ABN 77 610 319 769

ANNUAL REPORT - 30 JUNE 2019

Corporate Information

ABN 77 610 319 769

Directors
Mr Stephen Dennis (Non-Executive Chairman)
Mr Daniel Saint Don (Non-Executive Director)
Mr Phil Hoskins (Managing Director)

Company Secretary
Mr Stuart McKenzie

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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 2019 Annual Report for Graphex Mining Limited. The past 12 months has seen your Company make real progress as we move closer to realising our goal of being a supplier of choice for premium quality, high value, coarse flake graphite. This goal has been underpinned by the ongoing strategic acknowledgement that success in the graphite industry will be achieved through a detailed understanding of the graphite market and continued engagement with multiple market participants. This is not a static exercise and an enormous amount of effort has been, and will continue to be, committed to developing the Company's graphite market IP.

Towards the end of 2018, we reached agreement with funds managed by US based international private investment firm Castlelake (**Financier)** on project finance arrangements that involved an interim financing of US$5 million and, subject to satisfaction of agreed conditions, up to US$80 million for construction and commissioning of the Chilalo Project. At the time of entering into the finance agreements, we considered this to be significant as it was the first finance agreement to be achieved by a graphite company. Almost 12 months on, that remains the case.

This past financial year, our work has been focused on three main areas, each of which is central to unlocking the finance for the development of Chilalo – completion of a bankable feasibility study (**BFS**), resolution of key issues associated with Tanzanian mining legislation and establishing arrangements for the sale of product from Chilalo. It is appropriate that I touch on each of these work streams.

An updated pre-feasibility study was completed in September 2018 which reiterated the opportunity at Chilalo and the DFS is expanding on that work. Notably, resource drilling has delivered a 73% increase in contained graphite at Chilalo's high-grade Indicated Mineral Resource. The Mineral Resource increase will underpin the upcoming DFS and is expected to result in an increase in Ore Reserves, extending the project mine life. We look forward to announcing the DFS in November.

Since the legislative changes were introduced in Tanzania in the third quarter of 2017, our team has worked tirelessly to obtain positive assurances from the Tanzanian Government that are expected to facilitate our ability to access project finance. Specifically, we have received official correspondence confirming that the Government's free carried interest is 16% for all mining licences, the Government has published the *Mining (Mineral Value Addition) Guidelines* clearing the export of Chilalo graphite and amendments to the local content requirements provide a simpler and more practical regime. Together with greater clarity on the ownership of mineral data and the operation of the integrity pledge, this represents real progress as we move closer to a final resolution.

The improving regulatory environment in Tanzania has been recently reinforced by:

- Barrick Gold's decision to consolidate its ownership in Acacia Mining (completed 17 September 2019);
- Nedbank obtaining credit approval to underwrite a five year, US$26 million project finance facility for the development of ASX listed Strandline Resources Limited's Fungoni mineral sands project; and
- OreCorp Limited completing its acquisition of the remaining share of its JV with Acacia Mining.

We recognise that at times the pace of the progress being made in Tanzania is frustrating to our shareholders. We share that frustration, but from the outset, we have sought to engage with the Government in a respectful manner, focused on achieving mutually beneficial outcomes. Rest assured, we are making progress in Tanzania and I remain confident that these issues will be satisfactorily resolved.

The extensive work committed to the Chinese graphite market since 2015 has resulted in a narrowing focus on high priority customers who can maximise Graphex's revenue and margins. Further, during 2019, we have significantly expanded our customer engagement to include a balanced focus including European and North American customers. The Company is confident that the physical and chemical specifications of Chilalo graphite are suitable to customers in high-value applications and that the graphite sales agreements required to unlock the Funding Package will be secured.

During the year we welcomed Daniel Saint Don to the Board. Daniel is the appointed representative of the Financier. Daniel has a great deal of experience in the development of resources projects and since his appointment has provided valuable support in ensuring the DFS aligns with our financier's expectations.

Managing Directors' report

Finally, the Board and I would like to thank all shareholders for your continued support and look forward to keeping you updated as we continue our progress towards development of our Chilalo Project.

Yours faithfully

Phil Hoskins
Managing Director

Directors' report

Basis of preparation

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 2019 and the auditor's report thereon. Graphex is a company limited by shares that is incorporated and domiciled in Australia.

The attached financial statements for the year ended 30 June 2019 contains an independent auditor's report which includes a material uncertainty related to going concern. For further information, refer to Note 27(a)(i) of the financial statements together with the auditor's report.

Directors and Company Secretary

The following persons were Directors of Graphex (**Directors**) during the 2019 financial year and up to the date of this report:

Stephen Dennis

Grant Davey (resigned 25 September 2019)

Phil Hoskins

Daniel Saint Don (appointed 1 April 2019)

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 exploration and 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 the placement of 12,500,000 fully paid ordinary shares at $0.20 cents per share to professional and sophisticated investors to raise $2.5 million before costs.

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 2019.

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 and mining 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 2019 and up to the date of this annual report.

Directors' report

Review of operations

Results of operations

A summary of results for 2019 is as follows:

	2019 $	2018 $
Net loss after income tax	(8,049,751)	(4,109,076)
attributable to:		
Corporate and administration costs	(1,297,059)	(1,150,796)
Employee benefits	(931,214)	(911,489)
Exploration and evaluation expenditure	(4,231,952)	(951,705)
Business development and marketing	(1,383,857)	(976,724)
Share based payments	138,657	(341,580)

Chilalo Graphite Project

Updated pre-feasibility study

In September 2018, the Company completed an updated pre-feasibility study (**PFS**) for development of the Chilalo Graphite Project (**Project**). The results of the PFS, which confirmed that Chilalo is a high quality, high margin graphite project, are shown in the table below.

Item	Measure	Result
Life of mine	years	8.5
Average annual production	tpa	93,000
Plant feed rate	tpa	883,000
Average head grade	% TGC	10.6%
Average annual EBITDA	US$m	112
Basket sales price FOB Mtwara	US$/t	1,777
Operating cost per tonne of product (FOB)	US$/t	500
Operating margin	US$/t	1,277
Stage 1 capital cost	US$m	43.6
Stage 2 capital cost	US$m	32.5
Post-tax NPV (10% discount rate)	US$m	349
Post-tax internal rate of return (IRR)	%	131
Post-tax payback period	Yrs	0.84

The PFS considered two mine life scenarios: a 6.3 year mine life based entirely on Ore Reserves and an 8.5 year mine life, the results of which are shown in the above table, which included the Ore Reserves and an additional portion of Inferred Resources (30%).

Directors' report

In August 2019, the Company announced an updated Mineral Resource estimate that saw a significant percentage of the Inferred Resources upgraded to a higher confidence category and thereby are expected to provide for an extension of the 8.5 year mine life included in the Updated PFS.

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**).

Financing development of the Chilalo Project

In October 2018, the Company entered into a Loan Note Subscription Agreement to raise US$5 million from the issue of secured Interim Loan Notes. The Company has also signed a term sheet setting out the proposed terms on which the Company's Financier and other market participants (subject to the satisfaction of agreed conditions) provide up to US$40 million in equity and up to US$40 million from the issue of senior secured loan notes (**Senior Funding Package**). Proceeds from the Interim Loan have been applied to satisfying the conditions to the Senior Funding Package. Details on the funding arrangements can be found in ASX announcement dated 29 October 2019.

Proceeds from the Interim Loan Notes are being applied to satisfying the conditions precedent to the Senior Funding Package. The more material conditions, in addition to customary conditions precedent, that need to be satisfied for the Senior Funding Package include:

- Completion of a bankable feasibility study (**BFS**) to support a decision to mine;
- Resolution of issues relating to Tanzania's mining legislation;
- Execution of material contracts including off-take, mining and engineering, procurement and construction amongst others;
- Completion of ongoing due diligence to the satisfaction of the financier; and
- Entry into definitive transaction documents – the term sheet for the Senior Funding Package is to be converted into transaction documents.

Status of the BFS

With resource modelling finalised in August, mine planning is underway. Mining is expected to be a straight forward open-pit, truck and shovel operation in line with that proposed in the PFS.

In addition to mine planning and pit design, various work streams, including metallurgical testwork, with a bulk sample run being carried out by SGS Lakefield in Canada in September/October, design, engineering and cost estimation for the process plant and infrastructure, tailings storage facility design, and hydrology, including preparation of an overall water balance, are well advanced.

