



**ABN 77 610 319 769**

**ANNUAL REPORT - 30 JUNE 2018**

## Corporate Information

**ABN 77 610 319 769**

### **Directors**

Mr Stephen Dennis (Non-Executive Chairman)

Mr Grant Davey (Non-Executive Director)

Mr Phil Hoskins (Managing Director)

### **Company Secretary**

Mr Stuart McKenzie

### **Registered Office**

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### **Bankers**

Commonwealth Bank of Australia

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PERTH WA 6000

### **Share Register**

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Tel + 61 8 9323 2000

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### **Auditors**

PricewaterhouseCoopers

Brookfield Place

125 St Georges Terrace

PERTH WA 6000

### **Website Address**

[www.graphexmining.com.au](http://www.graphexmining.com.au)

### **ASX Code**

Shares are listed on the Australian Securities Exchange (**ASX**) under stock code GPX.

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## Managing Directors' report

Dear Shareholders

On behalf of the Directors, I am pleased to introduce the 2018 Annual Report for Graphex Mining Limited.

We closed the 2017 financial year strongly positioned to conclude a joint venture arrangement with CN Docking Joint Investment and Development Co Ltd (CN Docking) for the development of our Chilalo Graphite Project located in south-east Tanzania. However, the changes to the legal and regulatory framework governing the exploration and mining industry in Tanzania announced in July 2017 created such uncertainty that CN Docking has now stepped back from negotiations pending resolution of issues associated with the new legislation.

Since those legislative changes, we have maintained a process of constructive engagement with the Tanzanian Government. This has included ongoing correspondence and multiple meetings with senior public officials including the Minister of Minerals, Angellah Kairuki and the Prime Minister, Kassim Majaliwa, in whose electorate Chilalo is located. The Company has received a favourable hearing at these meetings and there appears to be a genuine willingness from within the Government to restore investor confidence in the minerals sector. At a meeting with the Minister of Minerals in June 2018, Graphex was requested to provide a submission to the Government on financing issues that had resulted from the changes to the legal and regulatory framework.

The submission is a comprehensive document that identified 10 key issues associated with the legislative and regulatory changes that are central to the ability of resources companies operating in Tanzania to obtain the finance required for project development. It includes input from independent experts, comparison with the legislative position in other African countries and proposals to address the identified issues in a manner that allows for the development of new mines that delivers benefits to all stakeholders.

Notwithstanding these challenges, we have continued to advance the project and laid a strong foundation for development. A recently released updated pre-feasibility study (PFS) confirmed that Chilalo is a robust project that produces a high-quality product, delivers industry leading margins and demonstrates excellent financial outcomes:

- Post-tax NPV (10% discount rate): US\$273M
- Post-tax internal rate of return (IRR): 130%
- Post-tax payback period: 0.84 years
- Margin of US\$1,298/t

These results are based on a mine life of 6.3 years, underpinned entirely by Ore Reserves. Given the size of the Mineral Resource at Chilalo, we are highly confident that there is more than enough material to support a significantly longer mine life. The updated PFS was completed to support ongoing discussions with a party that has emerged as a potential financier for funding the development of Chilalo. In May 2018, this potential financier visited Tanzania and China (with the Company) as part of their ongoing due diligence.

During the year, the Company also signed five Statements of Sales Intent for the supply of flake graphite to end users and traders in China. The next step is to convert these into binding offtake agreements and work is under way to achieve such agreements.

Graphex remains committed to a clear strategy of supplying coarse flake graphite to China for the high value expandable graphite market. With the use of expandable graphite-based flame retardants, in particular flame-retardant building materials, receiving significant policy and regulatory support from governments around the world, Chilalo has the ability to be a key supplier in meeting the demand for coarse flake graphite for the expandable graphite market.

With a Mining Licence and other important regulatory approvals in place, a recently completed updated PFS that confirms Chilalo to be a world class graphite project development opportunity and well-established relationships with end users and offtakers in the Chinese graphite market, Chilalo is strongly positioned for development. We are leaving no stone unturned to reach a satisfactory resolution with the Tanzanian Government that is expected to pave the way for financing and allow us to bring Chilalo into production.

The Board and I would like to thank all shareholders for your continued support and look forward to keeping you updated as we move forward.

Yours faithfully



**Phil Hoskins**  
Managing Director

## Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the **Group**) comprising Graphex Mining Limited (**Graphex** or the **Company**) and the entities it controlled at the end of, or during, the year ended 30 June 2018 and the auditor's report thereon. Graphex is a company limited by shares that is incorporated and domiciled in Australia.

### Directors and Company Secretary

The following persons were Directors of Graphex (**Directors**) during the 2018 financial year and up to the date of this report:

Stephen Dennis

Grant Davey

Phil Hoskins

The Company Secretary is Mr Stuart McKenzie. Mr McKenzie was appointed to the position of Company Secretary in January 2016.

Directors were in office for the entire period unless otherwise stated.

### Principal activities

During the period, the principal continuing activities of the Group related to the development of the Chilalo Graphite Project in Tanzania.

### Dividends

During the period, no dividends were declared or paid.

### Significant changes in the state of affairs

There were no significant or material changes to the Company's state of affairs not otherwise disclosed in this report.

### Events since the end of the financial year

Subsequent to year end, the Company completed an updated pre-feasibility study as detailed on page 5 of the Directors' Report.

### Likely developments and expected results

In the opinion of the Directors, there is nothing else to report, except as outlined in the Directors' Report, which relates to likely developments in the operations of the Group and the expected results of those operations in financial years subsequent to 30 June 2018.

### Environmental regulation

The Group's exploration and development activities and those of its partners are subject to environmental regulations and guidelines applicable to the tenements on which such activities are carried out. Failure to meet environmental conditions attaching to the Group's exploration tenements could lead to forfeiture of those tenements. The Group is committed to achieving a high standard of environmental performance. No environmental breaches have occurred or have been notified by any Government agencies during the period ended 30 June 2018 and up to the date of this annual report.

## Directors' report

### Review of operations

#### Results of operations

A summary of results for 2018 is as follows:

	2018 \$	2017 \$
Net loss after income tax	(4,109,076)	(4,662,853)
<b>attributable to:</b>		
Corporate and administrations costs	(1,150,796)	(1,296,133)
Employee benefits	(911,489)	(845,734)
Exploration and evaluation expenditure	(951,705)	(1,389,808)
Business development and marketing	(976,724)	(993,206)
Share based payments	(341,580)	(201,582)

#### Chilalo Graphite Project

##### Updated pre-feasibility study

An updated pre-feasibility study (**Updated PFS**) was completed in September 2018 (ASX announcement 20 September 2018). The Updated PFS incorporated material changes from the previous pre-feasibility study that was completed in November 2015. These changes included:

- Finalisation of initial project scale and subsequent expansion;
- The Chilalo Mineral Resource upgrade, which increased by approximately 80% in February 2017 (ASX announcement 2 February 2017);
- Metallurgical testwork results which generated a substantially higher percentage of coarse flake material than demonstrated by previous metallurgical testwork;
- Revised process flow sheet and plant design; and
- Improvements in flake graphite prices.

The results of the Updated PFS, which confirm that Chilalo is a high quality, high margin graphite project, are shown in the table below.

Item	Measure	Ore Reserve Case (Approx.)	Increased LOM Case (Approx.)
Life of mine	years	6.3	8.5
Average annual production	tpa	91,000	93,000
Plant feed rate	tpa	831,000	883,000
Average head grade	% TGC	11.0%	10.6%
Average annual EBITDA	US\$m	112	112
Basket sales price FOB Mtwara	US\$/t	1,777	1,777
Operating cost per tonne of product (FOB)	US\$/t	479	500
Operating margin	US\$/t	1,298	1,277
Stage 1 capital cost	US\$m	43.6	43.6

## Directors' report

Item	Measure	Ore Reserve Case (Approx.)	Increased LOM Case (Approx.)
Stage 2 capital cost	US\$m	32.5	32.5
Post-tax NPV (10% discount rate)	US\$m	273	349
Post-tax internal rate of return (IRR)	%	130	131
Post-tax payback period	Yrs	0.84	0.84

The Updated PFS considered two mine life scenarios: a 6.3 year mine life based entirely on Ore Reserves and an 8.5 year mine life that included the Ore Reserves and an additional portion of Inferred Resources (30%). A further 9.5 Mt of Inferred Resources have not been included in the 8.5 year mine life and the Company is confident that a significant percentage of the Inferred Resources will be upgraded to a higher confidence category and provide for a significantly longer mine life.

The Updated PFS assessed a two-stage production scenario, under which stage 1 would produce approximately 58,000 tonnes of graphite product per year for the first two years of operation (**Stage 1**) and a stage 2 expansion to commence operation in Year 3 that would produce approximately 108,000 tonnes of graphite product per year (**Stage 2**). Whilst the Company is confident in its ability to sell 108,000 tonnes per annum of Chilalo graphite from the beginning of the Project, a staged approach was selected in order to minimise upfront capital. This approach is expected to maximise value for existing shareholders.

A diamond drilling program of up to 3,000m is currently under way, one of the purposes of which is to upgrade the Inferred Resources to a higher confidence classification. It is anticipated that the current 3,000m diamond drilling program will enable this upgrade to progress; and given the historically very favourable conversion rate of Inferred Mineral Resources to Indicated Mineral Resources, the Company has confidence that this is likely. The results of that drilling program are expected to underpin the BFS.

With the cost of the drilling program to be met by the issue of shares (ASX announcement 13 June 2018), there is minimal impact on the Company's cash reserves. Graphex expects to issue approximately 3,800,000 shares (at \$0.28 per share) upon completion of the diamond drilling program, with the final number of shares dependent upon the actual number of metres drilled.

### Further testwork materially improved flake size

During 2018, a series of tests were undertaken by BatteryLimits Pty Ltd to further optimise coarse flake size recovery and verify previous results achieved by Suzhou Design and Research Institute, and it is these results which are included in the Updated PFS. Trench samples were taken from previously opened trench locations for the 2017 bulk pilot plant run and delivered to ALS Metallurgy Perth, to continue with the coarse flake investigation. Using the results from the preliminary work, further tests were run incorporating flash flotation of coarse material to remove the large flakes before continuing with further polishing and regrind stages to achieve the target grades.

It is anticipated that further testwork to optimise the process flow sheet will result in improved flake size and a higher value product. The Company has engaged SGS Lakefield in Canada for this purpose, with a 5 tonne sample in transit to Canada. The Company is also in discussion with Chinese graphite processing specialists regarding further testwork to enhance the value of Chilalo's product.

There have been significant improvements in flake graphite pricing since early 2017, driven by a range of factors, including:

- Supply restrictions in the Shandong and Heilongjiang provinces due to mine closures for environmental reasons;
- China's abolition of the graphite export tax on 1 January 2017; and
- Rising costs of production in China caused by low-grade, deep mining operations.

Discussions with market participants in China indicate that further upward pressure on graphite prices is expected.

### Negotiations with CN Docking

Previous discussions with CN Docking on financing the development of Chilalo under a joint venture were based on the 2015 PFS and on CN Docking's own study as part of its technical due diligence. Owing to changes to legislation governing the minerals industry in Tanzania that were introduced in July 2017 (**Amending Legislation**) (ASX announcement 7 July 2017), a joint venture arrangement with CN Docking has not been concluded. CN Docking retains interest in financing and offtake for Chilalo, however negotiations are not likely to progress further with CN Docking until there is a satisfactory resolution to issues associated with the Amending Legislation.

## Directors' report

### Statements of Sales Intent

Reflective of the expected demand for Chilalo product, the Company has signed five Statements of Sales Intent (**SSIs**) for the supply of flake graphite to expandable graphite producers and traders in China. The SSIs cover 80,000 tonnes per year of Chilalo graphite and based on discussions to date, the Company is confident that the SSIs will be converted into binding offtake agreements scaled to suit Stage 1 production.

### Infrastructure improvements

Infrastructure improvements planned in south-east Tanzania that will directly affect the Project and improve its economics include:

- Potential access to grid-connected power supply from a 300MW power station at Mtwara;
- Upgrade of the road from Nanganga to Ruangwa; and
- Construction of additional berths to expand the Mtwara Port facility.

