, the Consolidated Entity is pursuing the TM-PHES and as a result the recommencement of open pit mining at Tent Mountain will not be possible. The development of the TM-PHES will result in the permanent sterilization of the Coal Reserves and Coal Resources at Tent Mountain, and the coal mine will be decommissioned. Thus, the Tent Mountain project was fully impaired at 31 December 2023.

The Consolidated Entity will however still hold the Chinook Project and Greenfield projects. Due to the prevailing uncertainties associated with the Government of Alberta's 1976 Coal Development Policy and the moratorium on exploration and development activities, the Consolidated Entity is awaiting the release of the Government's updated policies and plans before conducting further exploration and development activities at its other Alberta coal projects, including the Chinook Project. Therefore, management concluded that it is appropriate to wait and continue to assess the situation around the permitting approvals on the Chinook Project.

On 8 February 2023, Montem Resources Alberta Operations commenced a legal claim against the Government of Alberta to recover damages arising from the constructive taking (de facto expropriation) of Evolve Power's freehold mineral rights and coal leases at the Chinook Project and the Greenfield projects (the 4-Stack, Isola, and Oldman projects). Montem Resources Alberta Operations also brings claims for damages in private nuisance and unjust enrichment. The legal action continued throughout the year with evidence and witness statements being collected and a trial date set for April 2025.

Through the litigation, Evolve Power intends to recover the losses suffered by the Shareholders and the Company. Evolve Power seeks against the Government of Alberta:

- (a) damages in the amount of \$1.76 billion to Evolve Power for the constructive taking the Evolve Power's Properties, or such other amount to be proved at trial;
- (b) in the alternative, restitution in the amount of approximately \$15 million plus future and contingent remediation costs to be proved at trial;
and in the further alternative, damages to Evolve Power for delaying their ability to develop the Evolve Power Properties and the Evolve Power Projects, in an amount to be proven at trial;

As at 31 December 2023, due to the prevailing uncertainties associated with the legal claims and the Government of Alberta's Coal Development Policy, the Company and the management concluded that it is appropriate to wait and continue to assess the situation around the permitting approvals for the Chinook Project. The Consolidated Entity's freehold and leasehold tenements are on care and maintenance and all leasehold titles are paid in full and are in good stead.

9. Non-current assets - exploration and evaluation (continued)

Accounting policy for exploration and evaluation assets

Exploration and evaluation expenditures in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

10. Current liabilities - trade and other payables

| | Consolidated | |
|------------------|-------------------------|-------------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Trade payables | 480,717 | 368,621 |
| Accrued expenses | 120,391 | 62,903 |
| Other payables | - | 41,539 |
| | <u>601,108</u> | <u>473,063</u> |

Refer to note 14 for further information on financial risk management objectives.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

11. Current liabilities - borrowings

| | Consolidated | |
|-------------------------|-------------------------|-------------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Loan from related party | - | 300,904 |
| Other borrowings | - | 43,497 |
| | <u>-</u> | <u>344,401</u> |

Loan from related party comprise of short-term loan received by the Company on 15 December 2022 from Rigi Investments Pty Ltd, a company associated with Mr. Mark Lochtenberg, Chairman and Non-executive Director. The Company entered into an unsecured loan agreement with Rigi Investments Pty Ltd for a total of \$500,000 with a fixed interest rate of 10% per annum to fund short-term working capital requirements. Subject to Shareholder approval, the Company has converted the loan to Shares during April 2023. Loan values at the beginning and end of the current financial year are set out below:

11. Current liabilities - borrowings (continued)

| | Consolidated | |
|-----------------------------|-----------------------------|-----------------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Opening balance | 300,904 | - |
| Received during the period | 200,000 | 300,000 |
| Interest accrued | 11,370 | 904 |
| Conversion to share capital | (512,274) | - |
| | <u> </u> | <u> </u> |
| Closing balance | <u> </u> | <u>300,904</u> |

Other borrowing represents an unsecured Canadian government sponsored loan under Canada Emergency Business Account, which was repaid during the year.

