Evolve Power Limited

ABN 87 623 236 831

Interim Report - 30 June 2024

Directors	William Souter, Chairman and Non-executive Director Peter Doyle, Managing Director and Chief Executive Officer Rob Tindall, Non-executive Director Susie Henderson, Non-executive Director William Bridge, Executive Director and Chief Development Officer
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 V6Z 1N9
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 (referred to hereafter as the 'Company', 'Evolve Power' or 'Parent Entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2024.

Directors
The following persons were Directors of Evolve Power Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

William Souter, Chairman and Non-executive Director (appointed as Chairman on 14 June 2024)
Peter Doyle, Managing Director and Chief Executive Officer
Rob Tindall, Non-executive Director
Susie Henderson, Non-executive Director
William Bridge, Executive Director and Chief Development Officer
Mark Lochtenberg, resigned as Chairman and Non-executive Director on 13 June 2024

Company overview and principal activities
Evolve Power's principal activities are focussed on developing energy storage projects in Alberta, Canada.

Evolve's projects include the Tent Mountain Pumped Hydro Energy Storage project (TM-PHES) and Evolve Battery Storage, a distributed battery storage solutions business.

The Consolidate Entity is also pursuing a legal claim to recover damages arising from the constructive taking (de facto expropriation) of Evolve's freehold mineral rights and coal leases in Aberta. The litigation process began in early 2023, and continued throughout the period, with a trial date set for April 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 will leverage assets at Tent Mountain, which includes a 300m drop (or "head") between two large water reservoirs left behind from historical mining operations.

In early 2023, Evolve formed a partnership (Partnership) with TransAlta TMPH LP, a wholly owned subsidiary of NYSE and TSX listed TransAlta Corporation (TransAlta) when it sold 50% of the Tent Mountain Renewable Energy Complex (TM-REX) assets. The sale included rights to the land, fixed assets and intellectual property associated with the TM-PHES. TransAlta and Evolve formed an operating partnership, with TransAlta providing the development oversight and project management capacity to the Partnership.

Over the first half of 2024 the Alberta electricity market underwent significant changes, including the Government announcing the requirement to undertake market reforms which are anticipated to take place over the next three (3) years. This creates uncertainty of the market mechanism that the TM-PHES would be operating in if built. As such, the development of TM-PHES has slowed to accommodate this uncertainty. The Partnership continues to gauge the applicability of developing strategies for pursuing a Power Purchase Agreement / Energy Storage Agreement / Off-take Agreement for the TM-PHES.

Evolve Battery Storage
Throughout the period, the Evolve Battery Storage (EBS) team continued to build market awareness of our offering, seeking initial customers and partners. During period, our first commercial agreement was executed, which provided confidence to the conceptual viability of the business. However, as the market reform of the Alberta electricity market continues, the uncertainty has created a difficult investment horizon for EBS. We will continue to monitor the market uncertainty and weigh the effectiveness of further investment in EBS.

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.

Litigation has been facilitated through a funding agreement with Wahl Citadel (refer note 8 to the financial statements for further details).

In November 2023, the appointed case management judge ordered the following timeframes were to be adhered to, with a trial to start in first half of 2025.

- 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;

During the period the Company completed all necessary expert witness reports and delivered them to the court on 31 July 2024. The expert witness reports confirmed the reasonableness of the previous work the Company had completed for the Chinook and Greenfield projects, validating the significant importance of these assets. It is also worth noting the independent valuation produced by the Company's expert witness was significant, and further confirmed the value of these assets.

A trial date has been set for 28 April 2025.

Significant changes in the state of affairs
On 16 April 2024, the Consolidated Entity entered into a litigation funding agreement with Wahl Citadel Pty Ltd to provide funding 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.

There were no other significant changes in the state of affairs of the Consolidated Entity during the financial half-year.

Review of operations
The loss for the Consolidated Entity after providing for income tax amounted to $2,733,833 (30 June 2023: profit of $9,984,328).