#### *Power supply*

The Government of Japan, through the Japan International Cooperation Agency (**JICA**), has completed a study on the construction of a 300MW electrical power generation facility using natural gas in Mtwara. The proposed project involves the supply and installation of a power generation plant and a 400kV transmission line from Mtwara to Somanga Fungu in Lindi.

The project, which is estimated to cost US\$423 million, will be majority funded by a grant from JICA, with the balance to be met by a contribution from the Government of Tanzania. The Tanzanian Government contribution has been included in the budget outline for 2018-19. Tendering of contracts is expected to be finalised in 2018, with construction targeted for completion in 2020. The Tanzanian Government, through the Tanzania Electric Supply Company Limited (**TANESCO**), a government owned public utility, is constructing substations in the region to provide for the reticulation of grid power throughout south-east Tanzania. The Company has held discussions with TANESCO regarding the opportunity for Chilalo to access power supplied from the proposed Mtwara power plant and the arrangements under which this may take place.

#### *Mtwara Port*

In 2017, the Tanzanian Government approved the construction of two new berths with specialised terminals for handling different types of cargo to expand and upgrade the Mtwara Port. Construction of Berth No. 2, which is 350 metres long and designed for mixed cargo, commenced in March 2017 and is well advanced (see Figures 2 and 3). The Mtwara Port has existing capacity of 400,000 tonnes per year and this will increase to 800,000 tonnes per year on completion of Berth No. 2.

#### *Road upgrade*

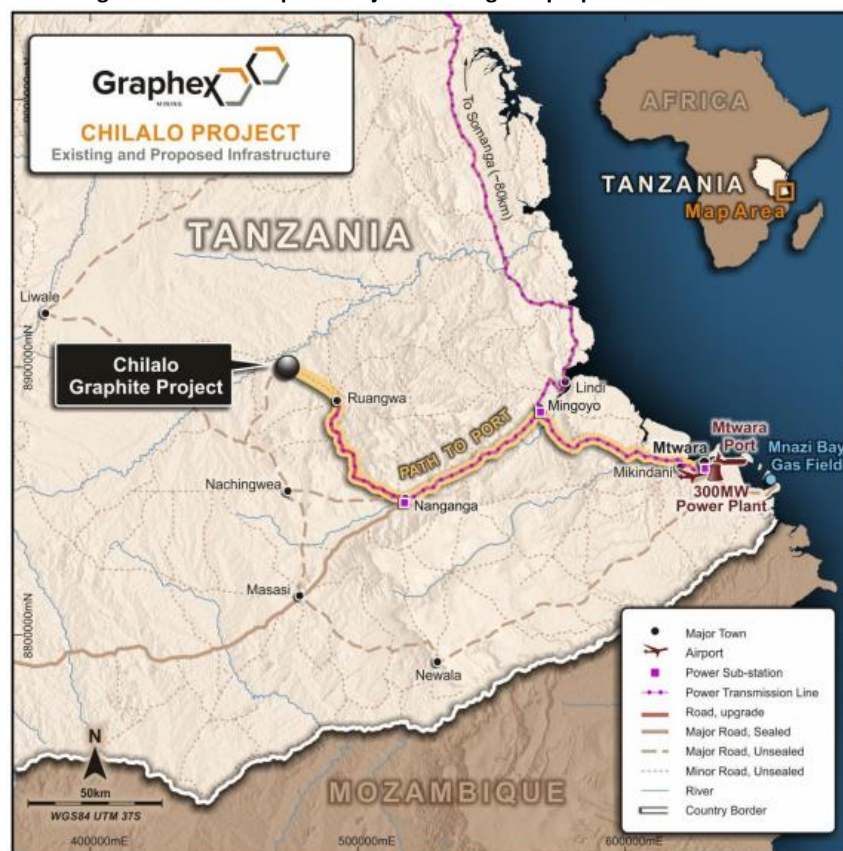
Upgrade of the road from Nanganga to Ruangwa is continuing, with the road initially being upgraded to a high-quality gravel road and progressively sealed with bitumen from Ruangwa. This would mean that all but approximately 25 kilometres of the route from Chilalo to the Mtwara Port will be bitumenised following completion of the road upgrade. The road upgrade is expected to be completed by 2020.

See figure below for a map illustrating the location of the infrastructure improvements.



## Directors' report

Figure 1. Chilalo Graphite Project: Existing and proposed infrastructure



## Corporate

### Tanzanian Government

In July 2017, the Tanzanian Government passed legislation to amend the legal and regulatory framework governing the mining sector and in 2018, published supporting regulations (**Regulations**). Over the past 12 months, the Company has continued a process of constructive engagement with the Tanzanian Government, which has included ongoing correspondence with the Ministry of Minerals and meetings with the Minister of Minerals, the Prime Minister and other senior public officials.

In August 2018, following a request from the Minister of Minerals at a meeting in June 2018, the Company provided a submission to the Tanzanian Government with respect to the development of the Chilalo Graphite Project (**Submission**). The Submission, is a comprehensive document that identified 10 key issues associated with the Amending Legislation and the Regulations that are central to the ability of resources companies operating in Tanzania to obtain the finance required for project development. It includes input from independent experts, comparison with the legislative position in other African countries and proposals to address the identified issues in a manner that allows for the development of new mines that delivers benefits to all stakeholders.

The Company has been encouraged by the Government's willingness to engage on these issues and to consider proposals that would facilitate the financing of the Chilalo Project.

Since its inauguration in June 2018, the Mining Commission issued guidelines on the form and content of the Local Content Plan and regulations with respect to the Integrity Pledge in July 2018, and a number of mining licences were granted in August 2018. The Company considers these initiatives to be positive developments as the Tanzanian Government seeks to provide greater certainty on the legal and regulatory framework and to restore investor confidence in the mining industry.

## Directors' report

### Strategy

The Group's strategy is to maximise shareholder value through development of its Chilalo Graphite Project. The Group's short to medium-term strategic goals are to:

- Complete a Bankable Feasibility Study;
- Secure funding for the development of Chilalo through a mix of strategic investment and debt;
- Obtain offtake for planned graphite production; and
- Bring the Chilalo Project into production.

Since its admission to the official list of ASX in June 2016, the Company has used available funds in a manner that is consistent with its business objectives.

### Information on Directors

<b>Mr Stephen Dennis BCom, LLB GDipAppFin (FINSIA) – Non-Executive Chairman</b>		
Experience and expertise	Stephen Dennis has been actively involved in the mining industry for over 30 years. He has held senior management positions at MIM Holdings Limited, Minara Resources Limited and Brambles Australia Limited. Mr Dennis was previously the Chief Executive Officer and Managing Director of CBH Resources Limited, the Australian subsidiary of Toho Zinc Co., Ltd of Japan.	
Other current directorships	Heron Resources Limited (Non-Executive Chairman) Rox Resources Limited (Non-Executive Chairman) Cott Oil and Gas Limited (Non-Executive Chairman) LeadFx Inc. (Non-Executive Chairman)	
Former directorships in the last 3 years	CBH Resources Limited	
Special responsibilities	Chairman	
Interests in shares and options	Ordinary shares	475,735
	Unlisted options	1,000,000
	Loyalty options pursuant to IPO	124,999

<b>Mr Grant Davey BSc – Non-Executive Director</b>		
Experience and expertise	Grant Davey has over 20 years of senior management and operational experience in the construction and operation of gold, platinum and coal mines in Africa, Australia, South America and Russia. More recently, he has been involved in venture capital investments in several Canadian and Australian listed exploration and mining projects. Mr Davey was instrumental in acquiring the Honeymoon Uranium Project in South Australia and was the Managing Director of Cradle Resources Limited and founder and Managing Director of the Panda Hill niobium project in Tanzania.	
Other current directorships	Boss Resources Limited (Non-Executive Director) Cradle Resources Limited (Executive Director) Superior Lake Resources Limited (Non-Executive Director) Matador Capital (Executive Director)	
Former directorships in the last 3 years	Nil	
Special responsibilities	Nil	
Interests in shares and options	Ordinary shares	350,000
	Unlisted options	1,000,000
	Loyalty options pursuant to IPO	83,333

## Directors' report

<b>Philip Hoskins BCom, CA, GDipAppFin (FINSIA) – Managing Director</b>		
Experience and expertise	Mr Hoskins commenced his career at a large international accounting firm and has since gained corporate experience with both Australian and international listed companies. He is a senior executive with 15 years of broad finance and commercial experience across resources exploration, project development and production as well as large-scale property developments requiring debt and equity financing. He was appointed as IMX's Managing Director in October 2015 after being Chief Executive Officer from September 2014, before which he spent almost three years as IMX's Chief Financial Officer. Mr Hoskins became the Managing Director of Graphex in June 2016.	
Other current directorships	Nil	
Former directorships in the last 3 years	IMX Resources Limited (Managing Director)	
Special responsibilities	Nil	
Interests in shares and options	Ordinary shares	466,998
	Unlisted options	2,438,238
	Loyalty options pursuant to IPO	83,333

<b>Stuart McKenzie LLB, BEc. (Hons.), AGIA, ACIS – Company secretary</b>	
Experience and expertise	Mr McKenzie has over 30 years of experience in senior commercial roles. He was previously Company Secretary with Anvil Mining Limited for almost six years, prior to which he held senior positions with Ok Tedi Mining Limited, Ernst and Young and HSBC.

### Meetings of Directors

The number of meetings of the Company's Directors held during the period ended 30 June 2018 and the number of meetings attended by each Director is shown below:

	Meetings of Directors	
	Held	Attended
S Dennis	8	8
G Davey	8	8
P Hoskins	8	8

As at the date of this report, there is no audit and risk committee or remuneration committee. The Board has determined that given the size and composition of the Board and the scale of the Company's activities, the functions of those committees ought to be performed by the Board. For further information, please see the Company's Corporate Governance Statement.

### Remuneration report (audited)

#### (a) Key management personnel covered in this report

This Remuneration Report sets out information relating to the remuneration of the key management personnel (**KMP**) of the Group during the 2018 financial year. KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company and Group, directly or indirectly. The KMP for the 2018 financial year are as set out below.

#### Non-Executive and Executive Directors

Name	Position
S Dennis	Non-Executive Chairman
G Davey	Non-Executive Director
P Hoskins	Managing Director

#### Other KMP

Name	Position
S McKenzie	Commercial Manager and Company Secretary
N Corlis	General Manager – Technical (redundant 19 October 2017)
C Knee	Chief Financial Officer

## Directors' report

On 19 July 2017, the Company and Mr Nicholas Corlis reached agreement under which Mr Corlis would cease employment with the Company. In accordance with Mr Corlis' employment contract, Mr Corlis remained employed by the Company up to 19 October 2017.

### (b) Remuneration policy and link to performance

The Group's approach to remuneration is designed to attract and retain key executive talent, recognise the individual contributions of the Group's people, and motivate them to achieve strong performance aligned to the business strategy, whilst discouraging excessive risk taking.

In summary, the Group's approach to remuneration is to:

- Provide remuneration that is competitive and consistent with market standards;
- Align remuneration with the Company's overall strategy and shareholder interests;
- Reward superior performance within an objective and measurable incentive framework;
- Ensure that executives understand the link between individual reward and Group and individual performance;
- Be at a level acceptable to shareholders; and
- Apply sufficiently flexible remuneration practices that enable the Company to respond to changing circumstances.

All Executive KMP remuneration is comprised of the following:

- Fixed (base remuneration):
  - Contractual salary; and
  - Legislated superannuation guarantee (9.5% of gross salary for 2018).
- At risk component:
  - Short-term incentive (STI) – described further in the table below; and
  - Long-term incentive (LTI) – described further in the table below.

Element	Purpose	Performance metrics	Potential value
Base (fixed) remuneration	Provide a market competitive salary, including superannuation.	Nil	Within industry averages for the position's required skill and experience. Third party advice is sought periodically to ensure these are at or close to market median.
STI	Equity based reward for 12 month performance.	Health and safety, corporate objectives and project development objectives. Company strategy is set at the Board level and is used to determine the Managing Director's KPIs, which are then cascaded down to the other Executives.	Managing Director up to 40% of base remuneration, other KMP up to 20% of base remuneration.
LTI	Alignment with growth in long-term shareholder value over a three year period.	Achievement of key Company objectives, such as obtaining offtake and funding for the development of Chilalo and share price targets.	Managing Director and other KMP up to 55% of base remuneration on an annual basis.

