MARGOSA GRAPHITE LIMITED

Annual Report

30 June 2023

Contents

Chairman's Letter

Dear Fellow Shareholders

It has been a year of achievement for Margosa Graphite and as well as achieving the ambitious objectives set, the company has also made significant progress on the journey to become a world leader. Previously our vision was centred on the supply of high-grade crystalline graphite. Now we are setting our sights on building an integrated Mine to Many Markets (MtM2) business, leveraging the current market context, and exploiting the differentiating brilliance of Margosa's material.

This period (2022-23) has been fraught with ups and downs, which required Margosa to carefully navigate Sri Lanka's fiscal instability and internal unrest, manage ambiguous and complex relationships within government departments and watch the critical minerals market volatility and unpredictability. Regardless, Margosa's steadfast approach to achieving success has advanced our value proposition and positioned us as a future leader in the global critical minerals space.

The Company successfully completed its approvals process and revalidation of its studies and surveys leading to the Industrial Mining License (IML) being granted. The IML will be activated based on Margosa's operational readiness commitment and the declaration of placement of project capital in country. Margosa's in-country teams have continued to advance site-based infrastructure and the project's metallurgical test work continues to deliver cost saving and groundbreaking results. With the introduction of new licensing regulations, Margosa was able to successfully conclude its Exploration License Appeals hearings with the Ministry of Environment and will now evaluate all licenses to create exploration and drilling plans. Currently, Margosa is erecting the headframe which will enable the shaft to be sunk and bulk samples to be extracted once capital is in place and operational plans can be executed.

We have established a partnership with UK-based scientists and experts in ultra-high value add processing of graphite and manufacturing of graphene products and materials. Their testing has confirmed that Margosa's material is suitable for 'high-end' markets and that it can displace Synthetic Graphite due to its nuanced properties and characteristics. In collaboration, we have formed a future focused view of how Margosa's material can support a cleaner, more sustainable, and more sophisticated future. This approach has broadened the company's view of market entry and influence in the short-term and on the far horizon. This in turn has assisted Margosa to map the time, space, and resource requirements to achieve market success and the provision of quantitative, qualitative, and consistent supply to potential off-take partners. Importantly, this view has provided the key ingredients to articulate Margosa's ability to scale. The ability to communicate Margosa's trajectory and show scale has proven to be essential in recent discussions with institutions, brokers and investors and will ultimately define success for our ongoing capital raising efforts.

The race to create sustainable supplies of graphite to support the global demand in EV manufacture has placed graphite in the spotlight. With recent releases from China on new export controls and permitting requirements, there is a real energy in the market and a drive to create autonomous and secure Sovereign-based supply chains. This is an opportunity for Margosa to position itself as a credible, cheaper, more secure, and consistent supplier to market. Not only for anode material, but for future-focused high-value industry use-cases across solar, medical sensors, elastomers, and nano-carbon products. With this, there is even more onus on Environmental, Social and Governance (ESG). Margosa has engaged one of Australia's leading ESG experts as our dedicated expert advisor. Margosa's intent is to be an ESG leader and as such the company's ESG framework and roadmap is in development. This pack-leading focus will assist with articulating value to partners and investors and is a critical enabler for raising capital now and in the future.

Margosa's financial position as a 'going concern' is commensurate with that expected of an organisation in advanced development, looking to establish itself in the market. Efforts to raise capital continue and the Board's confidence has been substantiated through the recent completion of due diligence with a Canadian Investment Bank and several other international, reputable institutions and organisations. Margosa continues to generate interest with its value proposition and market differentiation. Paraphrasing Sun Tzu and the Art of War, in all challenges we start with normality and end with strategy'. Margosa has pieced together a strategic view of value creation and with that, a view of scale. The company has shifted the dial over the last reporting period and is ready to make history.

I wish to express my sincere appreciation to my fellow Directors and the executive management team for their hard work and commitment which has enabled us to achieve excellent progress. I am confident and I am excited of what the next year will bring. Margosa is uniquely positioned to positively disrupt the market, to turn heads and to pave the way for a cleaner, sustainable, and more sophisticated future for the global community.