The Consolidated Entity incurred operating cash outflows of $2,068,480 (30 June 2023: $3,791,574).

As at 30 June 2024, the cash balance was $471,900 (31 December 2023: $524,362) and net working capital surplus was $471,807 (31 December 2023: Deficit of $146,197).

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

Matters subsequent to the end of the financial half-year
Subsequent to the period end in July 2024, the Consolidated Entity has drawn down a further A$1 million as per the litigation funding agreement with Wahl Citadel Pty Ltd entered on 16 April 2024.

On 25 September 2024, the Consolidated Entity and Wahl Citadel Pty Ltd entered into agreement to provide further funds to pursue its claim against the Government of Alberta.

No other matter or circumstance has arisen since 30 June 2024 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.

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollars.

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.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors

William Souter
Chairman

27 September 2024

William Buck
ACCOUNTANTS & ADVISORS

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

To the directors of Evolve Power Limited

As lead auditor for the review of Evolve Power Limited for the half-year ended 30 June 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 review; and

— no contraventions of any applicable code of professional conduct in relation to the review.

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

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

N. S. Benbow
Director
Melbourne, 27 September 2024

Evolve Power Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2024

	Note	Consolidated 30 June 2024 $	Consolidated 30 June 2023 $
Other income			
Other income	4	15,969	13,764,569
Expenses			
Professional fees		(1,428,971)	(315,054)
Evolve Battery Storage feasibility expenses		(442,472)	-
TM-REX project feasibility and sale expenses		-	(2,242,744)
Share of TM-REX Joint Venture losses		(9,229)	-
Exploration tenement management expenses		(189,348)	(620,637)
Corporate expenses		(144,010)	(138,389)
Employee benefits expense		(329,023)	(361,008)
Financing costs		(152,006)	(64,777)
Marketing and business development		(54,743)	(34,926)
Depreciation charges		-	(2,706)
(Loss)/profit before income tax expense		(2,733,833)	9,984,328
Income tax expense		-	-
(Loss)/profit after income tax expense for the half-year attributable to the owners of Evolve Power Limited		(2,733,833)	9,984,328
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(208,444)	133,065
Other comprehensive income/(loss) for the half-year, net of tax		(208,444)	133,065
Total comprehensive income/(loss) for the half-year attributable to the owners of Evolve Power Limited		(2,942,277)	10,117,393

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

Evolve Power Limited
Statement of financial position
As at 30 June 2024

	Note	Consolidated 30 June 2024 $	31 December 2023 $
Assets			
Current assets			
Cash and cash equivalents		471,900	524,362
Trade and other receivables		147,136	260,669
Deposits advances and prepayments		14,573	31,962
Total current assets		633,609	816,993
Non-current assets			
Investment in joint venture accounted for using the equity method	5	9,784,183	9,955,931
Property, plant and equipment	6	1,385,975	1,406,623
Right-of-use assets		2,103	19,375
Exploration and evaluation	7	2,864,997	2,906,376
Deposits for mining and exploration tenements		244,739	275,230
Total non-current assets		14,281,997	14,563,535
Total assets		14,915,606	15,380,528
Liabilities			
Current liabilities			
Trade and other payables		1,040,545	601,108
Lease liabilities		2,285	10,397
Employee benefits		62,586	59,291
Total current liabilities		1,105,416	670,796
Non-current liabilities			
Other financial liabilities	8	3,954,089	1,910,845
Lease liabilities		-	509
Total non-current liabilities		3,954,089	1,911,354
Total liabilities		5,059,505	2,582,150
Net assets		9,856,101	12,798,378
Equity			
Issued capital	9	48,152,598	48,152,598
Reserves		574,203	782,647
Accumulated losses		(38,870,700)	(36,136,867)
Total equity		9,856,101	12,798,378

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

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 half-year	-	-	-	9,984,328	9,984,328
Other comprehensive income for the half-year, net of tax	-	133,065	-	-	133,065
Total comprehensive income for the half-year	-	133,065	-	9,984,328	10,117,393
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	532,274	-	-	-	532,274
Expiry of share options	-	-	(915,007)	915,007	-
Balance at 30 June 2023	46,871,071	875,479	636,916	(35,001,089)	13,382,377