### Balancing short-term and long-term performance

The Company considers performance-based remuneration to be a critical component of the overall remuneration framework, by providing a remuneration structure that rewards employees for achieving goals that are aligned to the Group's strategy and objectives. Both STIs and LTIs are issued under the Graphex Mining Limited Option Plan (**Option Plan**).

## Directors' report

### Short-term incentives

The STI scheme operates to link performance and reward with key measurable financial and non-financial performance indicators to provide employees with clear and understandable targets that are aligned with the Group's objectives.

STIs are in the form of zero exercise price options which vest on completion of the one-year period. The number of options that vest is determined by assessment of individual performance against stated objectives to determine the percentage of objectives that has been achieved. This percentage is then applied to the options granted in order to determine the number of options that vest. The employee then has two years in which to exercise the options for nil consideration. Each vested STI option represents a right to be issued one Graphex share.

With respect to options as STIs during the 2018 financial year, the applicable performance indicators relate to the following areas of the Group's activities, performance against which determines STI outcomes:

- Health and safety results at the Group's exploration projects;
- Procuring offtake and finance for development of the Chilalo Graphite Project; and
- Individual performance against agreed KPIs.

The Board sets the objectives of the Managing Director and these are then cascaded down through the organisation to ensure alignment of objectives. The STI performance objectives are communicated to KMPs at the beginning of the twelve month performance period, with performance evaluations conducted following the end of the respective twelve month performance period. Subsequent to year-end, the Board reviewed performance against individual KPI measures and approved the vesting of a percentage of the 2018 STI. Details of the KMPs' 2018 vested STIs are summarised in the table below. As the vesting date for the options is 1 July 2018, the options vested in the table below have not been reflected in notes e) and f).

KMP	Position	Total opportunity	Percentage of total STI granted	STI vesting as a percentage of base package <sup>(1)</sup>	Options to vest <sup>(1)</sup>
P Hoskins	Managing Director	433,644	Nil	Nil	-
S McKenzie	Commercial Manager and Company Secretary	145,794	Nil	Nil	-
C Knee	Chief Financial Officer	127,102	Nil	Nil	-

<sup>(1)</sup> The value of vested options used to determine the percentage of base package, is the share price at date of issue of the options.

<sup>(2)</sup> On 19 July 2017, Mr Nicholas Corlis was made redundant.

### Long-term incentives

The KMP remuneration structure also seeks to drive performance and align with shareholder interests through LTI equity-based remuneration. This involves the issue of zero exercise price options to KMP as LTIs. The vesting criteria for LTIs granted in 2017 relating to KPI's for the 2018 year were:

- Share price performance;
- Completion of a definitive feasibility study for the development of Chilalo;
- Execution of project financing and offtake agreements for the development of Chilalo; and
- Commencement of commercial production at Chilalo.

Subject to performance against agreed vesting criteria, LTIs vest three years from the grant date and expire five years from the grant date. Each vested LTI option represents a right to be issued one Graphex share. KMPs are assessed against applicable KPIs on the third anniversary from the date of issue. Given the Company issued LTIs for the first time in 2016, the first assessment will take place following completion of the 2019 financial year.

## Directors' report

During the year Mr Corlis became a Leaver under the Option Plan. When an executive becomes a Leaver, the Board has discretion to vest LTIs. In recognition of Mr Corlis contribution to the Company, the Board approved the vesting of 50% of Mr Corlis' LTIs, a benefit that represented approximately 27% of his base salary.

### (c) Contractual arrangements with executive KMP's

Component	Managing Director	Other KMP - Senior executives
Fixed remuneration	\$290,000 plus superannuation effective from 1 January 2017	\$170,000 to \$210,000 plus superannuation
Contract duration	Ongoing contract	Ongoing contract
Notice by individual	3 months	3 months
Notice by Company	6 months	3 months
Change of control bonus payment	12 months fixed remuneration. In the event of a change of control, any unvested options will immediately vest on the date that the change of control event occurs, so as to permit the option holder to exercise such options.	6 months fixed remuneration. In the event of a change of control, any unvested options will immediately vest on the date that the change of control event occurs, so as to permit the option holder to exercise such options.
Termination of employment (with or without cause)	Unvested STIs and LTIs to be automatically forfeited unless the Board determines in its discretion to vest some or all of the options.	

### (d) Non-Executive Director arrangements

Non-Executive Directors receive an annual fee, paid quarterly. No compensation other than the annual fee (including superannuation) was paid to Directors in 2018. As the Company is not of sufficient size to have separate audit and remuneration committees, no additional fees are paid in connection with the provision of these services.

Non-Executive Director fees are reviewed annually by the Board taking into account comparable roles and market data. Directors' fees will next be reviewed in July 2019, with no changes made in the 2018 financial year. Annual Directors' Fees were approved by shareholders on 25 February 2016 with a maximum pool of \$250,000 per year available for non-executive Directors. Fees for the financial year are as follows:

- Non-Executive Chairman – \$60,000 plus superannuation
- Non-Executive Director – \$40,000 plus superannuation

All Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment which summarises the key terms and conditions of the Non-Executive Director's appointment.

### (e) Remuneration expenses for key management personnel

The following table shows details of the remuneration expense recognised for the Group's KMP for the current financial period measured in accordance with the requirements of the accounting standards:

## Directors' report

### 2018 financial year

Name	Fixed remuneration			Variable			Total
	Cash salary	Annual and long service leave	Post-employment benefits	STI / LTI share based payment	Termination	Re-charge under Co-operation Deed	
<b>Non-executive directors</b>							
S Dennis	60,000	-	5,700	-	-	-	65,700
G Davey	40,000	-	3,800	-	-	-	43,800
<b>Executive directors</b>							
P Hoskins	290,000	21,195	20,049	147,638	-	-	478,881
<b>Other KMP</b>							
N Corlis	63,227	-	6,031	28,875	28,269	-	126,402
S McKenzie	188,525	1,207	25,000	80,153	-	(55,828)	239,056
C Knee	170,000	1,785	16,150	73,152	-	(46,042)	215,045
<b>Total executive and other KMP</b>	<b>711,752</b>	<b>24,187</b>	<b>67,230</b>	<b>329,818</b>	<b>28,269</b>	<b>(101,870)</b>	<b>1,059,385</b>
<b>Total NED remuneration</b>	<b>100,000</b>	<b>-</b>	<b>9,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109,500</b>
<b>Total KMP remuneration expensed</b>	<b>811,752</b>	<b>24,187</b>	<b>76,730</b>	<b>329,818</b>	<b>28,269</b>	<b>(101,870)</b>	<b>1,168,885</b>

In order to minimise administrative costs, the Group has entered into a Cooperation Deed with Indiana Resources Limited (**Indiana**) under which Graphex and Indiana agree to share certain costs. Mr McKenzie and Mr Knee spend a portion of their time working for Indiana, with this time recharged by the Group to Indiana. This is presented in the table above as the Recharge under Cooperation Deed. The total amount recharged to Indiana for the period was \$101,870 (2017: \$154,000).

### 2017 financial year

Name	Fixed remuneration			Variable			Total
	Cash salary	Annual and long service leave	Post-employment benefits	STI / LTI share based payment	Cash STI	Re-charge under Co-operation Deed	
<b>Non-executive directors</b>							
S Dennis	60,000	-	5,700	-	-	-	65,700
G Davey	40,000	-	-	-	-	-	40,000
<b>Executive directors</b>							
P Hoskins	275,000	4,211	19,616	66,042	25,000	-	389,869
<b>Other KMP</b>							
N Corlis	210,000	5,792	19,616	52,089	-	(84,000)	203,497
S McKenzie	162,000	5,306	35,000	39,267	-	(36,000)	205,573
C Knee	170,000	(5,313)	16,150	35,045	-	(34,000)	181,882
<b>Total executive and other KMP</b>	<b>817,000</b>	<b>9,996</b>	<b>90,382</b>	<b>192,443</b>	<b>25,000</b>	<b>(154,000)</b>	<b>980,821</b>
<b>Total NED remuneration</b>	<b>100,000</b>	<b>-</b>	<b>5,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,700</b>
<b>Total KMP remuneration expensed</b>	<b>917,000</b>	<b>9,996</b>	<b>96,082</b>	<b>192,443</b>	<b>25,000</b>	<b>(154,000)</b>	<b>1,086,521</b>

### (f) Additional statutory information

#### Relative proportions of fixed and variable remuneration expense

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense above:

## Directors' report

Name	2018		2017	
	Fixed remuneration	At risk remuneration - STI / LTI	Fixed remuneration	At risk remuneration - STI / LTI
<b>Managing Director</b>				
P Hoskins	69%	31%	77%	23%
<b>Other KMP</b>				
N Corlis	53%	47%	82%	18%
S McKenzie	73%	27%	84%	16%
C Knee	72%	28%	84%	16%

### Performance based remuneration granted and forfeited

The remuneration of KMPs was approved by the Board in August 2017. The first assessment of performance against the stated objectives took place in August 2018 as outlined in note (b) above.

### Options

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Vesting date	Expiry date	Exercise price	Value per option at grant date	Performance achieved	% Vested
9-Jun-16	9-Jun-16	9-Jun-19	\$0.20	\$0.13	100%	100%
9-Jun-16	1-Jul-17	9-Jun-19	Nil	\$0.20	61%	100%
9-Jun-16	1-Jul-19	9-Jun-21	Nil	\$0.20	13%	38%
27-Sept-17	01-Jul-18	01-Jul-20	Nil	\$0.24	Post year end <sup>1</sup>	Nil
27-Sept-17	01-Jul-20	01-Jul-22	Nil	\$0.24	To be determined <sup>2</sup>	Nil
21-Nov-17	1-Jul-19	9-Jun-21	Nil	\$0.28	To be determined <sup>2</sup>	Nil
21-Nov-17	1-Jul-20	1-Jul-22	Nil	\$0.28	To be determined <sup>2</sup>	Nil
21-Nov-17	01-Jul-18	01-Jul-20	Nil	\$0.28	Post year end <sup>1</sup>	Nil

<sup>1</sup> Subsequent to year end zero options have vested in line with the Board's assessment which is disclosed in note (b) above.

<sup>2</sup> To be determined after the options have past the vesting date.

The number of options over ordinary shares in the Company provided as remuneration to KMP is shown below. The options carry no dividend or voting rights. See section (b) above for the conditions that must be satisfied for the options to vest. When exercisable, each option is convertible into one ordinary share of the Company.

### Reconciliation of options held by KMP

The table below shows a reconciliation of options held by each KMP from the beginning to the end of the 2018 period. All vested options were exercisable.



## Directors' report

2018	Balance at the start of the period		Granted as compensation	Vested		Exercised	Forfeited		Balance at end of period	
Name and Grant dates	Vested	Unvested		Number	%		Number	%	Vested	Unvested
<b>S Dennis</b>										
9-Jun-16	1,000,000	-	-	-	-	-	-	-	1,000,000	-
9-Jun-16	124,999	-	-	-	-	-	-	-	124,999	-
<b>G Davey</b>										
9-Jun-16	1,000,000	-	-	-	-	-	-	-	1,000,000	-
9-Jun-16	83,333	-	-	-	-	-	-	-	83,333	-
<b>P Hoskins</b>										
9-Jun-16	-	520,000	-	260,000	50%	-	(260,000)	50%	260,000	-
9-Jun-16	-	715,000	-	-	-	-	(238,333)	33%	-	476,667
9-Jun-16	350,000	-	-	-	-	-	-	-	350,000	-
9-Jun-16	83,333	-	-	-	-	-	-	-	83,333	-
21-Nov-17	-	-	238,333	-	-	-	-	-	-	238,333
21-Nov-17	-	-	596,261	-	-	-	-	-	-	596,261
21-Nov-17	-	-	433,644	-	-	-	-	-	-	433,644
<b>N Corlis</b>										
9-Jun-16	-	210,000	-	139,650	67%	-	(70,350)	33%	139,650	-
9-Jun-16	-	577,500	-	288,750	50%	-	(288,750)	50%	288,750	-
9-Jun-16	250,000	-	-	-	-	-	-	-	250,000	-
9-Jun-16 <sup>1</sup>	16,666	-	-	-	-	-	-	-	16,666	-
<b>S McKenzie</b>										
9-Jun-16	-	180,000	-	136,800	76%	-	(43,200)	24%	136,800	-
9-Jun-16	-	495,000	-	-	-	-	(165,000)	33%	-	330,000
9-Jun-16	250,000	-	-	-	-	-	-	-	250,000	-
9-Jun-16 <sup>1</sup>	16,666	-	-	-	-	-	-	-	16,666	-
21-Nov-17	-	-	164,500	-	-	-	-	-	-	164,500
27-Sept-17	-	-	145,794	-	-	-	-	-	-	145,794
27-Sept-17	-	-	400,934	-	-	-	-	-	-	400,934
<b>C Knee</b>										
9-Jun-16	-	170,000	-	119,000	70%	-	(51,000)	30%	119,000	-
9-Jun-16	-	467,500	-	-	-	-	(155,833)	33%	-	311,667
9-Jun-16	150,000	-	-	-	-	-	-	-	150,000	-
9-Jun-16 <sup>1</sup>	16,666	-	-	-	-	-	-	-	16,666	-
21-Nov-17	-	-	155,833	-	-	-	-	-	-	155,833
27-Sept-17	-	-	127,102	-	-	-	-	-	-	127,102
27-Sept-17	-	-	349,532	-	-	-	-	-	-	349,532