Resolution of issues with the Tanzanian Government

In August 2018, following a request from the Minister of Minerals, the Company provided a submission to the Tanzanian Government with respect to the development of the Chilalo Graphite Project (**Submission**). The Submission identified 10 key issues associated with Tanzanian Mining Legislation and Regulations that have had a significant adverse impact on the ability of resources companies operating in Tanzania to obtain the finance required for project development.

In January 2019, the Government of Tanzania announced the appointment of the Honourable Doto Biteko as the new Minister of Minerals. The Government has demonstrated a willingness to engage on key issues, with positive outcomes being achieved in a number of areas:

- Release of "The Mining (Mineral Value Addition) Guidelines, 2019" (**Guidelines**) which provide guidelines on the required in-country value addition in relation to mineral processing. With respect to graphite, the Guidelines state that graphite concentrate with a grade above 65% total graphitic carbon is permitted to be exported after laboratory tests and payment of the applicable royalty. That product from the Company's Chilalo Project will be well in excess of 65%, the Guidelines provide assurance that graphite produced at Chilalo can be exported;
- The Company has received confirmation from the Ministry of Minerals and the Mining Commission that the Government's free carried interest in the Chilalo Project is 16%;
- In February, the Government published "The Mining (Local Content) (Amendments) Regulations, 2019", which amended certain key definitions relating to indigenous Tanzanian companies, Tanzanian financial institutions and foreign financial institutions, each of which has the effect of simplifying compliance with the pre-existing local content requirements; and
- In-principle approval of the Mining Commission of a structure of bank account arrangements that is expected to meet the requirements of the Company's financier and the Tanzanian Government.

Directors' report

The Company considers these initiatives to be positive developments and is confident that legal and regulatory issues can be resolved to the satisfaction of all stakeholders.

Sales agreements

Unlike other mainstream commodities, independent market information on graphite is difficult to obtain, with prices set between the buyer and seller, rather than by reference to an index or exchange. As a result, the Company has always adopted an approach that places the requirements of customers at the forefront of decisions around targeted product specifications and target markets.

This approach has seen a substantial amount of time and effort dedicated to China's graphite market, which accounts for the vast majority of global graphite supply and consumption. The Company has established a network of high-quality relationships with graphite market participants, including research institutes and a substantial number of end users and traders, which has been distilled into a target group of potential customers, with whom the Company will work closely to secure graphite sales agreements.

The Company has also sought to expand the market access for Chilalo product and over the past year has actively engaged with end users and traders in Europe and North America, which has resulted in a list of recommended customers. These recommended customers have been provided with technical data sheets for each flake size and grade, with lab scale qualifications continuing.

As the Company moves towards production, it will aim to maximise the number of companies for whom Chilalo graphite is 'pre-qualified'. Graphex considers that it is in a strong position to secure the required graphite sales agreements.

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 Definitive Feasibility Study;
- Satisfy the conditions to availability of the Senior Funding package;
- Commence construction of the Chilalo Graphite Project;
- Secure binding sales agreements 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

Mr Stephen Dennis BCom, LLB, GDipAppFin (FINSIA) – Non-Executive Chairman		
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) EHR Resources Limited (Non-Executive Chairman) LeadFx Inc. (Non-Executive Chairman) Kalium Lakes Limited (Non-Executive Director)	
Former directorships in the last 3 years	CBH Resources Limited	
Special responsibilities	Chairman	
Interests in shares and options	Ordinary shares	773,799
	Unlisted Options	N/A

Directors' report

Mr Grant Davey BSc – Non-Executive Director (resigned 25 September 2019)		
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	Cradle Resources Limited (Executive Director) Superior Lake Resources Limited (Non-Executive Director) Matador Mining Limited (Non-Executive Director)	
Former directorships in the last 3 years	Boss Resources Limited (Non-Executive Director)	
Special responsibilities	Nil	
Interests in shares and options	Ordinary shares	756,372
	Unlisted options	N/A

Mr Philip Hoskins BCom, CA, GDipAppFin (FINSIA) – Managing Director		
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 over 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 the Chief Financial Officer of IMX Resources Limited from 2011 to 2014 and then Managing Director from 2014 to 2016. Mr Hoskins became the Managing Director of Graphex in June 2016.	
Other current directorships	Nil	
Former directorships in the last 3 years	N/A	
Special responsibilities	Nil	
Interests in shares and options	Ordinary shares	877,728
	Unlisted options	1,281,716

Mr Daniel Saint Don Bsc, MBA, P. Eng – Non-Executive Director		
Experience and expertise	Daniel is based in Denver and has over 30 years of operational and technical experience in North America and internationally. This includes responsibilities in mine operations, engineering, contracting services, due diligence review, and project development. Daniel has demonstrated success in managing and directing projects encompassing all phases of the mining cycle and offers strong technical and practical skills. He is currently a non-executive director of North River Resources and has held senior roles with Golder Associates, Atna Resources Ltd, DMC Mining Services, Boart Longyear Company, Stillwater Mining Company, Inmet Mining, and Mosaic (formerly IMC).	
Other current directorships	North River Resources (Executive Director)	
Former directorships in the last 3 years	N/A	
Special responsibilities	Nil	
Interests in shares and options	Ordinary shares	N/A
	Unlisted options	N/A

Stuart McKenzie LLB, Bec. (Hons.), AGIA, ACIS – Company secretary	
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 six years, prior to which he held senior positions with Ok Tedi Mining Limited, Ernst and Young and HSBC.

Directors' report

Meetings of Directors

The number of meetings of the Company's Directors held during the period ended 30 June 2019 and the number of meetings attended by each Director is shown below:

	Meetings of Directors	
	Held	Attended
S Dennis	5	5
G Davey	5	5
P Hoskins	5	5
D Saint Don (appointed 1 April 2019)	2	2

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 2019 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 and 2019 financial year are as set out below.

Non-Executive and Executive Directors

Name	Position
S Dennis	Non-Executive Chairman
G Davey	Non-Executive Director
D Saint Don (appointed 1 April 2019)	Non-Executive Director
P Hoskins	Managing Director

Other KMP

Name	Position
S McKenzie	Commercial Manager and Company Secretary
C Knee	Chief Financial Officer
N Corlis[1]	General Manager Technical

[1] Mr Corlis ceased employment with the Company 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):

Directors' report

  - Contractual salary; and
  - Legislated superannuation guarantee (9.5% of gross salary for 2019).

- 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.	Corporate 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. STI objectives are set out below in detail.	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, share price targets and achieving commercial graphite production. LTI objectives are set out below in detail.	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**).

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.

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 the following KPI measures, all of which related to the financing and development of the Chilalo Graphite Project:

- Satisfactory resolution of legal and regulatory issues in Tanzania;
- Satisfaction of conditions precedent to the interim funding and initial drawdown; and
- Satisfaction of conditions precedent to the equity and debt finance package.

Having assessed performance, the Board determined that 25% of STIs vest for all KMP's for the 2019 financial year.

Details of the KMPs' 2019 vested STIs are summarised in the table below. As the vesting date for the options is 1 July 2019, the options

Directors' report

vested in the table below have not been reflected in notes e) and f).

KMP	Position	Total STI opportunity	Total STI ($)	Percentage of total STI granted	STI vesting as a percentage of base package[1]	Options to vest[1]
P Hoskins	Managing Director	421,818	103,345	25%	8.9%	105,455
S McKenzie	Commercial Manager and Company Secretary	141,818	26,236	25%	3.5%	35,455
C Knee	Chief Financial Officer	130,909	24,218	25%	3.4%	32,727

[1] The value of vested options used to determine the percentage of base package, is the share price at date of vesting of the options.

Other discretionary STI

In addition to the annual grant of STI's above, the Board used the discretion available to it under the Employee Share Scheme to grant the KMP's a one off STI. The KMP's were assessed as achieving 0% of their KPI's for the 2018 financial year as KPI's were strictly worded to vest upon procurement of finance for the development of Chilalo. In October 2018, the Company executed the financing arrangement for US$5 million in Interim Loan Notes and the senior funding package of up to US$80 million in debt and equity subject to the satisfaction of agreed conditions. The Board therefore determined that in recognition of the significant effort from KMP during the 2018 year to procure the funding, they would issue and vest a number of zero priced options equivalent to 30% of the 2018 options that had expired without vesting. Details of the options granted are set out below.