Sincerely

Colin Belton

Chairman

Margosa Graphite Ltd

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Margosa Graphite Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

Directors

The following persons were Directors of Margosa Graphite Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr. John Shackleton (Managing Director) – appointed 07 December 2012
Mr. Peter Thomas Cunningham (Mining Director) – appointed 18 January 2017 (Resigned 31st October 2022)
Mr. Varuna Mallawarachchi (Non-Executive Director) – appointed 08 February 2017
Mr. Peter Sullivan (Non-Executive Director) - appointed 30 November 2021 (Resigned 23 October 2022)
Mr. Colin Belton (Non-Executive Director) - appointed 5 October 2022
Mr. Craig Pentland (Non-Executive Director) - appointed 5 October 2022
Mr. Donald James (Non-Executive Director) – appointed 17 May 2021 (Resigned 6th July 2022)

Information on Directors

Name:	Colin Belton
Title:	Non-Executive Chairmen (appointed 5 October 2022)
Experience and expertise:	Colin has extensive experience in business having held a number of partner positions in several Accounting and Business Advisory firms in Australia. He has over 40 years' experience as a Certified Practicing Accountant (CPA) and is now a Principal Consultant and Chartered Tax Advisor for SLS Advisory, a highly regarded Chartered Accounting and Business Advisory Firm. He has extensive experience advising ASX listed organisations across a multitude of industry and commerce. Colin has deep experience of operating in Sri Lanka having been one of the founding Directors of Lankan Resources Development Fund, an organisation which demerged in 2017 to form CGS Australia (a mining resources company operating a Silica Quartz mine in Sri Lanka) and Margosa Graphite in 2017. Colin's knowledge of Sri Lanka and experience in-country with the Geological Survey and Mines Bureau and respective Sri Lankan Ministers has proven essential in assisting the organisation to navigate its way to the award of Environmental Approvals and the Class 'A' Industrial Mining License in 2023. Colin is adept at managing complex business scenarios that require strategic thinking and a systematic approach. He has shown Margosa Shareholders that he intends to support the achievement of the company's strategic objectives with drive and an innovative no-nonsense approach.
Interest in equity	
Shares	4,288,450
Performance rights	- Nil

Name:	John Shackleton
Title:	Managing Director
Experience and expertise:	John is a mining executive with over 35 years of experience delivering operational excellence for Electrical Engineering and Mining construction and development projects globally. John's industry experience stems from his electrical engineering background and includes the design and construction of mine critical infrastructure and utilities, plant construction and mine expansion. He brings deep operational knowledge across a range of commodities and a strategic approach to development and growth opportunities. John is now leading Margosa from in-country as a resident with a focus on managing critical stakeholder relationships with government mining agencies. He has a deep understanding of Sri Lanka stemming from his role with CGS Australia, a mining resources company operating a silica quartz mine in country. He was instrumental in the conduct of feasibility study, the design, development and construction of a process facility, negotiation with government agencies and ultimately the award of a Class 'A' Industrial Mining License. This Project has successfully operated for the past 10 years supplying the Silica market with products. John is committed to Margosa's goal of uplifting Sri Lanka's Mining Industry maturity, building strong relationships with the government, indigenous partners, community stakeholders and business partners to ensure the company's activities deliver mutual benefit to these stakeholders while driving strong value for shareholders.
Interest in equity:	
Shares	5,729,998
Performance rights	

Name:	Peter Cunningham
Title:	Mining Director (Appointed 18th January 2017, Resigned 31st October 2022)
Experience and expertise:	Peter is a highly qualified mining engineer with over 39 years of experience in mine development and management in Australia, Asia and Africa. He has extensive prior experience being at Senior Executive and Board levels.

Interest in equity:	
Shares	1,050,000
Performance rights	

Name:	Varuna Mallawarachchi
Title:	Non-Executive Director (Appointed 8th February 2017)
Experience and expertise:	Highly experienced Attorney-at-Law and Notary Public defender with over 30 years of experience in civil instruction. Possesses a proven track record of success in providing legal counsel to clients across industry and commerce. Holds excellent relationships with government departments and has a truly international network across professional services, mining, manufacturing and wider industry and commerce. Varuna has invested in international collaboration and knowledge transfer on Labour relations with trade unions in Netherlands, Switzerland, Belgium, Malaysia and Singapore. Varuna is the Managing Director of Peraj Mining, a well-established silica quartz producer, which has been operating for over 25 years, bringing product from mine to market consistently. He also leads a Sri Lankan Legal Firm which focuses on corporate law, arbitration and resolution, Labour and domestic inquiry. Varuna is a Non-Executive Director of Margosa graphite and continues to hold the respect of company shareholders who have recognised his drive and determination in directing the company on its pathway to support the global community in establishing a more sustainable, greener, and sophisticated future.