## Directors' report

### (f) Additional statutory information (continued)

#### Shareholdings

Name	Balance at start of period	Received during the period on the exercise of options	Other changes during the period	Ceasing to be a member KMP	Balance at end of the period
S Dennis <sup>1</sup>	375,000	-	100,000	-	475,000
G Davey <sup>1</sup>	250,000	-	100,000	-	350,000
P Hoskins <sup>1</sup>	366,998	-	100,000	-	466,998
N Corlis	113,004	-	-	(113,004)	-
S McKenzie	142,221	-	-	-	142,221
C Knee	73,652	-	-	-	73,652

<sup>1</sup> During the year, the Directors subscribed for 320,572 shares in a share placement completed by the Company in March 2018, the issue of which is subject to shareholder approval at the upcoming annual general meeting. Mr. Dennis, Mr Davey and Mr Hoskins subscribed for 71,000, 178,572 and 71,000 shares respectively, which are not included in the shareholdings shown above.

None of the shares in the above table are held nominally by the Directors or by any of the other KMP.

#### Loans to KMP

There were no loans made to Directors or KMP.

#### Reliance on external remuneration consultants

In performing its role, the Board may seek advice from independent remuneration consultants where appropriate, to make recommendations as to the nature and amount of remuneration payable to KMPs. Remuneration consultants are engaged by, and report directly to the Board. In 2018, the Board did not engage an independent remuneration consultant to review the Company's remuneration structure. Having considered publicly available information on the remuneration practices of peer group companies and obtained advice from an independent human resources consultant, the Board believes that current remuneration arrangements are appropriate.

#### Shares under option

##### Unissued ordinary shares

Unissued ordinary shares of the Company under option held by Directors and KMP that formed part of remuneration at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
9-Jun-16	9-Jun-19	\$0.20	3,000,000
9-Jun-16	9-Jun-19	Nil	655,450
9-Jun-16	9-Jun-21	Nil	1,118,334
27-Sep-17	01-Jul-20	Nil	272,896
27-Sep-17	01-Jul-22	Nil	750,466
21-Nov-17	9-Jun-21	Nil	558,666
21-Nov-17	1-Jul-22	Nil	596,261
21-Nov-17	01-Jul-20	Nil	433,644

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

#### Voting of shareholders at last year's Annual General Meeting

The Group received 90.7% of "yes" votes on its remuneration report for the 2018 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

#### END OF REMUNERATION REPORT

## Directors' report

### Insurance of officers and indemnities

The Graphex constitution allows the Company to indemnify each Director or officer of the Company, to the extent permitted by law, against liability incurred in or arising out of the conduct of the business of the Company or the discharge of the duties of the Directors or officers.

The Group has granted indemnities under deeds of indemnity with its current Directors and officers. In conformity with the constitution, each deed of indemnity indemnifies the relevant Director or officer to the full extent permitted by law. Where applicable, each deed of indemnity indemnifies the relevant Director, officer or employee to the fullest extent permitted by law for liabilities incurred whilst acting as a director, officer or employee of the Company, any of its related bodies corporate and any outside entity, where such an office is held at the request of the Company.

The Group has a policy that it will, as a general rule, support and hold harmless an employee who, while acting in good faith, incurs personal liability to others as a result of working for the Group.

No indemnity has been granted to an auditor of the Group in their capacity as auditors of the Group.

During the period, the Group paid insurance premiums (inclusive of fees and charges) in respect of directors' and officers' liability insurance of \$75,434 (ex goods and services tax (GST)).

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

### 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.

No proceedings have been brought, or intervened in, on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

### Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the period are set out below.

The Board has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

## Directors' report

	2018 \$	2017 \$
<b>(a) PricewaterhouseCoopers Australia (PwC)</b>		
<b>(i) Audit and assurance services</b>		
Audit of financial statements - Australia	61,000	60,690
Audit of financial statements - Tanzania	13,778	14,574
Total audit and assurance remuneration	74,778	75,264
<b>(ii) Taxation services</b>		
Taxation services - Australia	47,583	27,524
Taxation services - Tanzania	11,366	-
Total taxation remuneration	58,949	27,524

### Auditor independence

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 22.

### Rounding amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order.

### Annual Statement of Ore Reserves and Mineral Resources

#### Chilalo Project: Ore Reserve and Mineral Resource Estimate

Domain	Classification	Tonnes (Mt)	TGC (%)	Contained Graphite (kt)
High-grade zone	Probable Reserve	5.3	10.9	576
<b>Total ore reserves</b>	<b>Probable Reserve</b>	<b>5.3</b>	<b>10.9</b>	<b>576</b>
High-grade zone	Indicated	5.2	11.9	622
High-grade zone	Inferred	11.7	9.4	1,100
<b>Total high-grade resource</b>	<b>Indicated and Inferred</b>	<b>16.9</b>	<b>10.2</b>	<b>1,722</b>
Low-grade zone	Inferred	36.6	3.5	1,265
<b>Total resource</b>	<b>Indicated and Inferred</b>	<b>53.5</b>	<b>5.6</b>	<b>2,987</b>

Mineral Resources are inclusive of Ore Reserves. The Ore Reserve was estimated applying an 8% TGC cut-off and allows for mining ore loss of 5% and dilution of 10%. The Mineral Resource was estimated within constraining wireframe solids using a core high grade domain defined above a nominal 5% TGC cut-off within a surrounding low-grade zone defined above a nominal 2% TGC cut-off. The resource is quoted from all classified blocks within these wireframe solids. Differences may occur due to rounding.

### Competent persons' statements

#### Mineral Resources

Information in this annual report that relates to in situ Mineral Resources for Chilalo is based on information compiled by Mr. Grant Louw under the direction and supervision of Dr Andrew Scogings, who are both full-time employees of CSA Global Pty Ltd. Dr Scogings takes overall responsibility for the report. Dr Scogings is a Member of both the Australian Institute of Geoscientists and Australasian Institute of Mining and Metallurgy and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code 2012). Dr Scogings consents to the inclusion of such

## Directors' report

information in this annual report in the form and context in which it appears. Graphex confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 20 September 2018 and that all material assumptions and technical parameters underpinning the estimates in the announcement of 20 September 2018 continue to apply and have not materially changed.

### Ore Reserves

The information in this annual report that relates to the Ore Reserve at the Chilalo Project is based on information compiled by Mr Karl van Olden, a Competent Person, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Karl van Olden is employed by CSA Global Pty Ltd, an independent consulting company. Mr van Olden has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code 2012. Mr van Olden consents to the inclusion in this annual report of the matters based on his information in the form and context in which it appears. Graphex confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 20 September 2018 and that all material assumptions and technical parameters underpinning the estimates in the announcement of 20 September 2018 continue to apply and have not materially changed.

### Updated PFS

The information in this annual report that relates to metallurgical test work management, interpretation of results and process design for the Updated PFS is based on information compiled and reviewed by Mr David Pass, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Pass is an employee of BatteryLimits Pty Ltd. Mr Pass has sufficient experience relevant to the mineralogy and type of deposit under consideration and the typical beneficiation thereof to qualify as a Competent Person as defined by the JORC Code 2012 Edition. Mr Pass consents to the inclusion in the annual report of the matters based on the reviewed information in the form and context in which it appears. Graphex confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 20 September 2018 and that all material assumptions and technical parameters underpinning the estimates in the announcement of 20 September 2018 continue to apply and have not materially changed.

The information in this annual report that relates to the process plant and infrastructure design for the Updated PFS is based on information compiled and reviewed by Mr David Pass, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Pass is an employee of BatteryLimits Pty Ltd. Mr Pass has sufficient experience relevant to process plant and infrastructure design thereof to qualify as a Competent Person as defined by the JORC Code 2012 Edition. Mr Pass consents to the inclusion in the annual report of the matters based on the reviewed information in the form and context in which it appears. Graphex confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 20 September 2018 and that all material assumptions and technical parameters underpinning the estimates in the announcement of 20 September 2018 continue to apply and have not materially changed.

### Ore Reserves and Mineral Resources Governance

Graphex reviews its Mineral Resource and Ore Reserve estimates on an annual basis. The Annual Statement of Mineral Resources and Ore Reserves (see page 19) is prepared in accordance with the JORC Code 2012 and the ASX Listing Rules.

Competent Persons named by the Company are members of the Australian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists and qualify as Competent Persons as defined under the JORC Code 2012.

The Company engages external consultants and Competent Persons to prepare and calculate estimates of its Mineral Resources and Ore Reserves. These estimates and underlying assumptions are reviewed by the Directors and management for reasonableness and accuracy. The results of the Mineral Resource and Ore Reserve estimates are then reported in accordance with the JORC Code 2012 and the ASX Listing Rules. Where material changes occur to a project during the period, including the project's size, title, exploration results or other technical information, previous resource estimates and market disclosures are reviewed for completeness. The Company reviews its Mineral Resources and Ore Reserves as at 30 June each year and where a material change has occurred in the assumptions or data used in previously reported Mineral Resources and Ore Reserves, a revised estimate will be prepared as part of the annual review process.

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



Stephen Dennis  
Chairman of the Board  
PERTH  
On the 27th day of September 2018

## Corporate governance statement

Graphex and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Graphex has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2018 corporate governance statement is dated as at 30 June 2018 and reflects the corporate governance practices in place throughout the 2018 financial year. The 2018 corporate governance statement was approved by the Board on 25 September 2018. A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement which can be viewed on the Company's website at [www.graphexmining.com.au/corporate-governance/](http://www.graphexmining.com.au/corporate-governance/).



## *Auditor's Independence Declaration*

As lead auditor for the audit of Graphex Mining Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Graphex Mining Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Ben Gargett'.

Ben Gargett  
Partner  
PricewaterhouseCoopers

Perth  
27 September 2018

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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T: +61 8 9238 3000, F: +61 8 9238 3999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

## Consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2018

	Notes	30 June 2018 \$	30 June 2017 \$
<b>Continuing operations</b>			
Research and development rebate		201,826	16,544
Other income		21,392	47,065
Corporate and administration expenses		(1,150,796)	(1,296,133)
Employee benefits		(911,489)	(845,734)
Business development and marketing		(976,724)	(993,206)
Exploration expenses	1	(951,705)	(1,389,808)
Share based payments		(341,580)	(201,582)
<b>Loss before income tax</b>		<b>(4,109,076)</b>	<b>(4,662,853)</b>
Income tax benefit	3	-	-
<b>Loss for the period</b>		<b>(4,109,076)</b>	<b>(4,662,853)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		2,507	27,613
<b>Total comprehensive loss for the period</b>		<b>(4,106,569)</b>	<b>(4,635,240)</b>
<b>Net loss is attributable to:</b>			
Owners of Graphex Mining Limited		(4,109,076)	(4,662,853)
<b>Total comprehensive loss is attributable to:</b>			
Owners of Graphex Mining Limited		(4,106,569)	(4,635,240)
<b>Earnings per share attributable to owners of the Company</b>			
Basis EPS	24	(0.06)	(0.08)
Diluted EPS	24	(0.06)	(0.08)

The above consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements.