12. Non-current liabilities - Other financial liabilities

| | Consolidated | |
|---|-------------------------|-----------------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Payable to Prairie Mines & Royalties ULC (PMRU) | <u>1,910,845</u> | <u> </u> |

On 3 February 2023, the Consolidated Entity, through its subsidiaries acquired a release and discharge of security interests in the Tent Mountain Mine & freehold land, the Chinook Project Assets & rights, and the Greenfield projects (collectively called the Chinook Properties) from Prairie Mines & Royalties ULC (PMRU), a subsidiary of Westmoreland Coal Company, pursuant to the Purchase Agreement (PMRU Purchase Agreement). This agreement terminated the September 2016 purchase agreement between the parties and all remaining financial payment obligations associated with it. Total release and discharge of security interest consideration payable was C\$5,000,000, of which CAD\$ 2,500,000 (Trench 1) was paid during April 2023. The additional C\$2,500,000 (Trench 2) will be payable as follows:

- C\$750,000 on the earlier of that date which is one (1) month from the date that the TM-REX commences Commercial Operations (the “COD Date”) and 1 January 2028;
- C\$750,000 on the earlier of that date which is one (1) year from the COD Date and 1 January 2029; and
- C\$1,000,000 on the earlier of that date which is two (2) years from the COD Date and 1 January 2030.

The Consolidated Entity has recognised the Payables to PMRU initially at fair value of \$4,412,520 (C\$4,111,145) net of the cash payment of \$2,760,906 (C\$2,500,000) made during April 2023. Payables to PMRU subsequently carried at amortised cost using an effective interest method. The Consolidated Entity used a pre-tax interest rate of 7.5%, that reflect current market assessments of the time value of money and the risks specific to the liability.

| | Consolidated | |
|--|-----------------------------|-----------------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Opening balance | - | - |
| Liability assumed at the acquisition of Chinook and Tent Mountain Properties | 4,412,520 | - |
| Payments during the period | (2,760,906) | - |
| Interest accrued during the period | 121,844 | - |
| Exchange differences | 137,387 | - |
| | <u> </u> | <u> </u> |
| | <u>1,910,845</u> | <u> </u> |

12. Non-current liabilities - Other financial liabilities (continued)

As at 31 December 2023, the Consolidated Entity assessed the PMRU liability as non-current, as the Commercial Operations of TM-REX project is unlikely to occur within 12 months from the reporting date.

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 2 fair values in the fair value hierarchy due to the use of observable inputs, including credit risk and interest rates.

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

13. Equity - issued capital

| | Consolidated | | | |
|------------------------------|-------------------------------|-------------------------------|---------------------------|---------------------------|
| | 31 December 2023 Shares | 31 December 2022 Shares | 31 December 2023 \$ | 31 December 2022 \$ |
| Ordinary shares - fully paid | 359,270,604 | 322,329,739 | 48,152,598 | 46,338,797 |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|---|------------------|-------------|-------------|------------|
| Balance | 1 January 2022 | 289,805,457 | | 45,054,400 |
| Shares issue to Director from share placement | 4 April 2022 | 2,941,176 | \$0.0510 | 150,000 |
| Placement of shares | 28 August 2022 | 18,175,000 | \$0.0400 | 727,000 |
| Shares issued under Entitlement offer | 21 October 2022 | 3,637,992 | \$0.0400 | 145,520 |
| Shares issued to Director under share placement | 4 November 2022 | 1,500,000 | \$0.0400 | 60,000 |
| Shares issues to Directors in lieu of Directors fee | 4 November 2022 | 1,679,243 | \$0.0400 | 67,170 |
| Share issued on conversion of debt under the placement | 4 November 2022 | 4,590,871 | \$0.0000 | 183,635 |
| Share issue costs | | - | \$0.0000 | (48,928) |
| Balance | 31 December 2022 | 322,329,739 | | 46,338,797 |
| Shares issued under entitlement offer | 12 January 2023 | 500,000 | \$0.0400 | 20,000 |
| Shares issued for settlement of liabilities | 17 April 2023 | 12,806,849 | \$0.0400 | 512,274 |
| Shares issued under placement of shares | 29 November 2023 | 9,207,740 | \$0.0560 | 515,633 |
| Shares issued under placement of shares including shares issued for settlement of liabilities | 21 December 2023 | 14,426,276 | \$0.0560 | 796,819 |
| Share issue costs | | - | \$0.0000 | (30,925) |
| Balance | 31 December 2023 | 359,270,604 | | 48,152,598 |

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

14. Financial risk management objectives

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk), credit risk and liquidity risk. The Consolidated Entity's overall financial risk management program focuses on the unpredictability of operating risks and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity uses different methods to measure different types of financial risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk.