Consolidated	Issued capital $	Foreign currency translation reserve $	Share based payments reserve $	Accumulated losses $	Total equity $
Balance at 1 January 2024	48,152,598	782,647	-	(36,136,867)	12,798,378
Loss after income tax expense for the half-year	-	-	-	(2,733,833)	(2,733,833)
Other comprehensive loss for the half-year, net of tax	-	(208,444)	-	-	(208,444)
Total comprehensive loss for the half-year	-	(208,444)	-	(2,733,833)	(2,942,277)
Balance at 30 June 2024	48,152,598	574,203	-	(38,870,700)	9,856,101

Evolve Power Limited
Statement of cash flows
For the half-year ended 30 June 2024

	Note	Consolidated 30 June 2024 $	Consolidated 30 June 2023 $
Cash flows from operating activities			
Payment for initial set-up and consulting work TM-REX		-	(2,334,033)
Payments for exploration and evaluation		-	(527,387)
Payments to suppliers and employees		(2,067,793)	(932,599)
		(2,067,793)	(3,794,019)
Interest received		-	3,982
Interest and other finance costs paid		(687)	(1,537)
Net cash used in operating activities		(2,068,480)	(3,791,574)
Cash flows from investing activities			
Payments to PMRU for land acquisition	8	-	(2,806,782)
Proceeds from sale of TM-REX project assets	4	-	8,518,013
Proceeds from disposal of motor vehicles		27,321	-
Proceeds from release of security deposits		-	(65,679)
Net cash from investing activities		27,321	5,645,552
Cash flows from financing activities			
Proceeds from issue of shares		-	20,000
Proceeds from Wahl Citadel loan		2,000,000	-
Proceeds from related party borrowings		-	200,000
Repayment of lease liabilities		(7,934)	(20,202)
Net cash from financing activities		1,992,066	199,798
Net (decrease)/increase in cash and cash equivalents		(49,093)	2,053,776
Cash and cash equivalents at the beginning of the financial half-year		524,362	363,696
Effects of exchange rate changes on cash and cash equivalents		(3,369)	2,806
Cash and cash equivalents at the end of the financial half-year		471,900	2,420,278

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

Note 1. General information

The financial statements cover Evolve Power Limited (formerly Montem Resources Limited) as a consolidated entity consisting of Evolve Power Limited (the Company) and the entities it controlled (the Consolidated Entity) at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Evolve Power Limited's 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 27 September 2024. The Directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

These general-purpose financial statements for the interim half-year reporting period ended 30 June 2024 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2023.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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. Accounting Standards and Interpretations, which are not yet effective, are not expected to have a material impact on the Consolidated Entity in the current or future reporting periods and on foreseeable future transactions. However, management will continue to assess this closer to the application date of each standard.

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.

The Consolidated Entity made a loss after tax of $2,733,833 during the half-year ended 30 June 2024 and had net operating cash outflows of $2,068,480. As at 30 June 2024, the cash balance was $471,900 and net working capital deficit was $471,807. Cash flow forecasts prepared by management includes additional capital required to meet commitments from existing business operations 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. This forecast includes the following features:

Note 2. Material accounting policy information (continued)

Share Subscription Agreement
On 16 April 2024, the Consolidated Entity entered into a litigation funding agreement with Wahl Citadel Pty Ltd to provide funding for the pre-trial and trial in order for Montem Resources Alberta Operations Ltd to pursue its claim against the Government of Alberta. This loan is secured against the Chinook assets and in the event of an unsuccessful claim, the Company would likely forfeit these assets.

The Consolidated Entity has drawn down A$ 2 million as at 30 June 2024 and after the period end an additional A$ 1 million was draw down. In addition, on 25 September 2024, the Consolidated Entity and Wahl Citadel Pty Ltd entered into agreement to provide further funds to pursue its claim against the Government of Alberta.