## Consolidated balance sheet

as at 30 June 2018

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	1,838,886	1,149,777
Trade and other receivables	5	164,337	123,160
<b>Total current assets</b>		<b>2,003,223</b>	<b>1,272,937</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	126,335	126,816
Exploration and evaluation	7	5,000,000	5,000,000
<b>Total non-current assets</b>		<b>5,126,335</b>	<b>5,126,816</b>
<b>Total assets</b>		<b>7,129,558</b>	<b>6,399,753</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	(231,132)	(382,460)
Provisions	9	(159,845)	(165,659)
<b>Total current liabilities</b>		<b>(390,977)</b>	<b>(548,119)</b>
<b>Total liabilities</b>		<b>(390,977)</b>	<b>(548,119)</b>
<b>Net assets</b>		<b>6,738,581</b>	<b>5,851,634</b>
<b>EQUITY</b>			
Share capital	10	15,111,194	10,459,258
Reserves	11	1,655,731	1,311,644
Retained earnings	12	(10,028,344)	(5,919,268)
<b>Total equity</b>		<b>6,738,581</b>	<b>5,851,634</b>

The above consolidated balance sheet is to be read in conjunction with the notes to the financial statements.

**Consolidated statement of changes in equity**  
for the period ended 30 June 2018

Notes	Contributed equity	Foreign currency translation reserve	Share based payment reserve	Retained earnings	Total equity
	\$	\$	\$	\$	\$
<b>Balance as at 30 June 2016</b>	9,775,383	(3,134)	1,085,583	(1,256,415)	9,601,417
<b>Total comprehensive loss for the period:</b>					
Loss for the period	-	-	-	(4,662,853)	(4,662,853)
Foreign exchange translation differences	-	27,613	-	-	27,613
Total comprehensive loss for the period	-	27,613	-	(4,662,853)	4,635,240
<b>Transactions with owners in their capacity as owners:</b>					
Issue of shares net of transaction costs	10(b) 683,875	-	-	-	683,875
Employee share schemes - value of employee services	22(b) -	-	201,582	-	201,582
<b>Balance at 30 June 2017</b>	10,459,258	24,479	1,287,165	(5,919,268)	5,851,634
<b>Total comprehensive loss for the period:</b>					
Loss for the period	-	-	-	(4,109,076)	(4,109,076)
Foreign exchange translation differences	-	2,507	-	-	2,507
Total comprehensive loss for the period	-	2,507	-	(4,109,076)	(4,106,569)
<b>Transactions with owners in their capacity as owners:</b>					
Issue of shares net of transaction costs	10(b) 4,651,936	-	-	-	4,651,936
Employee share schemes - value of employee services	22(b) -	-	341,580	-	341,580
<b>Balance at 30 June 2018</b>	15,111,194	26,986	1,628,745	(10,028,344)	6,738,581

The above consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements.

## Consolidated statement of cash flows

for the period ended 30 June 2018

	Notes	30 June 2018 \$	30 June 2017 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(2,108,949)	(1,832,108)
Business development and marketing		(1,053,224)	(1,433,759)
Payment of exploration expenditure		(984,525)	(1,112,959)
Other income		21,392	47,065
Receipts from research and development rebate		201,826	16,544
<b>Net cash (outflow) from operating activities</b>	<b>13</b>	<b>(3,923,480)</b>	<b>(4,315,217)</b>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(41,128)	(5,561)
<b>Net cash (outflow) from investing activities</b>		<b>(41,128)</b>	<b>(5,561)</b>
<b>Cash flows from financing activities</b>			
Transaction costs associated with IPO		-	(287,055)
Proceeds from the issue of ordinary shares	<b>10(b)</b>	<b>5,037,082</b>	746,146
Share issue transaction costs		(385,147)	(62,271)
<b>Net cash flow from financing activities</b>		<b>4,651,935</b>	396,820
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>687,327</b>	(3,923,958)
Cash and cash equivalents at the beginning of the period		1,149,777	5,074,863
Effects of exchange rate changes on cash and cash equivalents		1,782	(1,128)
Cash and cash equivalents at the end of the period	<b>4</b>	<b>1,838,886</b>	1,149,777

The above consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

## Notes to the financial statements

### CALCULATIONS AND EXPLANATIONS OF BALANCES

This section provides additional information about the individual line items in the financial statements that the Directors consider most relevant in the context of the entity, including:

- a) accounting policies that are relevant for the understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction;
- b) analysis and sub-totals, including segment information; and
- c) information about estimates and judgements made in relation to particular items.

#### 1. Material expense items

##### (a) Employee expenses

	2018	2017
	\$	\$
Salaries	1,067,891	1,012,214
Share based payments	341,580	201,582
Superannuation	97,757	110,213
Changes in leave provisions	(6,074)	16,506
	<b>1,501,153</b>	<b>1,340,515</b>

Employee expenses above include all employee expenses of all departments in the Group. On the face of the Consolidated statement of profit or loss and other comprehensive income, technical and exploration staff wages of \$238,180 (2017: \$332,483) are included as exploration expenses. Employee benefits expense on the face of the statements therefore includes only corporate and administrative staff.

#### 2. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision makers, being the Directors. The Group's reportable segments in accordance with AASB 8 are as follows:

- Exploration – exploration carried out in Tanzania; and
- Unallocated – management of corporate affairs.

The segments have applied the same accounting policies as applied to the Group and disclosed in note 26 of these financial statements.

	30-Jun-18			30-Jun-17		
	Exploration Tanzania \$	Unallocated \$	Total \$	Exploration Tanzania \$	Unallocated \$	Total \$
Other income	-	21,392	21,394	-	47,066	47,066
Research and development rebate	-	201,826	201,826	-	16,545	16,545
<b>Total income</b>	-	<b>223,218</b>	<b>223,218</b>	-	<b>63,611</b>	<b>63,611</b>
Depreciation and amortisation	(28,563)	(14,717)	(43,280)	(30,601)	(16,171)	(46,772)
Share based payments	-	(341,580)	(341,580)	-	(201,582)	(201,582)
Exploration expenses	(951,705)	-	(951,705)	(1,277,633)	-	(1,277,633)
Other expenses	(321,182)	(2,674,547)	(2,995,729)	(332,599)	(2,867,878)	(3,200,477)
<b>Segment loss</b>	<b>(1,301,449)</b>	<b>(2,807,627)</b>	<b>(4,109,076)</b>	<b>(1,640,833)</b>	<b>(3,022,020)</b>	<b>(4,662,853)</b>
<b>Segment assets</b>	<b>5,291,018</b>	<b>1,838,541</b>	<b>7,129,558</b>	<b>5,211,264</b>	<b>1,188,489</b>	<b>6,399,753</b>
<b>Segment liabilities</b>	<b>(7,053)</b>	<b>(383,924)</b>	<b>(390,977)</b>	<b>(23,018)</b>	<b>(525,101)</b>	<b>(548,119)</b>
Additions to PP&E	-	41,128	41,128	-	9,421	9,421

## Notes to the financial statements

### 3. Income tax expense

	2018 \$	2017 \$
<b>(a) Accounting loss before tax</b>		
Loss from continuing operations	(4,109,076)	(4,679,398)
Taxed at the parent entities income tax rate (27.5%) (2017: 30%)	(1,129,996)	(1,403,819)
Non-deductible expense - share based payments	93,934	60,475
Non-deductible FBT	3,680	3,580
Current year tax losses not brought to account	1,032,382	1,209,488
Adjustment for current tax or prior periods	-	130,276
<b>Total current tax benefit</b>	<b>-</b>	<b>-</b>

No income tax is currently payable by the Group. The Directors have considered it prudent not to bring to account the deferred tax asset related to income tax losses and exploration deductions until it is probable that assessable income will be earned of a nature and amount to enable such benefit to be realised. \$8,342,768 (2017: \$4,588,652) of unrecognised losses have not been brought to account.

#### (b) Significant estimate

The Group is subject to income taxes of Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is not certain. The Group recognises provision for potential tax issues based on estimates of amounts that were initially recorded. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax position in the period in which the determination is made.

Deferred tax assets (**DTA**) are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits will be available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

#### (c) Deferred income tax

Accruals	33,151	30,096
Provision for employee entitlements	8,973	11,533
Section 40-880 costs <sup>1</sup>	142,207	92,181
Carry forward tax losses	2,294,261	1,376,596
Gross deferred tax asset	2,478,592	1,510,406
Net DTA not brought to account	(2,478,592)	(1,510,406)
Net deferred tax asset	-	-

<sup>1</sup> Costs associated with capital raising activities deductible over five years.

### 4. Cash and cash equivalents

Cash at bank	1,238,886	899,777
Cash on deposit	600,000	250,000
	<b>1,838,886</b>	<b>1,149,777</b>

Refer to note 15 for the Group's exposure to interest rate and credit risk.

## Notes to the financial statements

### 5. Trade and other receivables

	2018 \$	2017 \$
Accounts receivable	47,577	34,845
Other receivables	83,111	69,963
Prepayments	15,368	17,097
Security bond	18,281	1,255
	<b>164,337</b>	<b>123,160</b>

### 6. Property, plant and equipment

	Plant and equipment \$	Furniture and fittings \$	Total \$
<b>Non-current</b>			
<b>At 30 June 2018</b>			
Cost or fair value	114,120	108,084	222,204
Accumulated depreciation	(47,884)	(47,985)	(95,869)
<b>Net book amount</b>	<b>66,236</b>	<b>60,099</b>	<b>126,335</b>
<b>Period ended 30 June 2018</b>			
Opening net book amount	86,032	40,784	126,816
Additions	-	41,128	41,128
Disposals	-	-	-
Foreign exchange movement	1,480	191	1,671
Depreciation charge	(21,276)	(22,004)	(43,280)
<b>Closing net book amount</b>	<b>66,236</b>	<b>60,099</b>	<b>126,335</b>
	Plant and equipment \$	Furniture and fittings \$	Total \$
<b>Non-current</b>			
<b>At 30 June 2017</b>			
Cost or fair value	110,050	66,764	176,814
Accumulated depreciation	(24,018)	(25,980)	(49,998)
<b>Net book amount</b>	<b>86,032</b>	<b>40,784</b>	<b>126,816</b>
<b>Period ended 30 June 2017</b>			
Opening net book amount	111,999	56,028	168,027
Additions	-	9,421	9,421
Disposals	-	-	-
Foreign exchange movement	(3,860)	-	(3,860)
Depreciation charge	(22,107)	(24,665)	(46,772)
<b>Closing net book amount</b>	<b>86,032</b>	<b>40,784</b>	<b>126,816</b>

## Notes to the financial statements

### 7. Exploration and evaluation expenditure

	2018 \$	2017 \$
<b>(a) Reconciliation of exploration and evaluation expenditure</b>		
Carrying amount at beginning of the period	5,000,000	5,000,000
Acquisition of tenements	-	-
Carrying amount at the end of the period	<u>5,000,000</u>	<u>5,000,000</u>

#### (b) Significant estimate

The future recoverability of capitalised exploration and evaluation expenditure is dependent upon a number of factors.

Factors that could impact future recoverability include the level of reserves and resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environment restoration obligations) and changes to commodity prices and foreign exchange rates.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which the determination is made.

### 8. Trade and other payables

Creditors	82,486	185,759
Accruals	120,548	153,929
Other payables	28,098	42,772
	<u>231,132</u>	<u>382,460</u>

### 9. Provisions

Employee benefits	<u>159,845</u>	<u>165,659</u>
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### 10. Share capital

	2018 Shares	2018 \$	2017 Shares	2017 \$
<b>(a) Issued and paid up capital</b>				
Ordinary fully paid shares	78,714,794	15,111,194	58,212,063	10,459,258
<b>(b) Movement in ordinary shares</b>				
Opening balance	58,212,063	10,459,258	55,000,000	9,775,383
Issue of equities				
Conversion of loyalty options	27,849	6,962	3,212,063	746,146
Issue of shares	20,474,882	5,030,240	-	-
Less: Transaction costs arising on share issues	-	(385,266)	-	(62,271)
Movement for the period	<u>20,502,731</u>	<u>4,651,936</u>	<u>3,212,063</u>	<u>683,875</u>
<b>Closing balance</b>	<u>78,714,794</u>	<u>15,111,194</u>	<u>58,212,063</u>	<u>10,459,258</u>

#### (c) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid on, shares held.

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote. Upon a poll, each fully paid share has one vote.

## Notes to the financial statements

### 11. Reserves

The following table shows a breakdown of the balance sheet line item 'reserves' and the movements in these reserves during the period. A description of the nature and purpose of each reserve is provided below.