Financial risk management is carried out by senior executives under policies approved by the Board of Director' ('the Board'). These policies include identification and analysis of the financial risk exposure of the Consolidated Entity and appropriate procedures, controls and risk limits. Senior executives identify, evaluate and manage financial risks within the Consolidated Entity. Senior executives reports to the Board on a monthly basis.

The Consolidated Entity's material financial instruments include cash and cash equivalents, trade and other payables, borrowings and lease liabilities.

Market risk

Foreign currency risk

The Consolidated Entity undertakes transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and managed through cash flow forecasting.

The average exchange rates and reporting date exchange rates applied were as follows:

| | Average exchange rate | | Reporting date exchange rate | |
|---------------------------|-----------------------|------------------|------------------------------|------------------|
| | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| Australian dollars | | | | |
| Canadian dollars | 0.89 | 0.90 | 0.90 | 0.92 |

The carrying amount of the Consolidated Entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

| | Assets | | Liabilities | |
|--|------------------|------------------|------------------|------------------|
| | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| Consolidated | \$ | \$ | \$ | \$ |
| Canadian dollars - Cash at bank | 236,638 | 86,472 | - | - |
| Canadian dollars - trade & other receivables | - | - | - | - |
| Canadian dollars - trade & other payables | - | - | 451,365 | 442,624 |
| Canadian dollars - Payable to Prairie Mines & Royalties ULC (PMRU) | - | - | 1,910,845 | 43,497 |
| | <u>236,638</u> | <u>86,472</u> | <u>2,362,210</u> | <u>486,121</u> |

| | % change | AUD strengthened | | AUD weakened | |
|---|----------|-----------------------------|------------------|-----------------------------|------------------|
| | | Effect on profit before tax | Effect on equity | Effect on profit before tax | Effect on equity |
| Consolidated - 31 December 2023 | | | | | |
| Trade payable, borrowings net of cash at bank | 5% | <u>(98,982)</u> | <u>(98,982)</u> | 5% | <u>89,555</u> |

14. Financial risk management objectives (continued)

| Consolidated - 31 December 2022 | % change | AUD strengthened Effect on | | % change | AUD weakened Effect on | |
|-----------------------------------|----------|-------------------------------|------------------|----------|---------------------------|------------------|
| | | profit before tax | Effect on equity | | profit before tax | Effect on equity |
| Trade payable net of cash at bank | 5% | <u>(21,034)</u> | <u>(21,034)</u> | 5% | <u>19,031</u> | <u>19,031</u> |

Interest rate risk

The Consolidated Entity had no material interest rate exposure as there were no interest-bearing assets or liabilities which are at variable interest rates at the reporting date (2022: Nil).

The Consolidate Entity's had fixed interest rate borrowings of \$nil at the reporting date (2022: \$344,401).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Consolidated Entity had no material credit risk exposure at the reporting date (2022: Nil).

Liquidity risk

Liquidity risk management requires the Consolidated Entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay liabilities, future operating commitments and as and when they become due and payable.

The Consolidated Entity is involved in and the development of energy storage assets in Canada and yet to generate revenues. The Consolidated Entity may require substantial additional financing in the future to sufficiently fund development commitments and its other longer-term objectives. The Consolidated Entity may issue new shares or sell assets to manage the liquidity and cash flow requirements.