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 September 2024.

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.

Continuing management of operating costs
The directors and management have concentrated their efforts on curtailing expenditures of the Consolidated Entity. This resulted in realised savings from reduction in payroll expenses, exploration and overheads with the Consolidated entity only incurring essential expenses to continue operations.

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.

Note 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.

Note 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 6 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 30 June 2024. See note 8 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 10 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 5 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 7 of the financial statements for further information on exploration assets.

Note 4. Other income

	Consolidated 30 June 2024 $	Consolidated 30 June 2023 $
Net gain on disposal of property, plant and equipment	12,623	-
Gain on sale of TM-REX project	-	13,760,587
Interest income	3,346	3,982
Other income	15,969	13,764,569

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, as well as the proposed offsite green hydrogen electrolyser and 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 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 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 30 June 2024 $	Consolidated 30 June 2023 $
Fair value of assets at initial recognition	-	17,036,027
Value of Tent Mountain land disposed	-	(3,152,771)
Net book value of other plant and equipment disposed	-	(122,669)
	-	13,760,587

Note 5. Investment in joint venture accounted for using the equity method

	Consolidated 30 June 2024 $	Consolidated 31 December 2023 $
Investment in Tent Mountain Pumped Hydro Limited Partnership	9,784,183	9,955,931

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 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.

Note 5. Investment in joint venture accounted for using the equity method (continued)

The Consolidated Entity is required to fund the development costs of the 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:

Name	Principal place of business / Country of incorporation	Ownership interest 30 June 2024 %	Ownership interest 31 December 2023 %
Tent Mountain Pumped Hydro GP Ltd	Canada	50.000%	50.000%
Tent Mountain Pumped Hydro Limited Partnership	Canada	50.000%	50.000%

Interests in joint ventures are accounted for using the equity method of accounting and the Consolidated Entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as

	Consolidated 30 June 2024 $
Balance at 1 January 2024	9,955,931
Share of profit / (losses) during the period	(9,229)
Exchange differences	(162,519)
Balance at 30 June 2024	9,784,183

As at 30 June 2024, the Consolidated Entity's unfulfilled funding commitment was C$ 1,150,000 (31 December 2023: C$ 1,150,000). As at 30 June 2024, these cash calls were funded by TransAlta through a partnership loan agreement. The Consolidated Entity has until 30 September 2024 to reciprocate the cash call investments, which if not made nor an extension mutually agreed, 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.

Note 6. Non-current assets - property, plant and equipment

	Consolidated 30 June 2024 $	Consolidated 31 December 2023 $
Land - at cost	1,381,169	1,401,117
Furniture and fixtures - cost	64,664	65,598
Less: Accumulated depreciation	(59,858)	(60,092)
	4,806	5,506
	1,385,975	1,406,623

Note 6. Non-current assets - property, plant and equipment (continued)

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

Consolidated	Land $	Furniture and fixtures $	Total $
Balance at 1 January 2024	1,401,117	5,506	1,406,623
Exchange differences	(19,948)	(66)	(20,014)
Depreciation expense	-	(634)	(634)
Balance at 30 June 2024	1,381,169	4,806	1,385,975

(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 comparative period.

Note 7. Non-current assets - exploration and evaluation

	Consolidated 30 June 2024 $	Consolidated 31 December 2023 $
Exploration and evaluation Chinook - at cost	2,864,997	2,906,376

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

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

Consolidated	Chinook $
Balance at 1 January 2024	2,906,376
Exchange differences	(41,379)
Balance at 30 June 2024	2,864,997

Note 7. Non-current assets - exploration and evaluation (continued)

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 30 June 2024, 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 standing.

Note 8. Non-current liabilities - other financial liabilities

	Consolidated	
	30 June 2024 $	31 December 2023 $
Wahl Citadel loan	2,000,000	-
Payables to Prairie Mines & Royalties ULC (PMRU)	1,954,089	1,910,845
	3,954,089	1,910,845

Wahl Citadel loan

On 16 April 2024, the Consolidated Entity entered into a litigation funding agreement with Wahl Citadel Pty Ltd to fund 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.