	Share based payments	Foreign currency translation	Total reserves
	\$	\$	\$
<b>At 30 June 2016</b>	1,085,583	(3,134)	1,082,449
Translation of foreign subsidiaries	-	27,613	27,613
<b>Other comprehensive income</b>	1,085,583	24,479	1,110,062
Transactions with owners in their capacity as owners			
Employee share based payments expense	201,582	-	201,582
<b>At 30 June 2017</b>	<b>1,287,165</b>	<b>24,479</b>	<b>1,311,644</b>
Translation of foreign subsidiaries	-	2,507	2,507
<b>Other comprehensive income</b>	<b>1,287,165</b>	<b>26,986</b>	<b>1,314,151</b>
Transactions with owners in their capacity as owners			
Employee share based payments expense	341,580	-	341,580
<b>At 30 June 2018</b>	<b>1,628,745</b>	<b>26,986</b>	<b>1,655,731</b>

#### (a) Nature and purpose of reserves

##### (i) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of the Company's net investment in a foreign subsidiary.

##### (ii) Share based payment reserve

The share based remuneration reserve is used to recognise the fair value of options issued.

	2018 \$	2017 \$
<b>12. Retained earnings / (accumulated losses)</b>		
Balance at 1 July 2017	(5,919,268)	(1,256,415)
Net loss for the period	(4,109,076)	(4,662,853)
<b>Balance at 30 June 2018</b>	<b>(10,028,344)</b>	<b>(5,919,268)</b>



## Notes to the financial statements

### 13. Cash flow information

	2018 \$	2017 \$
<b>(a) Reconciliation of operating loss after income tax to the net cash flows from operating activities:</b>		
<b>Loss for the period</b>	<b>(4,109,076)</b>	<b>(4,662,853)</b>
<i>Adjustments for:</i>		
Depreciation	<b>43,280</b>	46,772
Non-cash employee benefits expense - share based payments	<b>341,580</b>	201,582
Net exchange differences	<b>(946)</b>	28,740
<i>Changes in operating assets and liabilities:</i>		
Decrease/(Increase) in trade and other receivables	<b>(41,177)</b>	79,811
(Decrease)/Increase in provisions	<b>(5,814)</b>	-
(Decrease)/Increase in trade and other payables	<b>(151,327)</b>	(9,269)
Net cash (outflow) from operating activities	<b>(3,923,480)</b>	<b>(4,315,217)</b>

#### (b) Non-cash investing and financing activities

There were no non-cash investing or financing activities during the year.

## Notes to the financial statements

### RISK

This section discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

#### 14. Critical estimates, judgements and errors

The preparation of financial statements requires the use of accounting estimates, which by definition, will seldom equal the actual results. Management is also required to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions proving to be incorrect. Detailed information about each of these estimates and judgements is included in notes 1 to 25, together with information about the basis of calculation for each affected line item in the financial statements.

##### (a) Significant estimates and judgements

The areas involving significant estimates and judgements are:

- Estimation of current tax payable and current tax expense – note 3(b);
- Recoverability of exploration and evaluation assets – note 7(b); and
- Share based payments – note 22.

#### 15. Financial risk management

The Company and Group's activities expose it to a variety of financial risks, including market, credit and liquidity risk. For the Group, market risk includes:

- Interest rate risk; and
- Foreign currency risk.

Financial risk management is carried out by the Group's Managing Director and Chief Financial Officer, in close co-operation with the Board. The Group obtains independent external advice as required to assist it in understanding and managing its exposures and risks.

The Group held the following financial instruments at reporting date:

	Note	2018 \$	2017 \$
<i>Financial Assets</i>			
Cash and cash equivalents	4	1,838,886	1,149,777
Trade and other receivables – current	5	164,337	123,160
Total Financial Assets		2,003,223	1,272,937
<i>Financial Liabilities</i>			
Trade and other payables	8	(231,132)	(382,460)
Total Financial Liabilities		(231,132)	(382,460)

##### (a) Market risk

###### (i) Interest rate risk

The Group and the Company are exposed to interest rate volatility on deposits. Deposits at variable rates expose the Group and the Company to cash flow interest rate risk. Deposits at fixed rates expose the Group to fair value interest rate risk.

## Notes to the financial statements

### 15. Financial risk management (continued)

	Effective Average Interest Rate (%)	Variable Interest Rate \$	Fixed Interest Rate \$	Non-Interest Bearing \$	Total \$
<b>2018 (consolidated)</b>					
<i>Financial Assets</i>					
Cash and cash equivalents	1.0%	960,698	600,000	278,188	1,838,886
Security bonds		-	-	18,281	18,281
		960,698	600,000	296,469	1,857,167
<b>2017 (consolidated)</b>					
<i>Financial Assets</i>					
Cash and cash equivalents	0.87%	758,365	250,000	141,412	1,149,777
Security bonds	0%	-	-	1,255	1,255
		758,365	250,000	142,667	1,151,032

#### Sensitivity Analysis

The following tables summarise the sensitivity of the Group's financial assets to interest rate risk. Had the relevant variables, as illustrated in the tables, moved with all other variables held constant, post-tax loss and equity would have been affected as shown below.

		Interest Rate Risk -100 basis points (-1%)		Interest Rate Risk +100 basis points (+1%)	
	Carrying Amount \$	Net Profit / (Loss) \$	Equity \$	Net Profit / (Loss) \$	Equity \$
<b>2018 (consolidated)</b>					
<i>Financial Assets</i>					
Cash and cash equivalents	1,838,886	(9,607)	(9,607)	9,607	9,607
	1,838,886	(9,607)	(9,607)	9,607	9,607
<b>2017 (consolidated)</b>					
<i>Financial Assets</i>					
Cash and cash equivalents	1,149,777	(632)	(632)	632	632
	1,149,777	(632)	(632)	632	632

#### (ii) Foreign exchange risk

The Group is exposed to fluctuations in foreign currencies arising from costs incurred in currencies other than Australian dollars, which is the Group's presentation currency.

The Group operates internationally and is primarily exposed to foreign exchange risk arising from currency exposures to the United States dollar and Tanzanian shilling.

The Group has not formalised a foreign currency risk management policy and it holds only limited amounts of cash in foreign currencies at any point in time. The Group monitors foreign currency expenditure in light of exchange rate movements.

## Notes to the financial statements

### 15. Financial risk management (continued)

#### (ii) Foreign exchange risk (continued)

The Groups exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars was as follows.

Foreign currency balances	2018		2017	
	USD	TZS	USD	TZS
Cash at bank	62,548	37,831	102,382	3,462
Trade receivables	7,783	58,938	13,144	45,254
Trade payables	(1,651)	-	(14,886)	(812)

Sensitivity analysis	10% Strengthening		10% Weakening	
	Equity \$	Net Profit / (Loss) \$	Equity \$	Net Profit / (Loss) \$
<b>2018 (Consolidated)</b>				
USD (10% movement)	557	5,686	(681)	(6,950)
TZS (10% movement)	5,358	3,439	(6,549)	(4,203)
<b>2017 (Consolidated)</b>				
USD (10% movement)	11,791	78,250	14,798	(95,639)
TZS (10% movement)	893	315	(8,785)	(385)

#### (b) Liquidity risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet the Group's financial commitments in a timely and cost-effective manner.

The Group's treasury function continually reviews the Group's liquidity position, including cash flow forecasts, to determine the forecast liquidity position and maintain appropriate liquidity levels.

Contractual maturities of financial liabilities	Less than 1 year \$	Between 1 and 2 years \$	Total contractual cash flows \$	Carrying amount \$
<b>2018 (Consolidated)</b>				
Trade and other payables	231,132	-	231,132	231,132
	231,132	-	231,132	231,132
<b>2017 (Consolidated)</b>				
Trade and other payables	382,460	-	382,460	382,460
	382,460	-	382,460	382,460

#### (c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The Group manages its credit risk on financial instruments, including cash, by only dealing with banks licensed to operate in Australia and credit ratings of AA.

#### (i) Trade and other receivables

The Group operates in the mining exploration sector and does not have trade receivables from customers. It does however have credit risk arising from other receivables.

## Notes to the financial statements

### 15. Financial risk management (continued)

#### (c) Credit risk (continued)

##### (ii) Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	2018 \$	2017 \$
<i>Financial Assets</i>			
Cash and cash equivalents	4	1,838,886	1,149,777
Trade and other receivables – current	5	164,337	123,160
Total Financial Assets		2,003,223	1,272,937

#### (d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement, or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) (level 2); and
- (c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Group does not recognise any financial assets under levels 1, 2 or 3 and the carrying value of those shown above are considered to approximate fair value.

### 16. Capital management

#### (a) Risk management

The Group's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The Group is currently focused on the exploration and development of its Chilalo Graphite Project. As the Group's development activities at Chilalo continue, finance and offtake arrangements will be critical to balancing the funding of the Group whilst also minimising shareholder dilution.

The Company has welcomed equity investment from major stakeholders so that goals are aligned and there is a vested interest in the Group's success. Current stakeholders that are also shareholders include major suppliers for exploration, project management and feasibility studies advisors, corporate advisors, Directors, executives and employees.

The Company monitors its total shares on issue, market capitalisation and enterprise value on a regular basis so as to maintain a critical balance between having its strategy fully funded and minimising existing shareholder dilution.

#### (b) Dividends

Up until the date of this report, no dividend has been declared or paid by the Company.

## Notes to the financial statements

### GROUP STRUCTURE

This section provides information which will help readers understand how the Group structure affects the financial position and performance of the Group as a whole.

A list of subsidiaries is provided below.

#### 17. Interests in other entities

The Group's principal subsidiaries at 30 June 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name	Country of incorporation	Class of shares	Equity Holding 2018 %	Equity Holding 2017 %
Graphex Mining UK No.1 Limited	United Kingdom	Ordinary	100	100
Ngwena Tanzania Limited	Tanzania	Ordinary	100	100

## Notes to the financial statements

### UNRECOGNISED ITEMS

This section provides information about items that are not recognised in the financial statements as they do not yet satisfy the recognition criteria.

In addition to the items and transactions disclosed below, there are also unrecognised tax amounts – see note 3.

#### 18. Contingent liabilities

The Group did not have any contingent liabilities as at 30 June 2018.

#### 19. Commitments

	2018 \$	2017 \$
<b>(a) Lease and operating contract expenditure commitments</b>		
Operating lease (non-cancellable), minimum lease payments		
- not later than one year	43,470	41,195
- beyond one year	7,057	3,689
	<b>50,527</b>	<b>44,884</b>

The Group leases office premises with a fixed term lease expiring 4 August 2019.

#### (b) Exploration commitments

The Company is required to meet certain minimum expenditure commitments on the mineral exploration assets in which it has an interest. The minimum expenditure commitment is set out in the Prospecting Licences held by the Group. Outstanding exploration commitments are as follows:

- not later than one year	394,894	263,145
- beyond one year	-	-
	<b>394,894</b>	<b>263,145</b>

#### (c) Prospecting licence rentals

- not later than one year	75,767	59,979
- beyond one year	-	-
	<b>75,767</b>	<b>59,979</b>

The Company pays an annual lease amount for the tenements it holds. The leases can be relinquished on or before the anniversary date, therefore there are no contractual commitments beyond one year. The Company has no current plans to drop any existing tenements.

#### 20. Events occurring after reporting dates

Subsequent to year end, the Company completed an updated pre-feasibility study (**Updated PFS**) which incorporated material changes from the previous pre-feasibility study. The study is based on a scenario where the first two years of operation 58,000 tonnes graphite will be produced, expanding to 108,000 tonnes graphite from year 3 onwards. Where only Ore Reserves are incorporated in the mine life of 6.3 years the project returns economics of an NPV of US\$273 million and an IRR of 130%. Where 30% Inferred Resources are included, the life of mine is extended to 8.5 years returning economics of an NPV of \$US349 million and an IRR of 131%.

## Notes to the financial statements

### OTHER INFORMATION

This section includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

#### 21. Related party transactions

##### (a) Parent entity

Graphex Mining Limited is the ultimate Australian parent entity of the Group. Graphex Mining Limited is a company limited by shares that is incorporated and domiciled in Australia.

##### (b) Subsidiaries

Interests in subsidiaries are set out in note 17.