KMP	Position	Total STI opportunity	Total STI ($)	Percentage of total STI granted	STI vesting as a percentage of base package	Options to vest
P Hoskins	Managing Director	130,093[1]	-[1]	100%	-[1]	130,093[1]
S McKenzie	Commercial Manager and Company Secretary	42,545	7,871	100%	4.2%	42,545
C Knee	Chief Financial Officer	38,130	7,054	100%	3.9%	38,130

[1] Subject to shareholder approval

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. 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.

The vesting criteria for LTIs granted relating to KPIs for the 1 July 2016 to 30 June 2019 performance period were:

- Completion of offtake and financing arrangements;
- Achieving commercial graphite production; and
- Share price performance.

Having assessed performance, the Board determined that no LTIs vest and that all LTIs granted for the period 1 July 2016 to 30 June 2019 performance period lapse, as shown in the table below.

Directors' report

KMP	Position	Total LTI opportunity	Total LTI ($)	Percentage of total LTI granted	STI vesting as a percentage of base package	Options to vest
P Hoskins	Managing Director	715,000	162,066	-	-	-
S McKenzie	Commercial Manager and Company Secretary	495,000	112,160	-	-	-
C Knee	Chief Financial Officer	467,500	105,966	-	-	-

(c) Contractual arrangements with executive KMPs

Component	Managing Director	Other KMP - Senior executives
Fixed remuneration	$290,000 plus superannuation effective from 1 January 2017	$180,000 to $195,000 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 2019. 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 2020, with no changes made in the 2019 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 (Grant Davey) – $40,000 plus superannuation
- Non-Executive Director (Daniel Saint Don) – $10,000 (on an annualised basis $40,000)

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

2019 financial year

Name	Fixed remuneration			Variable			Total
	Cash salary	Annual and long service leave	Post-employment benefits	STI / LTI share based payment	Termination	Shared services recovery	
Non-executive directors							
S Dennis	60,000	-	5,700	-	-	-	65,700
G Davey	40,000	-	3,800	-	-	-	43,800
D Saint Don[1]	10,000	-	-	-	-	-	10,000
Executive directors							
P Hoskins	290,000	46,519	20,531	(68,165)[2]	-	-	288,885
Other KMP							
S McKenzie	188,525	26,035	25,000	(38,175)[2]	-	(97,685)	103,700
C Knee	180,000	(2,669)	17,100	(36,837)[2]	-	(81,650)	75,944
Total executive and other KMP	**658,525**	**69,885**	**62,631**	**(143,176)**[2]	**-**	**(179,335)**	**468,530**
Total NED remuneration	**110,000**	**-**	**9,500**	**-**	**-**	**-**	**119,500**
Total KMP remuneration expensed	**768,525**	**69,885**	**72,131**	**(143,176)**	**-**	**(179,335)**	**588,030**

[1] Mr Saint Don was appointed 1 April 2019.

[2] Refer to note 27I(iii) for an explanation for the negative expense.

The Group was a party to a Cooperation Deed with Indiana Resources Limited (**Indiana**) under which Graphex and Indiana shared certain costs. During the year, Mr McKenzie and Mr Knee spent a portion of their time working for Indiana, with this time recharged by the Group on an at cost basis. This is included in the table above as the shared services recovery. The Cooperation Deed was terminated effective 15 April 2019. On 1 February 2019, the Company entered into a Shared Services Agreement under which it agreed to provide accounting, financial administration and company secretarial services to Matador Mining Limited (**Matador**) and Superior Lake Resources Limited (**Superior**), in consideration for which Matador and Superior each meet one third of the fixed remuneration of Mr McKenzie and Mr Knee (and administrative staff).

The amount reimbursed by Indiana, Matador and Superior during the 2019 financial year is included in the table above as the shared services recovery.

2018 financial year

Name	Fixed remuneration			Variable			Total
	Cash salary	Annual and long service leave	Post-employment benefits	STI / LTI share based payment	Termination	Shared services recovery	
Non-executive directors							
S Dennis	60,000	-	5,700	-	-	-	65,700
G Davey	40,000	-	3,800	-	-	-	43,800
Executive directors							
P Hoskins	290,000	21,195	20,049	147,638	-	-	478,881
Other KMP							
N Corlis[1]	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
Total executive and other KMP	**711,752**	**24,187**	**67,230**	**329,818**	**28,269**	**(101,870)**	**1,059,385**
Total NED remuneration	**100,000**	**-**	**9,500**	**-**	**-**	**-**	**109,500**
Total KMP remuneration expensed	**811,752**	**24,187**	**76,730**	**329,818**	**28,269**	**(101,870)**	**1,168,885**

[1] Mr Corlis ceased employment with the Company 19 October 2017

Directors' report

(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:

Name	2019		2018	
	Fixed remuneration	At risk remuneration - STI / LTI	Fixed remuneration	At risk remuneration - STI / LTI
Managing Director				
P Hoskins	100%	-	69%	31%
Other KMP				
S McKenzie	100%	-	73%	27%
N Corlis[1]	-	-	53%	47%
C Knee	100%	-	72%	28%

The non-IFRS information in the table above has not been subject to audit

[1] Mr Corlis ceased employment with the Company 19 October 2017

Performance based remuneration granted and forfeited

The remuneration of KMPs was approved by the Board in July 2018. The years assessment of performance against the stated objectives took place in July 2019 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	Post year end[1]	38%
27-Sept-17	01-Jul-18	01-Jul-20	Nil	$0.24	Nil	Nil
27-Sept-17	01-Jul-20	01-Jul-22	Nil	$0.24	To be determined[2]	Nil
21-Nov-17	1-Jul-19	9-Jun-21	Nil	$0.28	Post year end[1]	Nil
21-Nov-17	1-Jul-20	1-Jul-22	Nil	$0.28	To be determined[2]	Nil
21-Nov-17	01-Jul-18	01-Jul-20	Nil	$0.28	Nil	Nil
26-Nov-18	01-Jul-19	01-Jul-21	Nil	$0.25	Post year end[3]	Nil
26-Nov-18	01-Jul-21	01-Jul-23	Nil	$0.12	To be determined[2]	Nil
13-Dec-18	13-Dec-18	01-Jul-20	Nil	$0.19	100%	100%
13-Dec-18	01-Jul-19	01-Jul-21	Nil	$0.19	Post year end[3]	Nil
13-Dec-18	01-Jul-21	01-Jul-23	Nil	$0.08	To be determined[2]	Nil

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

[2] To be determined after the options have passsed the vesting date.

[3] Subsequent to year end 25% of options have vested in line with the Board's assessment which is disclosed in note (b) above.

Directors’ report

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 2019	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**
S Dennis										
9-Jun-16	1,000,000	-	-	-	-	1,000,000[1]	-	-	-	-
9-Jun-16	124,999	-	-	-	-		124,999	100	-	-
G Davey										
9-Jun-16	1,000,000	-	-	-	-	1,000,000[1]	-	-	-	-
9-Jun-16	83,333	-	-	-	-	-	83,333	100	-	-
P Hoskins										
9-Jun-16	260,000	-	-	-	-	260,000	-	-	-	-
9-Jun-16	-	476,667	-	-	-	-	-	-	-	476,667
9-Jun-16	350,000	-	-	-	-	350,000[2]	-	-	-	-
9-Jun-16	83,333	-	-	-	-	-	83,333	100	-	-
21-Nov-17	-	238,333	-	-	-	-	-	-	-	238,333
21-Nov-17	-	596,261	-	-	-	-	-	-	-	596,261
21-Nov 17	-	433,644	-	-	-	-	433,644	100	-	-
26-Nov-18	-	-	421,818	-	-	-	-	-	-	421,818
26-Nov-18	-	-	580,000	-	-	-	-	-	-	580,000
S McKenzie										
9-Jun-16	136,800	-	-	-	-	136,800	-	-	-	-
9-Jun-16	-	330,000	-	-	-	-	-	-	-	330,000
9-Jun-16	250,000	-	-	-	-	250,000[2]	-	-	-	-
9-Jun-16[1]	16,666	-	-	-	-	-	16,666	100	-	-
21-Nov-17	-	164,500	-	-	-	-	-	-	-	164,500
27-Sept-17	-	145,794	-	-	-	-	145,794	100	-	-
27-Sept-17	-	400,934	-	-	-	-	-	-	-	400,934
13-Dec-18	-	-	141,818	-	-	-	-	-	-	141,818
13-Dec-18	-	-	390,000	-	-	-	-	-	-	390,000
13-Dec-18	-	-	42,545	42,545	100	-	-	-	42,545	-