The Consolidated Entity manages liquidity risk by maintaining adequate cash reserves, issue shares to raise capital and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Consolidated Entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| Consolidated - 31 December 2023 | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|---|----------------------------------|-------------------|--------------------------|--------------------------|------------------|-------------------------------------|
| | | | | | | |
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade and other payables | - | 480,717 | - | - | - | 480,717 |
| Accrued expenses and other payables | - | 120,391 | - | - | - | 120,391 |
| Payable to Prairie Mines & Royalties ULC (PMRU) | - | - | - | 833,200 | 1,944,200 | 2,777,400 |
| <i>Interest-bearing - fixed</i> | | | | | | |
| Lease liabilities | 5.32% | 21,244 | - | - | - | 21,244 |
| Total non-derivatives | | <u>622,352</u> | <u>-</u> | <u>833,200</u> | <u>1,944,200</u> | <u>3,399,752</u> |

14. Financial risk management objectives (continued)

| Consolidated - 31 December 2022 | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|-------------------------------------|----------------------------------|-------------------|--------------------------|--------------------------|-----------------|-------------------------------------|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade and other payables | - | 368,621 | - | - | - | 368,621 |
| Accrued expenses and other payables | - | 104,442 | - | - | - | 104,442 |
| <i>Interest-bearing - fixed</i> | | | | | | |
| Borrowings | 5.00% | 43,497 | - | - | - | 43,497 |
| Related party loan | 10.00% | 300,904 | - | - | - | 300,904 |
| Lease liabilities | 5.32% | 28,173 | 19,764 | - | - | 47,937 |
| Total non-derivatives | | 845,637 | 19,764 | - | - | 865,401 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

As at 31 December 2023 the fair values of all financial instruments approximated their carrying value.

15. Key management personnel disclosures

Directors

The following persons were Directors of Evolve Power Limited (formerly Montem Resources Limited) during the financial year:

| | |
|------------------|--|
| Mark Lochtenberg | Chairman and Non-executive Director |
| Peter Doyle | Managing Director and CEO |
| Rob Tindall | Non-executive Director |
| Susie Henderson | Non-executive Director |
| William Souter | Non-executive Director |
| William Bridge | Executive Director and Chief Development Officer |

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, during the financial year:

| | |
|----------------|--|
| Melanie Leydin | Company Secretary and Chief Financial Officer |
| Robert Bell | Chief Commercial Officer (Resigned on 1 September 2023) |

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Consolidated Entity is set out below:

| | Consolidated | |
|---|------------------|------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Short-term employee benefits | 1,028,030 | 1,256,621 |
| Post-employment benefits | 32,386 | 40,031 |
| Short-term employee benefits settled via share-based payments | 77,475 | - |
| Share-based payments ⁽ⁱ⁾ | 4,305 | (1,226,681) |
| | <u>1,142,196</u> | <u>69,971</u> |

15. Key management personnel disclosures (continued)

- (i) Previously recognised share-based payments of \$823,200 associated with the key management personal were reversed during the year. This was due to cancellation and expiry of Options over ordinary shares as the conditions attached with these securities have not been, or have become incapable of being, satisfied.

16. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck, the auditor of the Company:

| | Consolidated | |
|---|-------------------------|-------------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| <i>Audit services - William Buck</i> | | |
| Audit or review of the financial statements | 54,500 | 43,627 |
| <i>Other services - William Buck</i> | | |
| Preparation of the tax return | 7,500 | 7,500 |
| | <u>62,000</u> | <u>51,127</u> |

17. Contingent liabilities / assets

Milestone payments receivable from TransAlta Corporation

The Consolidated Entity is entitled to receive the following milestone payments from TransAlta for the sale of 50% equity interest in the TM-REX project based on achieving following development and commercial milestones:

- C\$3,500,000 on achievement of Alberta Utilities Commission (“AUC”) approval for the TM-PHES;
- C\$3,500,000 on execution of a Power Purchase Agreement (“PPA”) for the TM-PHES; and
- C\$10,000,000 on achievement of commercial operations for the TM-PHES.

These future milestone payments are contingent upon future events beyond the control of the Consolidated Entity and are also subject to change in control provisions. Therefore, they are considered as contingent assets.

Legal claims against the Government of Alberta.

Please refer note 9 of the financial statements for information on the Consolidated Entity’s legal claims against the Government of Alberta.

Others

The Consolidated Entity provided reclamation deposits of C\$209,671 for the Tent Mountain project. The Consolidated Entity will forgo this deposit if conditions of return are not met.