##### (c) Group transactions

Controlled entities made payments and received funds on behalf of Graphex and other controlled entities by way of inter-company loan accounts with each controlled entity. These loans are unsecured, bear no interest and are repayable on demand, however demand for repayment is not expected in the next twelve months.

##### (c) Key management personnel compensation

	2018 \$	2017 \$
Short-term employee benefits	835,938	951,996
Post-employment benefits	76,730	96,082
Termination benefits	28,269	-
Share-based payments	329,818	192,443
Re-charges under the co-operation agreement <sup>1</sup>	(101,870)	(154,000)
	<b>1,168,885</b>	<b>1,086,521</b>

<sup>1</sup> In order to minimise administrative costs, the Group has entered into a Cooperation Deed with Indiana Resources Limited (**Indiana**) under which Graphex and Indiana agree to share certain costs. Mr McKenzie and Mr Knee spend a portion of their time working for Indiana, with this time recharged by the Group to Indiana. This is presented in the table above as the Recharge under Cooperation Deed. The total amount recharged to Indiana for the period was \$101,870 (2017: \$154,000).

Detailed remuneration disclosures are provided in the Remuneration Report on pages 10 to 17.

#### 22. Share-based payments

##### (a) Employee option plan

Information on the Company's Option Plan (**Plan**) was set out in the Company's Replacement Prospectus lodged on 10 May 2016. Given the disclosure of the Plan in the Replacement Prospectus, the issue of shares under the Plan rules does not count towards the Company's share issuance capacity under ASX listing Rules 7.1 and 7.1A. The Plan is designed to:

- assist and reward the retention and motivation of employees;
- link employee reward to shareholder value creation; and
- align the interests of employees with shareholders by providing an opportunity for employees to receive an equity interest in the Company in the form of Options.

Under the Plan, participants are granted options which only vest if certain performance criteria are satisfied. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits. The number of STI options that vest is linked to performance against shorter term strategic objectives of the Company and a performance assessment of employees against specific KPI's relevant to that position. Once vested, the options remain exercisable for a period of two years. The number of LTI options that vest depends on performance against a number of Board approved Company objectives, including finalisation of finance and offtake arrangements for the development of the Chilalo Graphite Project, bringing Chilalo into production and share price performance.



## Notes to the financial statements

### 22. Share-based payments (continued)

#### (a) Employee option plan (continued)

To exercise an option, an employee must deliver a signed notice of exercise and, subject to a cashless exercise of options, pay the option exercise price prior to the expiry date. An option may specify that at the time of exercise, the employee may elect not to be required to provide payment of the option exercise price. Alternatively, the Company will transfer or issue to the employee that number of shares equal in value to the positive difference between the market value of the shares at the time of exercise and the option exercise price that would otherwise be payable to exercise those options.

The Board has determined that STI awards and LTI awards will be equity settled to ensure alignment with shareholders' interests and to preserve cash.

Options are granted under the Plan for no consideration and carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share subject to the payment of any applicable exercise price. Set out below are summaries of options granted under the Plan:

	2018		2017	
	Weighted average exercise price	Number of options '000	Weighted average exercise price	Number of options '000
As at 1 July	\$0.17	12,365	-	-
Granted during the period	Nil	2,716	\$0.17 <sup>1</sup>	12,365
Exercised during the period	-	-	-	-
Forfeited during the period	Nil	(1,299)	-	-
<b>As at 30 June</b>	<b>\$0.15</b>	<b>13,782</b>	<b>\$0.17</b>	<b>12,365</b>

<sup>1</sup> Options granted carried either a \$0.20, \$0.25 or nil exercise price.

Options outstanding at the end of the period have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	Options 30 June 2018 '000
9-Jun-16	9-Jun-19	\$0.20	3,000
9-Jun-16	08-Jun-19	\$0.25	5,927
9-Jun-16	9-Jun-19	Nil	686
9-Jun-16	9-Jun-21	Nil	1,453
27-Sep-17	01-Jul-20	Nil	300
27-Sep-17	01-Jul-22	Nil	804
21-Nov-17	9-Jun-21	Nil	582
21-Nov-17	1-Jul-22	Nil	596
21-Nov-17	01-Jul-20	Nil	434

Weighted average remaining contractual life of options outstanding at period end is 1.60 years (2017: 2.36 years).

#### Fair value of options granted

There were two types of options on issue during the period:

- All options issued during the period were zero priced options. These options can be exercised for nil consideration after vesting. Given the nil exercise price, the fair value of these options is reflected by the share price at the date of issue.
- Cashless exercise options which have exercise prices of \$0.20 and \$0.25 as outlined in the table above and are valued using the Black-Scholes options pricing methodology that takes into account, exercise price, the term of the option, the share price at grant date, expected volatility of the price of the underlying share, the risk free interest rate for the term of the option and the correlations and volatilities of the share prices of peer group companies. Cashless exercise allows a participant to elect that in lieu of making payment of the total exercise price payable on exercise, the participant will be issued that number of shares equal in value to the difference between the market value of the underlying shares that would be issued at the time of exercise and the exercise price that would otherwise be payable. The fair value of cashless exercise price options has been calculated as \$0.125 per option for options with a \$0.20 exercise price and \$0.116 for options with a \$0.25 exercise price. The model inputs for options outstanding as at 30 June 2018 included:

## Notes to the financial statements

### 22. Share-based payments (continued)

#### (a) Employee option plan (continued)

Cashless options	
Exercise price	\$0.20 and \$0.25
Grant date	9 June 2016
Expiry date	9 June 2019
Share price at grant (listing) date	\$0.20
Expected price volatility of the Company's shares	100%
Risk free interest rate:	1.87%

The expected price volatility was determined by reference to the Company's peer group of graphite companies listed on the ASX. Price volatility for the Company could not be used as it had no trading history. The risk free interest rate was determined by reference to coupon rates for Australian government bonds with the same or similar term to the options.

#### (b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions during the period were as follows:

	2018 \$	2017 \$
Options issued under the Plan	341,580	201,582
	<b>341,580</b>	<b>201,582</b>

### 23. Remuneration of auditors

During the period, the following fees were paid and payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

#### (a) PricewaterhouseCoopers Australia (PwC)

	2018 \$	2017 \$
<b>(i) Audit and assurance services</b>		
Audit and review of financial statements - Australia	61,000	60,690
<b>Total audit and assurance remuneration</b>	<b>61,000</b>	<b>60,690</b>
<b>(ii) Taxation services</b>		
Taxation services	47,583	27,524
<b>Total taxation remuneration</b>	<b>47,583</b>	<b>27,524</b>

#### (b) Network firms of PwC (Tanzania)

<b>(i) Audit and assurance services</b>		
Audit of financial statements	13,778	14,574
<b>Total audit and assurance remuneration</b>	<b>13,778</b>	<b>14,574</b>
<b>(ii) Taxation services</b>		
Taxation services	11,366	-
<b>Total taxation remuneration</b>	<b>11,366</b>	<b>-</b>

## Notes to the financial statements

### 23. Remuneration of auditors (continued)

The Company has engaged PwC to perform tax compliance services provided during the 2017 and 2018 financial year being the preparation and lodgement of the Group's tax returns in both Australian and Tanzania. In addition to compliance engagements, the Company also engaged PwC Australia and Tanzania for tax structuring advice on an ad hoc basis. It is the Group's general preference to employ PwC on assignments additional to their statutory audit duties where PwC's expertise and experience with the Group are important. These assignments are principally tax advice, or where PwC is awarded assignments on a competitive basis.

### 24. Earnings per share

	2018 \$	2017 \$
<b>(a) Basic earnings per share</b>		
From continuing operations attributable to ordinary equity holders	(0.06)	(0.08)
The weighted average number of shares used to calculate both the basic and diluted earnings per share is 71,443,589 (2017: 56,519,385).		
<b>(b) Fully diluted earnings per share</b>		
From continuing operations attributable to ordinary equity holders	(0.06)	(0.08)

#### (c) Information concerning the classification of securities

Options granted to employees under the Plan and those issued to contractors are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share with the assumption all such options will vest, and to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 22.

### 25. Parent entity financial information

The individual financial statements for the parent entity show the following aggregate amounts:

#### (a) Summary of financial information

	2018 \$	2017 \$
<i>Balance sheet</i>		
Current assets	1,837,002	1,186,149
Total assets	9,067,429	7,574,251
Current liabilities	(383,925)	(525,101)
Total liabilities	(383,925)	(525,101)
<i>Shareholders' equity</i>		
Issued capital	15,111,194	10,459,258
Reserves	1,628,745	1,287,165
Retained earnings	(8,056,434)	(4,697,273)
	8,683,504	7,049,150
Loss for the period	(3,359,161)	(4,697,273)
Total comprehensive loss	(3,359,161)	(4,697,273)

#### (b) Guarantees

Graphex, as the parent company, has provided a guarantee for ongoing financial support to its wholly owned Tanzanian subsidiary Ngwena Tanzania Limited.

## Notes to the financial statements

### 25. Parent entity financial information (continued)

#### (c) Commitments

Of the commitments in note 19, all of the operating leases disclosed in note 19(a) related to the parent, Graphex. These related to the fixed term leases of the Company's office premises and photocopier/printer lease.

#### (d) Contingencies

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017. For information about guarantees given by the parent entity, please see above.

### 26. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. The financial statements are for the Group consisting of Graphex and its subsidiaries disclosed in note 17.

#### (a) 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 and the *Corporations Act 2001*. Graphex is a for-profit entity for the purpose of preparing the financial statements. The Company was incorporated on 21 January 2016 and subsequently became a reporting entity on 14 June 2016.

#### (i) Going concern

The Group incurred a net loss for the year ended 30 June 2018 of \$4,109,076 (2017: \$4,662,853) and a net cash outflow from operating activities of \$3,923,480 (2017: \$4,315,217). As at 30 June 2018, the Group had cash and cash equivalents of \$1,838,886 (2017: \$1,149,777) and a working capital surplus of \$1,612,246 (2017: \$724,818).

Based on the Group's cash flow forecast the Group will require additional funding in the next 12 months to enable the Group to continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due, including progression of its exploration and project development activities.

As a result of the above, there is a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors are satisfied, however that at the date of signing of the financial report, there are reasonable grounds to believe that the Group will be able to continue to meet its debts as and when they fall due and that it is appropriate for the financial statements to be prepared on a going concern basis. The directors have based this on the following pertinent matters:

- The Group has the capacity, if necessary, to reduce its operating cost structure in order to minimise its working capital requirements and defer the timing of any future capital raising; and
- The directors believe that future funding will be available to meet the Group's objectives and debts as and when they fall due, including through engaging with parties interested in financing arrangements and/or raising additional capital through equity placements to existing or new investors. The Group has a demonstrated history of success in this regard.

The financial report does not include adjustments relating to the recoverability or classification of the recorded assets nor to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

## Notes to the financial statements

### 26. Summary of significant accounting policies (continued)

#### (a) Basis of preparation (continued)

##### (ii) Compliance with IFRS

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

##### (iii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for Share-based payments as disclosed in note 22.

##### (iv) New and amended standards adopted by the group

All mandatory new Accounting Standards and Pronouncements effective for financial years commencing 1 July 2017 were adopted in full by the Group. None of the standards that applied for the first time materially changed the accounting policies or disclosure of the Group.

All amendments adopted merely clarify the existing requirements; they do not affect the Group's accounting policies or any of the disclosures.

##### (v) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 2018 financial year and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

#### **AASB 9 Financial Instruments**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income (**OCI**). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

New impairment requirements will use an 'expected credit loss' (**ECL**) model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 and has assessed the impact to the subsequent years' financial statements to be immaterial.

#### **AASB 15 Revenue from Contracts with Customers**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018. As the Company does not have any revenue contracts, it is expected that any impact will be immaterial.

## Notes to the financial statements

### 26. Summary of significant accounting policies (continued)

#### (a) Basis of preparation (continued)

##### *(iv) New standards and interpretations not yet adopted (continued)*

#### **AASB 16 Leases**

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019. As the Company does not have material leases with a term of 12 months or longer, it is expected that any impact will be immaterial.