Directors' report

Reconciliation of options 2019	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**
C Knee										
9-Jun-16	119,000	-	-	-	-	119,000	-	-	-	-
9-Jun-16	-	311,667	-	-	-	-	-	-	-	311,667
9-Jun-16	150,000	-	-	-	-	150,000	-	-	-	-
9-Jun-16	16,666	-	-	-	-	-	16,666	100	-	-
21-Nov-17	-	155,833	-	-	-	-	-	-		155,833
27-Sept-17	-	127,102	-	-	-	-	127,102	100	-	-
27-Sept-17	-	349,532	-	-	-	-	-	-	-	349,532
13-Dec-18	-	-	130,909	-	-	-	-	-	-	130,909
13-Dec-18	-	-	360,000	-	-	-	-	-	-	360,000
13-Dec-18		-	38,130	38,130	100	-	-	-	38,130	-

1. 227,779 shares were issued to each of Mr Davey and Mr Dennis pursuant to a cashless exercise of Unquoted Options in accordance with the Company's Option Plan.
2. 79,730 shares were issued to Mr Hoskins, 56,950 shares were issued to Mr McKenzie and 34,170 shares were issued to Mr Knee pursuant to a cashless exercise of Unquoted Options in accordance with the Company's Option Plan.

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	Balance at end of the period
S Dennis	475,000	227,799	71,000	773,799
G Davey	350,000	227,800	178,572	756,372
D Saint Don	-	-	-	-
P Hoskins	466,998	339,730	71,000	877,728
S McKenzie	142,221	193,750	-	335,971
C Knee	73,652	153,170	-	226,822

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 2019, 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
27-Sep-17	01-Jul-22	Nil	750,466
21-Nov-17	1-Jul-22	Nil	596,261
26-Nov-18	01-Jul-23	Nil	580,000
26-Nov-18	01-Jul-21	Nil	421,818
13-Dec-18	01-Jul-21	Nil	173,636
13-Dec-18	01-Jul-23	Nil	750,000
13-Dec-18	01-Jul-20	Nil	80,675
24-Jul-19	01-Jul-22	Nil	160,385
24-Jul-19	01-Jul-24	Nil	980,132

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 88.38% votes for 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 $139,150 (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

	2019 $	2018 $
(a) PricewaterhouseCoopers Australia (PwC)		
(i) Audit and assurance services		
Audit of financial statements - Australia	64,770	61,000
Audit of financial statements - Tanzania	17,824	13,778
Other assurance services	1,500	-
Total audit and assurance remuneration	84,094	74,778
(ii) Taxation services		
Taxation services - Australia	70,846	47,583
Taxation services - Tanzania	18,162	11,366
Total taxation remuneration	89,008	58,949

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 23.

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	Zone	Million Tonnes (Mt)	TGC (%)	Contained Graphite (Kt)
High-Grade	Probable Reserve	Main	5.3	10.9	576
Total Ore Reserve	**Probable Reserve**	**Main**	**5.3**	**10.9**	**576**
High-Grade	Indicated	Main	9.2	10.6	982
		North East	1.0	9.5	100
		All	**10.3**	**10.5**	**1,082**
	Inferred	Main	7.4	9.5	704
		North East	2.3	8.8	205
		All	**9.8**	**9.3**	**908**
Total High-Grade	**Indicated + Inferred**	**All**	**20.1**	**9.9**	**1,991**
Low-Grade	Inferred	Main	37.8	3.4	1,282
		North East	9.5	4.1	394
		All	**47.3**	**3.5**	**1,677**
High-Grade + Low-Grade	**Indicated + Inferred**	**All**	**67.3**	**5.4**	**3,667**

1. Mineral Resources are inclusive of Ore Reserves. 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 above a lower cut-off of 2% TGC 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

Directors' report

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 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 28 August 2019 and that all material assumptions and technical parameters underpinning the estimates in the announcement of 28 August 2019 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.

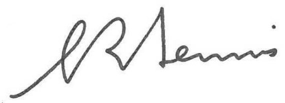
Ore Reserves and Mineral Resources Governance

Graphex reviews its Mineral Resource and Ore Reserve estimates on an annual basis. The Annual Statement of Mineral Resources and Ore Reserves (see page 20) 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 26th day of September 2019

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 2019 corporate governance statement is dated as at 30 June 2019 and reflects the corporate governance practices in place throughout the 2019 financial year. The 2019 corporate governance statement was approved by the Board on 25 September 2019. 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/.

Auditor's Independence Declaration

As lead auditor for the audit of Graphex Mining Limited for the year ended 30 June 2019, 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.

Ben Gargett
Partner
PricewaterhouseCoopers

Perth
26 September 2019

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Consolidated statement of profit or loss and other comprehensive income
for the period ended 30 June 2019

	Notes	30 June 2019 $	30 June 2018 $
Continuing operations			
Research and development rebate		201,735	201,826
Other income		3,731	21,392
Exploration and evaluation expenses		(4,231,952)	(951,705)
Corporate and administration expenses		(1,297,059)	(1,150,796)
Business development and marketing		(1,383,857)	(976,724)
Finance costs		(513,187)	-
Employee benefits	1	(931,214)	(911,489)
Share based payments	27l(iii)	138,657	(341,580)
Other expenses		(36,605)	-
Loss before income tax		**(8,049,751)**	**(4,109,076)**
Income tax benefit	3	-	-
Loss for the period		**(8,049,751)**	**(4,109,076)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(68,010)	2,507
Total comprehensive loss for the period		**(8,117,761)**	**(4,106,569)**
Net loss is attributable to:			
Owners of Graphex Mining Limited		(8,049,751)	(4,109,076)
Total comprehensive loss is attributable to:			
Owners of Graphex Mining Limited		(8,117,761)	(4,106,569)
Earnings per share attributable to owners of the Company		$	$
Basis EPS	25	(0.10)	(0.06)
Diluted EPS	25	(0.10)	(0.06)

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 2019

	Notes	30 June 2019 $	30 June 2018 $
ASSETS			
Current assets			
Cash and cash equivalents	4	1,264,791	1,838,886
Trade and other receivables	5	318,465	164,337
Total current assets		**1,583,256**	**2,003,223**
Non-current assets			
Property, plant and equipment	6	112,880	126,335
Exploration and evaluation	7	5,000,000	5,000,000
Total non-current assets		**5,112,880**	**5,126,335**
Total assets		**6,696,136**	**7,129,558**
LIABILITIES			
Current liabilities			
Trade and other payables	8	(449,871)	(231,132)
Provisions	9	(171,377)	(159,845)
Total current liabilities		**(621,248)**	**(390,977)**
Non-current liabilities			
Provisions	9	(72,018)	-
Loans and borrowings	10	(5,799,825)	-
Total non-current liabilities		**(5,871,843)**	**-**
Total liabilities		**(6,493,091)**	**(390,977)**
Net assets		**203,045**	**6,738,581**
EQUITY			
Share capital	11	16,832,075	15,111,194
Reserves	12	1,449,065	1,655,731
Retained earnings / (Accumulated losses)	13	(18,078,095)	(10,028,344)
Total equity		**203,045**	**6,738,581**

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 2019

	Notes	Contributed equity	Foreign currency translation reserve	Share based payment reserve	Retained earnings / (Accumulated losses)	Total equity
		$	$	$	$	$
Balance as at 30 June 2017		**10,459,258**	**24,479**	**1,287,165**	**(5,919,268)**	**5,851,634**
Total comprehensive loss for the period:						
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)
Transactions with owners in their capacity as owners:						
Issue of shares net of transaction costs	11(b)	4,651,936	-	-	-	4,651,936
Employee share schemes - value of employee services	23(b)	-	-	341,580	-	341,580
Balance at 30 June 2018		**15,111,194**	**26,986**	**1,628,745**	**(10,028,344)**	**6,738,581**
Total comprehensive loss for the period:						
Loss for the period		-	-	-	(8,049,751)	(8,049,751)
Foreign exchange translation differences		-	(68,010)	-	-	(68,010)
Total comprehensive loss for the period		-	(68,010)	-	(8,049,751)	(8,117,761)
Transactions with owners in their capacity as owners:						
Issue of shares net of transaction costs	11(b)	1,720,881	-	-	-	1,720,881
Employee share schemes - value of employee services	23(b)	-	-	(138,657)	-	(138,657)
Balance at 30 June 2019		**16,832,075**	**(41,024)**	**1,490,088**	**(18,078,095)**	**203,045**