Interest in equity	
Shares	4,722,134
Performance rights	

Name:	Peter Sullivan
Title:	Non-Executive Director (appointed 30 November 2021, resigned 23rd October 2022)
Experience and expertise:	Mr Sullivan has over 30 years' experience working with listed and unlisted resource companies and has been closely involved with the strategic development of resource projects and companies with input across technical, financial, regulatory and governance matters. He has valuable insight and experience in engineering and construction, investment banking and capital markets and managing mining operations in Australia and internationally. He holds a Bachelor of Engineering degree from the University of Western Australia and an MBA from the Australian Graduate School of Management. Mr Sullivan is currently a director of Copper Mountain Mining Corporation, Panoramic Resources Limited, GME Resources Ltd, Horizon Gold Limited and was previously Managing Director and CEO of midcap gold miner Resolute Mining Ltd. He is also Non-Executive Chairman of the Company's major shareholder Zeta Resources Limited, an ASX listed resource investment company.

Interest in equity	
Shares	- Nil
Performance rights	- Nil

Name:	Craig Pentland
Title:	Non-Executive Director (appointed 5 October 2022)
Experience and expertise:	Craig is a Chartered Accountant (CA), Certified Practising Accountant (CPA) and Chartered Tax Adviser with over 25 years' experience as a business leader in the public domain and across a spectrum of commerce industries. He is currently the Managing Director (founding) of SLS Advisory, a Chartered Accounting practice and SME advisory firm in Perth, WA. He has spent the last 15 years as a director of a multitude of start-up projects, ranging from exploration and production phased mining, mining, IT businesses and agriculture. Craig has extensive experience of operating in Sri Lanka and was one of the founding directors, CFO and Company Secretary of Margosa Graphite Ltd (Formerly Lankan Resources Development Fund Pty Ltd) between 2011-2017. Craig is now a director, CFO and Company Secretary of CGS Australia, a mining resources company operating a Silica Quartz mine in Sri Lanka. Craig brings a pioneering mindset and a wealth of experience to Margosa's Board of Directors.
Interest in equity	
Shares	4,288,450
Performance rights	- Nil

Name:	Donald James
Title:	Non-Executive Director (Appointed 17th May 2021, resigned 7 July 2022)
Experience and expertise:	Donald is a certified Chartered Accountant with extensive financial and corporate experience in high value private and listed public companies. He has held strategic key management positions and non-executive director roles in developing and operational entities, within which he has demonstrated a strong focus on delivering high return business outcomes. Donald commenced his career with six years at PricewaterhouseCoopers and more recently has been a member of group executive leadership teams in ASX 200 companies, with specific accountability in roles including Chief Executive – Investments, Chief Operating Officer and Chief Financial Officer.
Interest in equity	
Shares	- Nil
Performance rights	- Nil

Company secretary

Ms Kelly Moore (Appointed 20th February 2018, resigned 31st January 2023)

Ms Moore is a qualified Chartered Accountant and Company Secretary with extensive experience in providing accounting and secretarial advice to public companies. Ms Moore holds a Bachelor of Commerce degree from the University of Western Australia, is a member of the Institute of Chartered Accountants Australia and New Zealand, is a graduate of the Australian Institute of Company Directors and an associate member of the Governance Institute of Australia.

Company secretary

Mr Craig Douglas Pentland (Appointed 31st January 2023)

Craig is a Chartered Accountant (CA), Certified Practising Accountant (CPA) and Chartered Tax Adviser with over 25 years' experience as a business leader in the public domain and across a spectrum of commerce industries. He is currently the Managing Director (founding) of SLS Advisory, a Chartered Accounting practice and SME advisory firm in Perth, WA. He has spent the last 15 years as a director of a multitude of start-up projects, ranging from exploration and production phased mining, mining, IT businesses and agriculture. Craig has extensive experience of operating in Sri Lanka and was one of the founding directors, CFO and Company Secretary of Margosa Graphite Ltd (Formerly Lankan Resources Development Fund Pty Ltd) between 2011-2017. Craig is now a director, CFO and Company Secretary of CGS Australia, a mining resources company operating a Silica Quartz mine in Sri Lanka. Craig brings a pioneering mindset and a wealth of experience to Margosa's Board of Directors.

Principal activities

The Company, through its subsidiaries is primarily involved in mineral exploration. mining and development at Sri Lanka.

Review of operations

Overview

Margosa is a public unlisted company incorporated in Western Australia. The Company, through its subsidiaries (the Group) is primarily involved in mineral exploration, mining, and development in Sri Lanka.