#### (b) Principles of consolidation and equity accounting

##### *(i) Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (c) Property, plant and equipment

##### *(i) Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and costs directly attributable to bringing the asset to a working condition for their intended use.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

##### *(ii) Subsequent costs*

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

##### *(iii) Depreciation*

Depreciation of plant and equipment is calculated on a straight line basis so as to write off the net costs of each asset over the expected useful life. The rates vary between 2% and 50% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

## Notes to the financial statements

### 26. Summary of significant accounting policies (continued)

#### (d) Impairment

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Consolidated Statement of Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### (e) Exploration and evaluation costs

Costs arising from the acquisition of exploration and evaluation activities are carried forward where these activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. Ongoing exploration activities are expensed as incurred.

The Directors believe that this policy results in the carrying value of exploration expenditure more appropriately reflecting the definition of an asset, being future benefits controlled by the Group. All costs carried forward are in respect of areas of interest in the exploration and evaluation phases and accordingly, production has not commenced.

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, in particular when exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area.

Where tenements or part of an area of interest are disposed of, the proceeds of this partial disposal will reduce the value of the asset by the fair value of those proceeds. This recognises that part of the future economic benefit of the asset has effectively been disposed.

#### (f) Operating leases

Operating leases are not recognised in the Group's consolidated balance sheet.

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis. Contingent rentals are recognised as an expense in the period in which they are incurred.

#### (g) Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

##### **Current tax**

Current tax is the expected tax payable of the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

##### **Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## Notes to the financial statements

### 26. Summary of significant accounting policies (continued)

#### (g) Income tax (continued)

##### *Tax exposures*

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made. The Company and its wholly owned Australian resident entities are not part of a tax consolidated group.

#### (h) Other taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax (**GST**) or value added tax (**VAT**), unless the GST / VAT incurred is not recoverable from taxation authorities. In this case it is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of the amount of GST / VAT receivable or payable. The net amount of GST / VAT recoverable from, or payable to, taxation authorities is included with other receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows inclusive of GST / VAT. The GST / VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to, taxation authorities are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST / VAT recoverable from, or payable to taxation authorities. The net of GST / VAT payable and receivable is remitted to the appropriate tax body in accordance with legislative requirements.

#### (i) Foreign currency translation

##### *Functional and presentation currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

##### *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective financial currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities that are measured in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss. However, foreign currency differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges are recognised in other comprehensive income.

##### *Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.



## Notes to the financial statements

### 26. Summary of significant accounting policies (continued)

#### (j) Accounts payable

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost when the Group becomes obliged to make payments resulting from the purchase of goods and services. The amounts are non-interest-bearing, unsecured and are usually paid within 30 days of recognition.

#### (k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

#### (l) Employee benefits

##### *Wages, salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid, inclusive of on costs, when the liabilities are settled. The expense for non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

##### *Long-term employee benefits*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### *Share-based payment transactions*

The fair value of options previously granted under the Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the Directors, employees or contractors become unconditionally entitled to the options.

The fair value of the options at grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the consolidated statement of comprehensive income with a corresponding adjustment to equity.

The fair value of these equity instruments does not necessarily relate to the actual value that may be received in future by the recipients. The Company has elected to account for share based payments issued to non-employees in accordance with the share based payments standard.

#### (m) Revenue recognition

Interest revenue is recognised as it accrues in profit or loss, using the effective interest method. Revenue from sale of goods and disposal of assets is recognised when persuasive evidence, usually in the form of an executed sales agreement, or an arrangement exists, indicating there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable and collectability is reasonably assured. This is generally when title passes.

## Notes to the financial statements

### 26. Summary of significant accounting policies (continued)

#### (n) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

#### (o) Earnings per share (EPS)

##### *Basic earnings per share*

Basic EPS is calculated as the profit / (loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial period, adjusted for any bonus elements in ordinary shares issued during the period.

##### *Diluted earnings per share*

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### (p) Cash and cash equivalents

For Consolidated Statement of Cash Flow presentation purposes, 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 insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Consolidated Balance Sheet.

#### (q) Financial instruments

##### *(i) Non-derivative financial assets*

The Group initially recognises loans and receivables and deposits on the date that they originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and in the case of assets classified as held-to-maturity investments, re-evaluates this designation at each reporting date.

## Notes to the financial statements

### 26. Summary of significant accounting policies (continued)

#### (q) Financial instruments (continued)

##### (i) Non-derivative financial assets (continued)

###### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables (see notes 4 and 5).

When an investment is derecognised, the cumulative gain or loss in equity is transferred to the consolidated statement of comprehensive income. Fair value is determined by reference to the quoted price at the reporting date.

###### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and at call deposits with original maturities of three months or less.

##### (ii) Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or have expired.

The Group classified non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise loans from related parties and trade and other payables.

#### (r) Share capital

##### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

#### (s) Segment reporting

Segment results that are reported to the Group's Managing Director (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

#### (t) Parent entity information

The financial information for the parent entity, Graphex Mining Limited, disclosed in note 25 has been prepared on the same basis as the consolidated financial statements.

#### (u) Rounding

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument.

## Directors declaration

In the opinion of the Directors:

- (a) the consolidated financial statements and notes set out on pages 23 to 50 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

Note 26(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Stephen Dennis

Chairman

PERTH

On this 27<sup>th</sup> day of September 2018



## *Independent auditor's report*

To the members of Graphex Mining Limited

### *Report on the audit of the financial report*

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#### *Our opinion*

In our opinion:

The accompanying financial report of Graphex Mining Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### ***What we have audited***

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2018
- 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
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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#### *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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Independence***

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* (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.

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### *Material uncertainty related to going concern*

We draw attention to Note 26(a)(i) in the financial report, which indicates that the Group incurred a net loss of \$4,109,076 during the year ended 30 June 2018 and a net cash outflow from operating activities of \$3,923,480. As a result, the Group is dependent on obtaining additional financing or raising additional capital in the next 12 months to enable it to continue its normal business activities, including progression of its exploration and project development activities. These conditions, along with other matters set forth in Note 26(a)(i), 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.

### *Our audit approach*

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



#### **Materiality**

- For the purpose of our audit we used overall Group materiality of \$208,000, which represents approximately 5% of the Group's loss before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group loss before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured and reflects the Group's accounting policy to expense ongoing exploration activities as incurred.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

## Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group maintains its corporate head office in Australia and has exploration assets in Tanzania. Key financial processes are principally managed from the head office finance function in Australia.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Board of Directors.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><b>Carrying value of exploration and evaluation assets</b> <i>Refer to Note 7</i></p> <p>As at 30 June 2018, the Group had capitalised exploration and evaluation assets of \$5,000,000 relating to the Chilalo graphite project in Tanzania.</p> <p>Judgement was required by the Group to assess whether there were indicators of impairment of the capitalised exploration and evaluation assets due to the need to make estimates about future events and circumstances, such as whether the mineral resources may be economically viable to mine in the future.</p> <p>This was a key audit matter because of the size of the balance and the risk of impairment should the Group relinquish certain exploration or mining licences as it continues to assess future viability and the impact of Tanzania's legislation on project viability.</p>	<p>We performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> <li>• Evaluating the Group's assessment that there had been no indicators of impairment for its capitalised exploration and evaluation assets, including inquiring with management and directors to develop an understanding of the current status and future intentions for the Group's project.</li> <li>• Testing whether the Group retained right of tenure for its exploration licence areas by obtaining licence status records maintained by the relevant government authority in Tanzania.</li> <li>• Considering the consistency of information provided with other available information, such as market releases made by the Company about the results of testwork and other project development activities.</li> </ul>

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
	<ul style="list-style-type: none"> <li>• Obtaining plans for future expenditure and comparing these to contractual minimum licence expenditure requirements.</li> <li>• Considering the Group's assessment of the potential impact of the current Tanzanian laws and regulations on the feasibility of the Chilalo graphite project and its conclusion that there were no indicators of impairment.</li> </ul>

### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, including the Corporate Information, Managing Director's report, Directors' report, Corporate governance statement and ASX additional information, 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 identified above 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.





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### *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 the 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: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

### *Report on the remuneration report*

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#### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 10 to 17 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Graphex Mining Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

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#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

A stylized, handwritten signature of the PricewaterhouseCoopers firm, written in a light grey color.

PricewaterhouseCoopers

A handwritten signature of Ben Gargett, written in a light grey color.

Ben Gargett  
Partner

Perth  
27 September 2018

## ASX Additional Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 25 September 2018.

### (a) DISTRIBUTION OF EQUITY SECURITIES

#### Ordinary Shares

			Number of holders	Number of shares
1	-	5,000	2,916	1,670,160
5,001	-	10,000	182	1,438,594
10,001	-	100,000	546	18,947,875
100,001		and over	127	56,658,165
			3,771	78,714,794
Number of holders holding less than a marketable parcel of shares			1,852	669,752

#### Unlisted Loyalty Options

			Number of holders	Number of Unlisted Loyalty Options
1	-	1,000	1	666
1,001	-	5,000	72	262,192
5,001	-	10,000	57	462,782
10,001	-	100,000	105	3,608,155
100,001		and over	7	1,838,664
			246	6,172,459

#### Unlisted Options

			Number of holders	Number of Unlisted Options
1	-	10,000	2	14,400
10,001	-	100,000	12	656,921
100,001		and over	13	12,401,816
			27	13,073,137

## ASX Additional Information

### (b) TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of quoted shares as at 25 September 2018 are:

Rank	Name	Number of shares	% of shares
1.	J P MORGAN NOMINEES AUSTRALIA LIMITED	4,253,442	5.40
2.	MMG EXPLORATION HOLDINGS LIMITED	3,546,000	4.50
3.	ONE MANAGED INVESTMENT FUNDS	2,879,832	3.66
4.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,580,480	3.28
5.	BNP PARIBAS NOMS PTY LTD <DRP>	2,400,419	3.05
6.	MR TIMOTHY MURRAY	2,228,631	2.83
7.	BPM CAPITAL LIMITED	2,000,000	2.54
8.	DR CHRISTOPHER KONG LENG SHUN + MRS SOOK LENG CHOY	1,600,000	2.03
9.	MR JAMES THEODORE LAKES <LAKES FOLIO A/C>	1,500,000	1.91
10.	CITICORP NOMINEES PTY LIMITED	1,416,905	1.80
11.	PERSHING AUSTRALIA NOMINEES PTY LTD <PHILLIP SECURITIES (HK) A/C>	1,310,279	1.66
12.	CAPE BOUVARD EQUITIES PTY LTD	1,230,000	1.56
13.	P & D INSTRUMENT & ELECTRICAL SERVICES PTY LTD <JOHNSON FAMILY A/C>	1,210,000	1.54
14.	BNP PARIBAS NOMINEES PTY LTD <JARVIS A/C NON TREATY DRP>	1,146,500	1.46
15.	CLARKSON'S BOATHOUSE PTY LTD <CLARKSON SUPER FUND A/C>	1,001,854	1.27
16.	MR JAMIE PHILLIP BOYTON	1,000,000	1.27
17.	MR MICHAEL JAMES STRACHAN	920,000	1.17
18.	MR CONSTANTINOS CASIOU <CASIOU INVESTMENT A/C>	792,500	1.01
19.	BEEBEE HOLDINGS PTY LTD	733,333	0.93
20.	MRS LILY MAH <MJ A/C>	700,000	0.89
<b>Total Top 20 holders of ORDINARY FULLY PAID SHARES</b>		<b>34,450,175</b>	<b>43.77</b>
<b>Total Remaining Holders Balance</b>		<b>44,264,619</b>	<b>56.23</b>

### (c) SUBSTANTIAL SHAREHOLDERS

Nil

### (d) VOTING RIGHTS

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands. Options have no voting rights until such time as they are exercised and shares have been issued.

### (e) TENEMENT SCHEDULE

Tenement	Ownership	Project	Location
ML 569/2017 - Chilalo	100%	Chilalo	Tanzania
PL 11050/2017 – Chilalo West	100%	Chilalo	Tanzania
PL 11034/2017 - Chilalo	100%	Chilalo	Tanzania
PL 6158/2009 <sup>1</sup> - Kiperere East	100%	Chilalo	Tanzania
PL 8628/2012 - Kipendengwa	100%	Chilalo	Tanzania
PL 9929/2014 - Chikwale	100%	Chilalo	Tanzania
PL 9946/2014 - Machangaja	100%	Chilalo	Tanzania

## ASX Additional Information

Tenement	Ownership	Project	Location
PL 11892/2017 - Noli	100%	Noli	Tanzania
PL 11921/2017 - Noli SE	100%	Noli	Tanzania

1. Application lodged with the Mining Commission.