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 2019

	Notes	30 June 2019 $	30 June 2018 $
Cash flows from operating activities			
Payments to suppliers and employees		(2,207,252)	(2,108,949)
Payments for business development and marketing		(1,370,280)	(1,053,224)
Payment of exploration expenditure		(2,476,773)	(984,525)
Other income received		3,731	21,392
Receipts from research and development rebate		201,735	201,826
Net cash (outflow) from operating activities	14	**(5,848,839)**	**(3,923,480)**
Cash flows from investing activities			
Payment for property, plant and equipment		(36,464)	(41,128)
Net cash (outflow) from investing activities		**(36,464)**	**(41,128)**
Cash flows from financing activities			
Proceeds from the issue of interim loan notes		5,192,664	-
Proceeds from the issue of ordinary shares	11(b)	104,567	5,037,082
Share issue transaction costs		(21,997)	(385,147)
Net cash flow from financing activities		**5,275,234**	**4,651,935**
Net (decrease) / increase in cash and cash equivalents		**(610,069)**	**687,327**
Cash and cash equivalents at the beginning of the period		1,838,886	1,149,777
Effects of exchange rate changes on cash and cash equivalents		35,974	1,782
Cash and cash equivalents at the end of the period	4	**1,264,791**	**1,838,886**

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

	2019 $	2018 $
Salaries	988,760	1,067,891
Share based payments	(138,657)	341,580
Superannuation	86,821	97,757
Changes in leave provisions	83,176	(6,074)
	1,020,100	**1,501,153**

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 $227,542 (2018: $238,180) 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
- Corporate – management of corporate affairs.

The segments have applied the same accounting policies as applied to the Group and disclosed in note 27 of these financial statements.

	30-Jun-19			30-Jun-18		
	Exploration Tanzania $	Corporate $	Total $	Exploration Tanzania $	Corporate $	Total $
Other income	-	3,731	3,731	-	21,392	21,394
Research and development rebate	-	201,735	201,735	-	201,826	201,826
Total income	**-**	**205,466**	**205,466**	**-**	**223,218**	**223,218**
Depreciation and amortisation	(23,880)	(26,039)	(49,919)	(28,563)	(14,717)	(43,280)
Share based payments	-	138,657	138,657	-	(341,580)	(341,580)
Exploration expenses	(4,231,952)	-	(4,231,952)	(951,705)	-	(951,705)
Other expenses	(1,011,626)	(3,100,376)	(4,112,002)	(321,182)	(2,674,547)	(2,995,729)
Segment loss	**(5,267,459)**	**(2,782,292)**	**(8,049,751)**	**(1,301,449)**	**(2,807,627)**	**(4,109,076)**
Segment assets	**5,309,334**	**1,386,802**	**6,696,136**	**5,291,018**	**1,838,541**	**7,129,558**
Segment liabilities	**(26,191)**	**(6,466,900)**	**(6,493,091)**	**(7,053)**	**(383,924)**	**(390,977)**
Additions to PP&E	**-**	**27,355**	**27,355**	**-**	**41,128**	**41,128**

Notes to the financial statements

3. Income tax expense

The Company has total carried forward tax losses of $13,800,564 (2018: $5,852,136) available for offset against future assessable income of the Company. The deferred tax asset in respect of these losses has been used to offset a deferred tax liability. The net deferred tax asset attributable to the residual tax losses of $3,795,155 has not been brought to account until convincing evidence exists that assessable income will be earned of a nature and amount to enable such benefit to be realised.

4. Cash and cash equivalents

Cash at bank	1,264,791	1,238,886
Cash on deposit	-	600,000
	1,264,791	**1,838,886**

Refer to note 16 for the Group's exposure to interest rate and credit risk.

5. Trade and other receivables

	2019 $	2018 $
Accounts receivable	118,038	47,577
Other receivables	31,863	83,111
Prepayments	150,283	15,368
Security bond	18,281	18,281
	318,465	**164,337**

6. Property, plant and equipment

Non-current	**Plant and equipment** **$**	**Furniture and fittings** **$**	**Total** **$**
At 30 June 2019			
Cost or fair value	122,791	134,918	257,709
Accumulated depreciation	(74,652)	(70,177)	(144,829)
Net book amount	**48,139**	**64,741**	**112,880**
Period ended 30 June 2019			
Opening net book amount	66,236	60,099	126,335
Additions	2,536	24,819	27,355
Foreign exchange movement	7,094	2,015	9,109
Depreciation charge	(27,727)	(22,192)	(49,919)
Closing net book amount	**48,139**	**64,741**	**112,880**

Notes to the financial statements

6. Property, plant and equipment (continued)

Non-current	Plant and equipment $	Furniture and fittings $	Total $
At 30 June 2018			
Cost or fair value	114,120	108,084	222,204
Accumulated depreciation	(47,884)	(47,985)	(95,869)
Net book amount	**66,236**	**60,099**	**126,335**
Period ended 30 June 2018			
Opening net book amount	86,032	40,784	126,816
Additions	-	41,128	41,128
Foreign exchange movement	1,480	191	1,671
Depreciation charge	(21,276)	(22,004)	(43,280)
Closing net book amount	**66,236**	**60,099**	**126,335**

7. Exploration and evaluation expenditure

	2019 $	2018 $
(a) Reconciliation of exploration and evaluation expenditure		
Carrying amount at beginning of the period	5,000,000	5,000,000
Acquisition of tenements	-	-
Carrying amount at the end of the period	**5,000,000**	**5,000,000**

(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	188,871	82,486
Accruals	216,314	120,548
Other payables	44,686	28,098
	449,871	**231,132**

9. Provisions

Current		
Provision for annual leave	171,377	159,845
	171,377	**159,845**
Non-current		
Provision for long service leave	72,018	-
	72,018	-

Notes to the financial statements

10. Loans and borrowings

	2019 $	2018 $
Interim Loan Notes drawn	5,192,664	-
Effective interest capitalised	513,187	-
Foreign currency movement	93,974	-
	5,799,825	**-**

On 29 October 2018, Graphex signed agreements for financing the development of its Chilalo Graphite Project with funds managed by global private investment firm Castlelake, L.P, which provide for a funding package of up to US$80 million, which subject to satisfaction of agreed conditions, is expected to fully fund Chilalo through to production.

Under the funding package the Company entered into a Loan Note Subscription Agreement to raise US$5 million from the issue of secured Interim Loan Notes, which became available during the period. At the end of the period, the Company has drawn US$4 million of the US$5 million Interim Loan Notes available. Other material terms of the Interim Loan Notes are:

- Loan Notes expire 29 October 2020;
- Structuring fee 2% and an issuer discount of 7.5%;
- Interest rate of 15% on drawn funds and 4% commitment fee on undrawn funds;
- All fees other than the issuer discount are capitalised into the balance of the interim loan notes;
- Capital raising by the Company restricted to $5 million unless for the purpose of debt repayment; and
- Security over the Chilalo Project.

On satisfactory completion of conditions precedent, the US$5 million facility can be rolled into a Senior Funding Package in accordance with an agreed term sheet that sets out the proposed terms on which the Castlelake Funds and other market participants (subject to the satisfaction of agreed conditions) provide up to US$40 million in equity and up to US$40 million from the issue of senior secured loan notes.

Proceeds from the Interim Loan Notes are being applied to satisfying the conditions precedent to the Senior Funding Package. The more material conditions, in addition to customary conditions precedent, that need to be satisfied for the Senior Funding Package include: completion of a bankable feasibility study (**BFS**) to support a decision to mine; resolution of certain specified issues relating to Tanzania's mining legislation; execution of material contracts; completion of ongoing due diligence to the satisfaction of the financier; and entry into definitive transaction documents – the term sheet for the Senior Funding Package is to be converted into transaction documents.

11. Share capital

	2019 Shares	2019 $	2018 Shares	2018 $
(a) Issued and paid up capital				
Ordinary fully paid shares	**88,145,208**	**16,832,075**	**78,714,794**	**15,111,194**
(b) Movement in ordinary shares				
Opening balance	78,714,794	15,111,194	58,212,063	10,459,258
Issue of equities				
Conversion of loyalty options	138,748	34,687	27,849	6,962
Exercise of employee options	1,369,737	-	-	-
Shares issued as consideration for drilling	5,956,357	1,638,312	-	-
Shares issued to interim loan note holders	1,645,000	-	-	-
Issue of shares	320,572	69,880	20,474,882	5,030,240
Less: Transaction costs arising on share issues	-	(21,997)	-	(385,266)
Movement for the period	9,430,414	1,720,882	20,502,731	4,651,936
Closing balance	**88,145,208**	**16,832,075**	**78,714,794**	**15,111,194**

Notes to the financial statements

11. Share capital (continued)

(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.