Company Strategy

The Group's vision is to find, develop and mine high-grade vein graphite deposits in Sri Lanka, and become the leading supplier of this rare and superior graphite form.

Company Milestones for the financial year ended 30 June 2023

(1) The Company successfully maintained its presence, standing and reputational integrity during the political upheaval and Government changes that swept through the establishment of Sri Lanka. Senior Management remained in country to ensure that the integrity of the Projects remained within the Company control. The Company has concluded that although the upheaval was of a disturbing and at times distressing event for the people of Sri Lanka, management maintained full and informed situational awareness to ensure effective security, threat and risk management.

(2) The Company successfully completed its approvals process and revalidation of its studies and surveys related to the Industrial Mining License (IML) application for the Ridee Ganga Project (RG Project), Pathakada EL219.

(3) With the award from the Central Environmental Authority (CEA), of the Environmental Approval for the Project, the Company then concluded the sequence of meetings required with the appointed, Government Technical Evaluation Committee (TEC).
During the technical evaluation period, with the change of Government, and changes within the Sri Lankan Mines Department (GSMB), the Company was forced to adopt and modify specific requirements already achieved, to satisfy regulation changes to the Mining Regulations Act that were brought into fruition during this period. Proceeding the Company's evaluation of the new Mining Regulations, they were able to successfully conclude the TEC meetings and were subsequently advise of the award of the IML subject to operational readiness. A Letter of Intent has been issued to the Company for the award of the IML of notification by the Company of operational readiness. The new Mining Regulation changes are considered to not be onerous to the Company.

(4) The Company was able to further its Operational Readiness activities at the RG Project site by advancing infrastructure installation during the year. These activities had been scheduled and financed during the previous period and had been delayed during the political unrest. The Company continues to advance its operational readiness and will advise the GSMB of its position in due course.

(5) The Company successfully completed its metallurgical test work with Orway Metallurgical Consultants (OMC), in Perth to simplify the front-end crushing and grinding section of the current process flowsheet. This work has culminated in a reduction of the RG Project CAPEX process plant requirements as well as having a beneficial effect on the required maintenance costs, consumables, and reagents, (reducing ongoing OPEX costs).

(6) Pending changes made within the GSMB with senior management positions, the Company was able to successfully conclude its Exploration License Appeals hearings with the Ministry of Environment with regards to outstanding license presentations and applications. The Ministerial Secretary advised at the Appeals meeting that the Company should be awarded all its relative licenses given it had complied with all GSMB and Mining Regulations inclusive of outstanding new applications. The Company will now re-evaluate its tenure holding and deliver a detailed report to the GSMB to comply with the new Mining Regulations Act on its portfolio.
Remote statutory Exploration activities continued within the Company's active and pending renewal license areas.

(7) The Company successfully continues to adopt practices to help protect and keep safe its Sri Lankan employees, consultants, and contractors.

(8) Along with its focus on developing the assets in Sri Lanka, the Company is expanding its vision into "Vertical Integration" which is considered a valid strategy in managing a developing market and the associated volatility. Investment in an optimal operating model and both direct and indirect investments from partnerships and adjacencies will allow us to capture strategic value and returns on investment that will far exceed stand-alone 3rd party and offtake

models. This in turn will provide a level of support and insulation to market volatility and the risks associated with a pioneering approach.

(9) Our intent is to build (over time), an integrated capability that covers the full lifecycle for graphite including discovery, exploration, mineral extraction, processing, conversion to refined products, manufacture of graphene and Land rehabilitation. This strategy will redefine what vertical integration means for the sector in Sri Lanka and Margosa will be at the leading edge.

Projects Review

A review of work at Pathakada, and over the Company's other Sri Lankan license areas during the year is set out below:

Pathakada EL 219

Metallurgy

The Company successfully completed its metallurgical test work with Orway Metallurgical Consultants (OMC), in Perth to simplify the front-end crushing and grinding section of the current process flowsheet. This work has culminated in a reduction of the RG Project CAPEX process plant requirements as well as having a beneficial effect on the required maintenance costs, consumables and reagents also reducing ongoing OPEX costs.

Mining

Physical mining activities did not commence as scheduled due to ongoing IML negotiations, consolidation and understanding of new Mining regulations and funding restrictions. Every endeavour was made to progress the Mining license application to its successful conclusion.

Exploration

Exploration activities have continued in the surrounding grids to the RG Project throughout FY22/23 at Pathakada EL/219. Current works have identified significant results which the Company will continue to evaluate and will culminate into a resource report in the near future.