With the exception to the above matter and other matters discussed in the going concern basis of accounting disclosure, the Consolidated Entity does not have any other contingent liabilities at reporting date.

Accounting policy for contingent liabilities/assets

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

18. Commitments

Chinook Properties Purchase

On 21 September 2016, the Consolidated Entity, through its subsidiaries acquired its Projects being the Tent Mountain Mine & freehold land, the Chinook Project Assets & rights, and the Greenfield projects (collectively called the Chinook Properties). The purchase was made through an Assignment Deed with a director related party, GTG a company controlled by Mr. Rob Tindall (Non-executive Director), who had previously purchased the Chinook Properties from Prairie Mines & Royalties ULC (PMRU), a subsidiary of Westmoreland Coal Company (Original Purchase Agreement). Under the Assignment Deed, the title of the Chinook Properties was transferred from GTG to the Consolidated Entity. Under this Original Purchase Agreement, the Chinook Properties were acquired for CAD 12,000,000, of which CAD 1,000,000 was paid in September 2016. Upon satisfaction of certain condition precedents, the remaining CAD 11,000,000 was payable in two tranches of CAD 5,000,000 and CAD 6,000,000.

On 3 February 2023, Montem Resources Alberta Operations and PMRU entered an agreement for the requisite release of lien over the Tent Mountain Mine & freehold land, the Chinook Project Assets & rights, and the Greenfield projects (New Purchase Agreement). This agreement replaces and terminates the Original Purchase Agreement entered between the Consolidated Entity and PMRU in 2016, including the termination of all remaining financial obligations, for total purchase consideration of CAD 5,000,000. Further information on the New Purchase Agreement is provided in note 9 to the financial statements.

The Consolidated Entity had no capital commitments for property, plant and equipment at 31 December 2023 and 31 December 2022.

19. Related party transactions

Parent entity

Evolve Power Limited (formerly Montem Resources Limited) is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 21.

Key management personnel

Disclosures relating to key management personnel are set out in Note 15 and the remuneration report included in the Directors' report.

Transactions with related parties

During the 2023 financial year, the Consolidated Entity received consulting services of \$712,743 from Ventoux Advisory Corp, an entity associated with Mr William Bridge, Executive Director and Chief Development Officer. All transactions were made on normal commercial terms and conditions and at market rates.

During the 2023 financial year, the Consolidated Entity paid \$151,052 for accounting and corporate secretarial services from an entity controlled by Ms Melanie Leydin, during her term as Chief Financial Officer. All transactions were made on normal commercial terms and conditions and at market rates.

During the 2023 financial year, the Consolidated Entity paid \$164,892 for consulting services to GHD Limited (GHD Advisory), an entity associated with Ms. Susie Henderson, Non-executive Director. Ms. Susie Henderson is employed by GHD Advisory in capacity of President GHD Advisory – Americas region. All transactions were made on normal commercial terms and conditions and at market rates.

There were no other transactions with related parties during the current or previous financial year.

The following transactions occurred with related parties:

| | Consolidated | |
|--|-------------------------|-------------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Payment for other expenses: | | |
| Interest paid on loan from related party (note 11) | 11,370 | 904 |

19. Related party transactions (continued)

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Consolidated | |
|--|-------------------------|-------------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Current payables: | | |
| Trade payables to Key Management Personnel in relation to short-term employee benefits | 134,934 | 36,558 |

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

| | Consolidated | |
|---|-------------------------|-------------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Current borrowings: | | |
| Loan from other related party (note 11) | - | 300,904 |

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

20. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

| | Parent | |
|--------------------------|-------------------------|-------------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Loss after income tax | (725,922) | (17,904,756) |
| Total comprehensive loss | (725,922) | (17,904,756) |

20. Parent entity information (continued)

Statement of financial position

| | Parent | |
|--------------------------------------|-------------------------|-------------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Total current assets | 310,924 | 277,223 |
| Total assets | 310,924 | 271,775 |
| Total current liabilities | 138,488 | 436,982 |
| Total liabilities | 138,488 | 436,982 |
| Equity | | |
| Issued capital | 48,175,757 | 46,361,956 |
| Foreign currency translation reserve | - | (5,448) |
| Share-based payments reserve | - | 1,551,923 |
| Accumulated losses | (48,003,321) | (48,073,638) |
| Total equity/(deficiency) | <u>172,436</u> | <u>(165,207)</u> |

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2023 and 31 December 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2023 and 31 December 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2023 and 31 December 2022.