12. 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
	$	$	$
At 30 June 2017	1,287,165	24,479	1,311,644
Translation of foreign subsidiaries	-	2,507	2,507
Other comprehensive income	-	2,507	2,507
Transactions with owners in their capacity as owners			
Employee share based payments expense	341,580	-	341,580
At 30 June 2018	**1,628,745**	**26,986**	**1,655,731**
Translation of foreign subsidiaries	-	(68,010)	(68,010)
Other comprehensive income	-	(68,010)	(68,010)
Transactions with owners in their capacity as owners			
Employee share based payments expense	(138,657)	-	(138,657)
At 30 June 2019	**1,490,088**	**(41,024)**	**1,449,064**

(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.

Notes to the financial statements

13. Retained earnings / (Accumulated losses)

	2019 $	2018 $
Opening balance	(10,028,344)	(5,919,268)
Net loss for the period	(8,049,751)	(4,109,076)
Closing balance	**(18,078,094)**	**(10,028,344)**

14. Cash flow information

	2019 $	2018 $
(a) Reconciliation of operating loss after income tax to the net cash flows from operating activities:		
Loss for the period	(8,049,751)	(4,109,076)
Adjustments for:		
Depreciation	49,919	43,280
Non-cash employee benefits expense - share based payments	(138,657)	341,580
Non-cash shares issued as consideration for drilling	1,638,312	-
Non-cash costs of interim loan notes capitalised	513,187	-
Net exchange differences	(10,009)	(946)
Changes in operating assets and liabilities:		
Increase in trade and other receivables	(154,129)	(41,177)
(Decrease)/Increase in provisions	83,550	(5,814)
(Decrease)/Increase in trade and other payables	218,739	(151,327)
Net cash (outflow) from operating activities	**(5,848,839)**	**(3,923,480)**

(b) Non-cash investing and financing activities

During the year the Company entered in an equity for drilling services contract with the Company's drilling contractor associated with drilling to upgrade classification of the Company's JORC Resource. As part of this arrangement, the Company issued the drilling contractor a total of 5,956,357 as consideration of their services.

As part of the financing arrangement outlined in note 10, the Company also issued 1,650,000 shares to the Interim Loan Note holders as part of the financing transaction.

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.

15. 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 27, 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:

- Recoverability of exploration and evaluation assets – note 7(b); and
- Share based payments – note 23.

16. Financial risk management

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

- Interest rate risk; and
- Foreign exchange 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	2019 $	2018 $
Financial Assets			
Cash and cash equivalents	4	1,264,791	1,838,886
Trade and other receivables – current	5	318,465	164,337
Total Financial Assets		**1,583,256**	**2,003,223**
Financial Liabilities			
Trade and other payables	8	(449,871)	(231,132)
Loans and borrowings	10	(5,799,825)	-
Total Financial Liabilities		**(6,249,696)**	**(231,132)**

(a) Market risk

(i) Interest rate risk

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

Notes to the financial statements

16. Financial risk management (continued)

	Effective Average Interest Rate (%)	Variable Interest Rate $	Fixed Interest Rate $	Non-Interest Bearing $	Total $
2019 (consolidated)					
Financial Assets					
Cash and cash equivalents	0.01%	22,385	-	1,242,406	1,264,791
Security bonds		-	-	18,281	18,281
		22,385	**-**	**1,260,686**	**1,283,071**
Financial Liability					
Loans and borrowings	29.2%	**-**	**(5,799,825)**	**-**	**(5,799,825)**
2018 (consolidated)					
Financial Assets					
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**

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 $
2019 (consolidated)					
Financial Assets					
Cash and cash equivalents	1,264,791	(224)	(224)	224	224
	1,264,791	**(224)**	**(224)**	**224**	**224**
2018 (consolidated)					
Financial Assets					
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**

(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

16. 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	2019		2018	
	US Dollar	Tanzanian Shilling	US Dollar	Tanzanian Shilling
Cash at bank	1,077,411	14,249	62,548	37,831
Trade receivables	18,959	3,464	7,783	58,938
Trade payables	(15,005)	(3,530)	(1,651)	-
Loans and borrowings	(5,799,825)	-	-	-

Sensitivity analysis	10% Strengthening to the AUD		10% Weakening to the AUD	
	Equity $	Net Profit / (Loss) $	Equity $	Net Profit / (Loss) $
2019 (Consolidated)				
USD (10% movement)	(526,897)	99,981	643,986	(122,200)
TZS (10% movement)	(6)	1,295	7	(1,583)
2018 (Consolidated)				
USD (10% movement)	557	5,686	(681)	(6,950)
TZS (10% movement)	5,358	3,439	(6,549)	(4,203)

(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 $
2019 (Consolidated)				
Trade and other payables	449,871	-	449,871	449,871
Loans and borrowings	-	7,771,155	7,771,155	5,799,825
	449,871	**7,771,155**	**8,221,026**	**6,249,696**
2018 (Consolidated)				
Trade and other payables	231,132	-	231,132	231,132
	231,132	**-**	**231,132**	**231,132**

(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.

Notes to the financial statements

16. Financial risk management (continued)

(c) Credit risk (continued)

(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.

(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	2019	2018
		$	$
Financial Assets			
Cash and cash equivalents	4	1,264,791	1,838,886
Trade and other receivables – current	5	318,465	164,337
Total Financial Assets		**1,583,256**	**2,003,223**

(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 carrying amounts and estimated fair values of all the Group's financial instruments recognised in the financial statements are materially the same.

17. 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.

Notes to the financial statements

17. Capital management (continued)

As disclosed in note 10, the Company has incurred debt in the form of the Interim Loan Notes to help fund project development. The loan funding is been used as bridging funding to access the senior funding arrangement. The Company has chosen to take on this debt as opposed to issuing additional shares so as to avoid excessive shareholder dilution at the Company's current market capitalisation. The Company currently aims to fund ongoing project development at a gearing ratio of 50%.

	2019 $	2018 $
Net debt	(4,535,034)	-
Total equity	16,832,075	15,111,194
Net debt to equity ratio	**27%**	**-**

(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.

18. Interests in other entities

The Group's principal subsidiaries at 30 June 2019 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 2019 %	Equity Holding 2018 %
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.

19. Contingent liabilities

The Group did not have any contingent liabilities as at 30 June 2019 (2018: Nil).

20. Commitments

	2019 $	2018 $
(a) Lease and operating contract expenditure commitments		
Operating lease (non-cancellable), minimum lease payments		
- not later than one year	6,625	43,470
- beyond one year	-	7,057
	6,625	**50,527**

The Group leases office premises with a fixed term lease expiring 4 August 2019. The Company did not renew this lease.

(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	338,525	394,894
- beyond one year	-	-
	338,525	**394,894**

(c) Prospecting licence rentals

- not later than one year	73,847	75,767
- beyond one year	-	-
	73,847	**75,767**

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.

(d) Other commitments

- not later than one year	1,458,164	-
- beyond one year	-	-
	1,458,164	**-**

The Company is currently completing a BFS in which it has issued suppliers and contractors purchase orders to complete various sections of the study. The Company had issued purchase orders of a total value of $3,397,292 as at 30 June 2019. A total of $1,939,128 had been spent against those open purchase orders.

21. Events occurring after reporting dates

Subsequent to year end, the Company completed the placement of 12,500,000 fully paid ordinary shares at $0.20 cents per share to professional and sophisticated investors to raise $2.5 million before costs.

Notes to the financial statements

FURTHER DETAILS

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.

22. 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 18.

(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

	2019 $	2018 $
Short-term employee benefits	838,410	835,938
Post-employment benefits	72,131	76,730
Termination benefits	-	28,269
Share-based payments	(143,176)	329,818
Shared Services Recovery [1]	(179,335)	(101,870)
	588,030	**1,168,885**

[1] The Group was a party to a Cooperation Deed with Indiana Resources Limited and a Shared Services Agreement with Matador Mining Limited and Superior Lake Resources Limited under which Graphex shared certain costs. During the year, Executives Mr McKenzie and Mr Knee spent a portion of their time working for the above-mentioned companies, with this time recharged by the Group on an at cost basis. This is included above as the Shared Services Recovery.