As at 30 June 2024, the Consolidated Entity has drawn down A$2 million under the agreement. Amounts advanced under the agreement are redeemable in cash at the settlement of claim against the Government of Alberta. This loan is secured against the Chinook assets and in the event of an unsuccessful claim, the Company would likely forfeit these assets.

As at 30 June 2024, the Consolidated Entity assessed the Wahl Citadel loan as non-current, as the settlement of claim against the Government of Alberta is unlikely to occur within 12 months from the reporting date.

The Wahl Citadel loan represents in accounting substance a provision for a legal claim settlement, which the directors have reported at fair value. In the event of an unsuccessful claim, no amount will be due and payable to Wahl Citadel. Given the uncertainty of the outcome of the case, this provision has been recognised, at this point, as being at the consideration received from Wahl for the preference shares which represent the loan. Accordingly, the directors consider this to be a level 3 hierarchy fair valuation.

Note 8. Non-current liabilities - other financial liabilities (continued)

Payable to Prairie Mines & Royalties ULC (PMRU)
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	
	30 June 2024 $	31 December 2023 $
Opening balance	-	-
Liability assumed at the acquisition of Chinook Properties	1,910,845	4,412,520
Payments during the period	-	(2,760,906)
Interest accrued during the period	64,327	121,844
Exchange differences	(21,083)	137,387
	1,954,089	1,910,845

As at 30 June 2024, 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.

Note 9. Equity - issued capital

	Consolidated			
	30 June 2024 Shares	31 December 2023 Shares	30 June 2024 $	31 December 2023 $
Ordinary shares - fully paid	359,270,604	359,270,604	48,152,598	48,152,598

Note 10. 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.

Note 10. Contingent liabilities / assets (continued)

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 7 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.

Note 11. Commitments

The Consolidated Entity had no capital commitments for property, plant and equipment at 30 June 2024 and 30 June 2023.

Commitments associated with the Consolidated Entity's interests in joint ventures are provided in note 5 to the financial statements.

Note 12. Events after the reporting period

Subsequent to the period end in July 2024, the Consolidated Entity has drawn down a further A$1 million as per the litigation funding agreement with Wahl Citadel Pty Ltd entered on 16 April 2024.

On 25 September 2024, the Consolidated Entity and Wahl Citadel Pty Ltd entered into agreement to provide further funds to pursue its claim against the Government of Alberta.

No other matter or circumstance has arisen since 30 June 2024 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.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2024 and of its performance for the financial half-year ended on that date; and

- 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 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

William Souter
Chairman

27 September 2024

William Buck
ACCOUNTANTS & ADVISORS

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

Report on the half-year financial report

Our conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Evolve Power Limited (the Company) and its subsidiaries (the Group), does not comply with the *Corporations Act 2001*, including:

— giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the half-year then ended; and

— complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

What was reviewed?

We have reviewed the accompanying half-year financial report of the Group, which comprises:

— the statement of financial position as at 30 June 2024,

— the statement of profit or loss and other comprehensive income for the half-year then ended,

— the statement of changes in equity for the half-year then ended,

— the statement of cash flows for the half-year then ended,

— notes to the financial statements, including material accounting policy information, and

— the directors' declaration.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review 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 and 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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William Buck
ACCOUNTANTS & ADVISORS

Material uncertainty related to going concern

We draw attention to Note 2 in the half-year financial report, which indicates that for the half-year ended 30 June 2024 the Group incurred a net loss after income tax of $2,733,833, net operating cash outflows of $2,068,480 and had a cash balance of $471,900 and a net working capital deficit of $471,807 as at 30 June 2024. 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 conclusion is not modified in respect of this matter.

Responsibilities of the directors for the financial report

The directors of the Group are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2024 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

N. S. Benbow
Director
Melbourne, 27 September 2024