Aluketiya EL218

- Aluketiya is located in the Kalutara district. The Company was able to successfully conclude its Exploration License Appeals hearings for this Project area with the Ministry of Environment. The Company will continue to evaluate and review its level of holding on this Project as it completes exploration assessment across the grids.

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- Exploration was limited to statutory requirements. The Company will work closely with the local Mines Department, (GSMB), to complete further works in FY23/24.

Dumbara EL264, EL311, EL312, EL313

- The project is located about 55 km southeast of Colombo and is recorded as the first area to be commercially mined for graphite in Sri Lanka in the 1850s.The Company was able to successfully conclude its Exploration License Appeals hearings for this Project area with the Ministry of Environment. The Company will continue to evaluate and review its level of holding on this Project as it completes exploration assessment across the grids.

  Exploration was limited to statutory requirements. The Company will work closely with the local Mines Department, (GSMB), to complete further works in FY23/24.

Waharaka EL294

- The Waharaka project is located about 40 km east northeast of Colombo and about 15 km southwest of the Graphite Kropfmuhl's Bogala graphite mine, which has operated for nearly 150 years and is currently over 500 m deep. The Company was able to successfully conclude its Exploration License Appeals hearings for this Project area with the Ministry of Environment. The Company will continue to evaluate and review its level of holding on this Project as it completes exploration assessment across the grids.

  Exploration was limited to statutory requirements. The Company will work closely with the local Mines Department, (GSMB), to complete further works in FY23/24.

Kithulgala EL270

- Kithulgala lies about 60 km east of Colombo and approximately 5 km south of the producing Bogala graphite mine, on the Bogala Antiform. The Company was able to successfully conclude its Exploration License Appeals hearings for this Project area with the Ministry of Environment. The Company will continue to evaluate and review its level of holding on this Project as it completes exploration assessment across the grids.

  Exploration was limited to statutory requirements. The Company will work closely with the local Mines Department, (GSMB), to complete further works in FY23/24.

Bopitiya EL255

- After extensive ground works, evaluation and review this tenement was relinquished by the Company.

Dehiowita EL319

- The Dehiowita project is situated about 45 km east of Colombo and south of the Waharaka project.
  The Company was able to successfully conclude its Exploration License Appeals hearings for this Project area with the Ministry of Environment. The Company will continue to evaluate and review its level of holding on this Project as it completes exploration assessment across the grids.

  Exploration was limited to statutory requirements. The Company will work closely with the local Mines Department, (GSMB), to complete further works in FY23/24.

Yattawatura EL271

- The Yattawatura project is located about 45 km east of Colombo, located between the Dehiowita and Dumbara projects. The Company was able to successfully conclude its Exploration License Appeals hearings for this Project area with the Ministry of Environment. The Company will continue to evaluate and review its level of holding on this Project as it completes exploration assessment across the grids.

  Exploration was limited to statutory requirements. The Company will work closely with the local Mines Department, (GSMB), to complete further works in FY23/24.

Avissawella & Kukulaga

- The Avissawella & Kukulaga license areas represent strike extensions to the Dehiowita-Waharaka and Dumbara Tier 1 project areas, respectively. The Company was able to successfully conclude its Exploration License Appeals hearings for this Project area with the Ministry of Environment. The Company will continue to evaluate and review its level of holding on this Project as it completes exploration assessment across the grids.

  Exploration was limited to statutory requirements. The Company will work closely with the local Mines Department, (GSMB), to complete further works in FY23/24.

Gabbala

- The Gabbala licence area is located approximately 100 km northeast of Colombo in the Kegalle District in Sabaragamuwa Province. The Company was able to successfully conclude its Exploration License Appeals hearings for this Project area with the Ministry of Environment. The Company will continue to evaluate and review its level of holding on this Project as it completes exploration assessment across the grids.

  Exploration was limited to statutory requirements. The Company will work closely with the local Mines Department, (GSMB), to complete further works in FY23/24.

Corporate Activities

During the year, the Company has raised $518,450 through the issue of shares and $nil through the conversion of convertible notes.

Financial results and condition

The Loss for the Group after providing for income tax amounted to $1,109,003 (2022: $1,267,246). The net assets of the Group as at 30 June 2023 were $3,584,637 (2022: $5,575,470).

For the year ended 30 June 2023, the Group had a working capital deficit of $1,028,452 (2022: $419,755) and net cash outflows of $125,908 (2022: $1,750,481).