Detailed remuneration disclosures are provided in the Remuneration Report on pages 10 to 18.

(d) Other KMP transactions

Mr. Grant Davey, who is a Non-Executive Director of the Company is a Director and shareholder of Matador Capital Pty Ltd (**Matador Capital**). The Company makes payments to Matador Capital under a Shared Services Agreement in which Matador Capital provides office space and general office costs to the Company at cost plus 2%. The Company also uses Matador Capital's technical and project management expertise of which the Company pays a fee of cost plus 14%.

Mr. Davey is also a Director of Superior Lake Resources Limited and Matador Mining Ltd, ASX listed Companies that have a Shared Services Agreement with the Company. Under this arrangement Graphex provides company secretarial, accounting and administration services. Payments made under these arrangements for the year are set out below.

Notes to the financial statements

22. Related party transactions (continued)

	2019	2018
	$	$
Related party transactions		
Payments to Matador Capital Pty Ltd	(182,000)	-
Receipts from Superior Lake Resources Limited	103,335	-
Receipts from Matador Mining Ltd	103,534	-

23. 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:

a) assist and reward the retention and motivation of employees;
b) link employee reward to shareholder value creation; and
c) 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.

(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:

Notes to the financial statements

23. Share-based payments (continued)

	2019		2018	
	Weighted average exercise price	Number of options '000	Weighted average exercise price	Number of options '000
As at 1 July	$0.15	13,782	$0.17	12,365
Granted during the period[1]	Nil	2,186	Nil	2,716
Exercised during the period[2]	$0.16	(3,686)	-	-
Forfeited during the period	$0.21	(6,925)	Nil	(1,299)
As at 30 June	**Nil**	**5,357**	**$0.15**	**13,782**

[1] Options granted carried a nil exercise price.
[2] Options exercised had a $0.20 or nil exercise price
[3] Forfeited options had a $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 2019 '000
9-Jun-16	9-Jun-21	Nil	1,164
27-Sep-17	1-Jul-20	Nil	24
27-Sep-17	1-Jul-22	Nil	804
21-Nov-17	9-Jun-21	Nil	582
21-Nov-17	1-Jul-22	Nil	596
26-Nov-18	1-Jul-21	Nil	422
26-Nov-18	1-Jul-23	Nil	580
13-Dec-18	1-Jul-20	Nil	81
13-Dec-18	1-Jul-21	Nil	300
13-Dec-18	1-Jul-23	Nil	804

Weighted average remaining contractual life of options outstanding at period end is 2.74 years (2018: 1.60 years).

Fair value of options granted

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

(a) 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. The estimated fair value of the long term share rights was determined using a combination of analytical approaches and Monte Carlo simulation.

(b) Cashless exercise options which had exercise prices of $0.20 and $0.25 were all exercised or lapsed during the period. They 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. There were no cashless exercise options outstanding at 30 June 2019.

Notes to the financial statements

23. Share-based payments (continued)

(b) Expenses arising from share-based payment transactions

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

	2019 $	2018 $
Options issued under the Plan	(138,657)	341,580
	(138,657)	**341,580**

24. 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)

	2019 $	2018 $
(i) Audit and assurance services		
Audit and review of financial statements	64,770	61,000
Other assurance services	1,500	-
Total audit and assurance remuneration	**66,270**	**61,000**
(ii) Taxation services		
Taxation services	70,846	47,583
Total taxation remuneration	**70,846**	**47,583**

(b) Network firms of PwC (Tanzania)

(i) Audit and assurance services		
Audit of financial statements	17,824	13,778
Total audit and assurance remuneration	**17,824**	**13,778**
(ii) Taxation services		
Taxation services	18,162	11,366
Total taxation remuneration	**18,162**	**11,366**

The Company has engaged PwC to perform tax compliance services provided during the 2019 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.

Notes to the financial statements

25. Earnings per share

	2019 $	2018 $
(a) Basic earnings per share		
From continuing operations attributable to ordinary equity holders	(0.10)	(0.06)

The weighted average number of shares used to calculate both the basic and diluted earnings per share is 82,734,539 (2018: 71,443,589).

(b) Fully diluted earnings per share		
From continuing operations attributable to ordinary equity holders	(0.10)	(0.06)

(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 23.

26. Parent entity financial information

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

(a) Summary of financial information

	2019 $	2018 $
Balance sheet		
Current assets	1,383,530	1,837,002
Total assets	6,447,493	9,067,429
Current liabilities	(667,075)	(383,925)
Total liabilities	(6,466,900)	(383,925)
Shareholders' equity		
Issued capital	16,832,075	15,111,194
Reserves	1,490,088	1,628,745
Retained earnings	(18,341,570)	(8,056,434)
Total shareholders equity	19,407	8,683,504
Loss for the period	**(10,285,136)**	**(3,359,161)**
Total comprehensive loss	**(10,285,136)**	**(3,359,161)**

(b) Guarantees

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

(c) Commitments

Of the commitments in note 20, all of the operating leases disclosed in note 20(a) related to the parent, Graphex. These related to the fixed term non-cancellable 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 2019 or 30 June 2018. For information about guarantees given by the parent entity, please see above.

Notes to the financial statements

27. 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 18.

(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 2019 of $8,049,751 (2018: $4,109,076) and a net cash outflow from operating activities of $5,848,839 (2018: $3,923,480). As at 30 June 2019, the Group had cash and cash equivalents of $1,264,791 (2018: $1,838,886) and a working capital surplus of $889,990 (2018: $1,612,246).

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 project development activities.

In October 2018, the Company entered into a Loan Note Subscription Agreement to raise US$5 million from the issue of secured Interim Loan Notes. The Company has also signed a term sheet setting out the proposed terms on which the Company's financier and other market participants (subject to the satisfaction of agreed conditions) provide up to US$40 million in equity and up to US$40 million from the issue of senior secured loan notes (**Senior Funding Package**). Proceeds from the Interim Loan Notes have been applied to satisfying the conditions to the Senior Funding Package. Details on the funding arrangements can be found in note 10.

Proceeds from the Interim Loan Notes are being applied to satisfying the conditions precedent to the Senior Funding Package. The more material conditions, in addition to customary conditions precedent, that need to be satisfied for the Senior Funding Package include:

- Completion of a BFS to support a decision to mine;
- Resolution of certain specified issues relating to Tanzania's mining legislation;
- Execution of material contracts;
- Completion of ongoing due diligence to the satisfaction of the financier; and
- Entry into definitive transaction documents – the term sheet for the Senior Funding Package is to be converted into transaction documents.

At the date of this report, the conditions had not yet been satisfied in their entirety.

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.

Notes to the financial statements

27. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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:
    - Completion of the condition's precedent of the Company's senior funding package to the access up to $80 million in debt and equity funding from the Company's financier;
    - through engaging with parties interested in alternate financing arrangements; and/or
    - raising additional capital through equity placements to existing or new investors of which 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.

(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 23.

(iv) New and amended standards adopted by the group

All mandatory new Accounting Standards and Pronouncements effective for financial years commencing 1 July 2018 were adopted in full by the Group including the following:

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 has adopted this standard from 1 July 2018 and the adoption has no impact.

Notes to the financial statements

27. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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 has adopted this standard from 1 July 2018. As the Company does not have any revenue contracts, the adoption has no impact.

(v) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 2019 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.

(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.

Notes to the financial statements

27. Summary of significant accounting policies (continued)

(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.

(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.

Notes to the financial statements

27. Summary of significant accounting policies (continued)

(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.

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.

Notes to the financial statements

27. Summary of significant accounting policies (continued)

(i) Foreign currency translation (continued)

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.

(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

(i) 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.

(ii) 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.

Notes to the financial statements

27. Summary of significant accounting policies (continued)

(l) Employee benefits (continued)

(iii) 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.

(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. The Company uses an 'expected credit loss' (ECL) model to recognise an allowance if not collectable.

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.

Notes to the financial statements

27. Summary of significant accounting policies (continued)

(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.

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.

(iii) Loans and Borrowings

The Company entered into a Loan Note Subscription Agreement with funds managed by Castlelake L.P. to raise US$5 million from the issue of secured Interim Loan Notes, which became available during the period. At the end of the period, the Company has drawn US$4 million of the US$5 million Interim Loan Notes available. Full details of the Interim Loan Notes are outlined in note 10.