Material accounting policy information

The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

21. Interests in subsidiaries

The Evolve Power Limited Group includes the following entities:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|--|---|-----------------------|-----------------------|
| | | 31 December 2023 % | 31 December 2022 % |
| Evolve Energy Group Limited (Previously known as Montem Resources Corp.) | Vancouver, British Columbia, Canada | 100.00% | 100.00% |
| Montem Resources Alberta Operations Ltd | Edmonton, Alberta, Canada | 100.00% | 100.00% |
| Montem Tent Mountain Project Holdings Ltd | Edmonton, Alberta, Canada | 100.00% | - |

22. Events after the reporting period

On 16 April 2024, the Consolidated Entity entered into a litigation funding agreement with Wahl Citadel Pty Ltd to provide funding (*Amounts are commercially confidential*) for the pre-trial and trial in order for Montem Resources Alberta Operations Ltd (a wholly owned subsidiary) to pursue its claim against the Government of Alberta.

On 30 April 2024, Montem Resources Alberta Operations Ltd. issued one hundred (100) Class "I" Preferred Shares to Wahl Citadel Pty Ltd, as Trustee of the WAHL Citadel Montem Alberta Fund as a condition of the litigation funding agreement.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

23. Reconciliation of profit/(loss) after income tax to net cash used in operating activities

| | Consolidated | |
|---|-------------------------|-------------------------|
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Profit/(loss) after income tax expense for the year | 8,207,329 | (15,097,654) |
| Adjustments for: | | |
| Gain from TM-REX Sale | (13,908,842) | - |
| Foreign exchange differences | (49,113) | 49,611 |
| Expenses settled by share issue | 238,540 | - |
| Unwinding of the interest on liabilities | 120,906 | - |
| Impairment property, plant and equipment | 84,494 | - |
| Depreciation | 27,392 | 40,402 |
| Non-cash interest expense | 11,370 | 4,623 |
| CEBA loan waived-off | (11,195) | - |
| Share of losses from TM-REX Joint Venture | 25,673 | - |
| Impairment of exploration and evaluation assets | - | 11,887,242 |
| Share based payments | 4,305 | (1,366,984) |
| Loss / (gain) on disposal | - | 34,107 |
| Change in operating assets and liabilities: | | |
| Increase in trade and other receivables | (192,999) | (25,311) |
| Increase in non-current deposits | (4,291) | - |
| Decrease in provision on loan receivables | - | (145,961) |
| Increase in trade and other payables | 128,045 | 344,935 |
| Increase/(decrease) in employee benefits | (101,852) | 8,179 |
| Net cash used in operating activities | <u>(5,420,238)</u> | <u>(4,266,811)</u> |

Evolve Power Limited (formerly Montem Resources Limited)

Directors' declaration

31 December 2023



The Directors have determined that the Company is a reporting entity, and determined that this financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements. The Directors of the Company declare that:

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial year ended on that date; and
- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Mark Lochtenberg', written over a horizontal line.

Mark Lochtenberg
Chairman

20 May 2024

Independent auditor's report to the members of Evolve Power Limited

Report on the audit of the financial report

Our opinion on the financial report

In our opinion, the accompanying financial report of Evolve Power Limited (the Company) and its subsidiaries (the Group) is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What was audited?

We have audited the financial report of the Group, which comprises:

- the consolidated statement of financial position as at 31 December 2023,
- the consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended,
- notes to the financial statements, including material accounting policy information, and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 financial report, which indicates that the Group incurred a net operating cash outflow of \$5,420,238 during the year ended 31 December 2023 and, as of that date, had a working capital position of \$146,197. 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 Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2023, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

William Buck

William Buck Audit (Vic) Pty Ltd

ABN 59 116 151 136



N. S. Benbow

Director

Melbourne, 20 May 2024