The Loan Notes are valued at amortised cost using the effective interest method over the life of the loan. The Interim Loan Notes are classified as non-current until they are 12 months or less from the maturity date of 29 October 2020.

Notes to the financial statements

27. Summary of significant accounting policies (continued)

(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 26 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 24 to 54 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 2019 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 26th day of September 2019

Independent auditor's report

To the members of Graphex Mining Limited

Report on the audit of the financial report

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 2019 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 2019
- 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.

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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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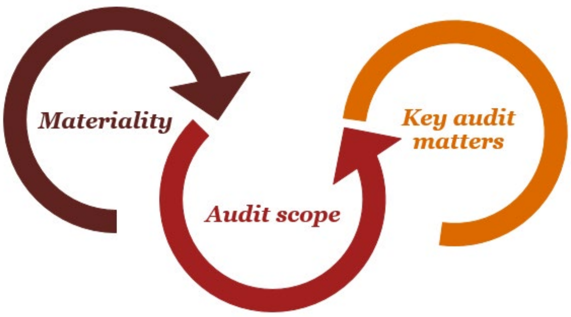
Material uncertainty related to going concern

We draw attention to Note 27(a)(i) in the financial report, which indicates that the Group incurred a net loss of $8,049,751 during the year ended 30 June 2019 and a net cash outflow from operating activities of $5,848,839. 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 27(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 $400,000 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 matters to be communicated in our report.

Key audit matter	***How our audit addressed the key audit matter***
Recognition and measurement of loans and borrowings *Refer to note 10* As at 30 June 2019, the Group recognised loans and borrowings of $5,799,825 relating to the issue of secured Interim Loan Notes to Castlelake L.P. The Group was required to determine the appropriate accounting treatment for the Interim Loan Notes under AASB 9 Financial Instruments on initial recognition and subsequent measurement. This was a key audit matter as loans and borrowings is a significant liability on the balance sheet, the complexity of the effective interest rate calculation and the judgement that was required with respect to the treatment of borrowing costs arising from the new arrangement.	We performed the following procedures, amongst others: • Obtained a confirmation directly from the Group's financiers to confirm the balance of the Interim Loan Notes at year end. • Read the most up-to-date borrowing agreements between the Group and its financiers to obtain an understanding of the terms associated with the Interim Loan Notes, the amount of facility available for drawdown and the terms and restrictions associated with the funding. • Vouched the drawdown of funds during the period to bank statements. • Assessed the accounting treatment of borrowing costs arising from new arrangement with reference to the loan agreement. • Assessed the calculation of the effective interest rate by considering the key inputs and the mathematical accuracy of the calculation, and the subsequent measurement of the loan and borrowings at period end. • Recalculated the translation of loans and borrowings denominated in foreign currencies using closing rates obtained from external sources.

Key audit matter	How our audit addressed the key audit matter
	• As the loans and borrowings are classified as non-current, considered the Group's assessment that they had the unconditional right to defer payment such that there were no repayments required within 12 months from the balance date. • Evaluated whether the disclosures were consistent with the requirements of Australian Accounting Standards.
Carrying value of exploration and evaluation assets *Refer to note 7, 27* As at 30 June 2019, the Group had capitalised exploration and evaluation assets of $5,000,000 relating to the Chilalo graphite project in Tanzania. 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 and assumptions about future events and circumstances, such as whether the mineral resources may be economically viable to mine in the future. This was a key audit matter because of the size of the balance and the risk of impairment should (i) the feasibility study that is underway indicate insufficient return from the project to allow for approval to commence construction, or (ii) Tanzania's mining legislation negatively impacts on the project returns and ability to obtain project financing.	To assess the carrying value of exploration and evaluation assets, we performed the following procedures, amongst others: • Tested 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. • Considered the consistency of information provided with other available information, such as market releases made by the Company about the results of test work and other project development activities. • Evaluated the Group's assessment that there had been no indicators of impairment for its capitalised exploration and evaluation assets by performing the following procedures, amongst others: ○ Inquired of management and directors to develop an understanding of the current status and future intentions for the Group's project. ○ Obtained plans for future expenditure and compared these to contractual minimum licence expenditure requirements. ○ Considered the potential impact of Tanzanian's mining legislation on the ability of the Group to satisfy conditions precedent to the Senior Funding Package.

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 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 10 to 18 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Graphex Mining Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ben Gargett
Patner

Perth
26 September 2019

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 20 September 2019.

(a) DISTRIBUTION OF EQUITY SECURITIES

Ordinary Shares

			Number of holders	Number of shares
1	-	5,000	2,800	1,670,160
5,001	-	10,000	182	1,438,594
10,001	-	100,000	540	18,947,875
100,001		and over	139	56,658,165
			3,661	78,714,794
Number of holders holding less than a marketable parcel of shares			2,625	866,631

Unlisted Options

			Number of holders	Number of Unlisted Options
1	-	10,000	2	6,766
10,001	-	100,000	14	471,144
100,001		and over	10	4,025,843
			27	4,503,753

(b) TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of quoted shares as at 20 September 2019 are:

Rank	Name	Number of shares	% of shares
1.	J P Morgan Nominees Australia Limited	7,662,823	7.61
2.	Capital DI Limited	6,094,688	6.06
3.	BNP Paribas Noms Pty Ltd <DRP>	5,761,695	5.72
4.	BNP Paribas Nominees Pty Ltd <IB Au Noms Retail client DRP>	4,874,836	4.84
5.	MMG Exploration Holdings Limited	3,546,000	3.52
6.	BPM Capital Limited	3,350,000	3.33
7.	One Managed Investment Funds	2,879,832	2.86
8.	Citicorp Nominees Pty Limited	1,944,720	1.93
9.	Merrill Lynch (Australia) Nominees Pty Limited	1,713,899	1.70
10.	Dr Christopher Kong Leng Shun + Mrs Sook Leng Choy	1,600,000	1.59
11.	Mr Timothy Murray	1,509,550	1.50
12.	Mr James Theodore Lakes <Lakes Folio A/C>	1,500,000	1.49
13.	BNP Paribas Nominees Pty Ltd <Jarvis A/C Non Treaty DRP>	1,326,500	1.32
14.	P & D Instrument & Electrical Services Pty Ltd <Johnson Family A/C>	1,210,000	1.20
15.	National Nominees Limited <DB A/C>	1,100,000	1.09
16.	Beebee Holdings Pty Ltd	1,093,333	1.09
17.	Clarkson's Boathouse Pty Ltd <Clarkson Super Fund A/C>	1,063,688	1.06
18.	Mr Mark Andrew Tkocz	1,012,579	1.01
19.	Cape Bouvard Equities Pty Ltd	1,000,000	0.99
20.	Mr Michael James Strachan	920,000	0.91
Total Top 20 holders of ORDINARY FULLY PAID SHARES		**51,164,143**	**50.84**
Total Remaining Holders Balance		**49,481,065**	**49.16**

ASX Additional Information

(c) SUBSTANTIAL SHAREHOLDERS

Capital DI Limited: 6.06%

(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 tights until such time as they are exercised and shares have been issued.

(e) UNQUOTED SECURITIES >20% HOLDERS

Class	Holder	Number
Options exercisable @ $0.00 expiring 01/07/22, vesting 01/07/20	Phil Hoskins	596,261
	Stuart McKenzie	400,934
	Chris Knee	394,532
Options exercisable @ $0.00 expiring 01/07/20	Stuart McKenzie	42,545
	Chris Knee	38,130
Options exercisable @ $0.00 expiring 01/07/21	Phil Hoskins	105,455
	Stuart McKenzie	35,454
	Chris Knee	32,727
Options exercisable @ $0.00 expiring 01/07/23, vesting 01/07/211	Phil Hoskins	580,000
	Stuart McKenzie	390,000
	Chris Knee	360,000
Options exercisable @ $0.00 expiring 01/07/22, vesting 01/07/2020	Warren King	263,529
Options exercisable @ $0.00 expiring 01/07/24, vesting 01/07/2022	Stuart McKenzie	507,779
	Chris Knee	472,353

(f) 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 8628/2012 - Kipendengwa	100%	Chilalo	Tanzania
PL 9929/2014 - Chikwale	100%	Chilalo	Tanzania
PL 9946/2014 - Machangaja	100%	Chilalo	Tanzania