Summary of results

	2023 $	2022 $
Revenue from ordinary activities	-	-
Other income	39,550	38,303
Expenditure	(1,148,553)	(1,305,549)
Loss from continuing operations	(1,109,003)	(1,267,246)
Other comprehensive income	(1,400,273)	(4,212,839)
Total comprehensive loss	(2,509,276)	(5,480,085)

	2023 $	2022 $
Profit/(Loss) attributable to owners of Margosa Graphite Ltd	(1,685,731)	(1,267,505)
Shares on issue at reporting date	87,347,437	86,037,221
Weighted average number of shares	86,714,247	85,393,334

Profit/(Loss) per share (cents)	(1.94)	(1.48)

The Directors believe the Group is well positioned to continue to deliver significant shareholder value.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Group during the financial year.

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

Shares under option
There were no unissued ordinary shares of Margosa Graphite Limited under option outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of Margosa Graphite Limited issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

Shares under performance rights
There were no unissued ordinary shares of Margosa Graphite Limited under performance rights outstanding at the date of this report.

Shares issued on the exercise of performance rights
There were no ordinary shares of Margosa Graphite Limited issued on the exercise of performance rights during the year ended 30 June 2023 and up to the date of this report.

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

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

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

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

Environmental regulation
The Group is subject to environmental regulation in relation to its exploration activities. It aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are not aware of any breaches during the period covered by this report.

Likely developments and expected results of operations
Likely developments in the operations of the Group are set out in the above review of operations in this annual report. Any future prospects are dependent upon the results of future exploration and evaluation.

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.

Matters subsequent to the end of the financial year
In July 2023 the company successfully completed a Rights issue raising approximately $750,000 for immediate operational funding. No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Non-audit services

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

- all non-audit services were subject to the corporate governance procedures adopted by the Company; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, BDO Perth, and its related practices for non-audit services provided during the year are set out in note 19 in the financial statements.

Auditor's independence declaration

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

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Colin Belton
Chairman

03 November 2023
Perth

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Australia

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF MARGOSA GRAPHITE LIMITED

As lead auditor of Margosa Graphite Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Margosa Graphite Limited and the entities it controlled during the period.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth

3 November 2023

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

	Note	2023 $	2022 $
Revenue			
Other income		39,550	38,303
Expenses			
Professional fees	4	(437,204)	(602,498)
Directors fees		(352,105)	(218,809)
Other operating expenses	5	(241,096)	(392,499)
Finance expenses		(7,149)	(6,387)
Lease payments		(37,568)	(9,020)
Depreciation and amortisation expense	11,12	(45,894)	(76,339)
Impairment loss on exploration and evaluation assets		(27,537)	-
Foreign exchange Gain		-	(6)
Loss before income tax expense		(1,109,003)	(1,267,255)
Income tax expense	6	-	-
Loss after income tax expense for the year		(1,109,003)	(1,267,255)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(1,400,275)	(4,212,839)
Other comprehensive income for the year, net of tax		(1,400,275)	(4,212,839)
Total comprehensive income for the year		(2,509,278)	(5,480,085)
Loss for the year is attributable to:			
Non-controlling interest	16	576,728	259
Owners of Margosa Graphite Limited		(1,685,731)	(1,267,514)
		(1,109,003)	(1,267,255)
Total comprehensive income for the year is attributable to:			
Non-controlling interest	16	448,181	(40,982)
Owners of Margosa Graphite Limited		(2,957,459)	(5,439,103)
		(2,509,278)	(5,480,085)
		Cents	Cents
Basic earnings per share	7	(1.94)	(1.48)
Diluted earnings per share	7	(1.94)	(1.48)

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

Statement of financial position

	Note	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	8	70,596	135,489
Trade and other receivables		86,247	51,493
Inventories		149,740	124,522
Other		48,378	45,089
Total current assets		354,961	356,593
Non-current assets			
Exploration and evaluation	10	3,723,990	4,940,425
Property, plant and equipment	11	976,048	1,034,289
Right-of-use assets	12	295,299	303,249
Other		11,001	17,681
Total non-current assets		5,006,338	6,295,644
Total assets		5,361,299	6,652,237
Liabilities			
Current liabilities			
Trade and other payables	13	1,349,630	739,151
Lease liabilities		33,783	37,197
Borrowings	14	74,197	-
Total current liabilities		1,457,610	776,348
Non-current liabilities			
Lease liabilities		319,052	300,419
Total non-current liabilities		319,052	300,419
Total liabilities		1,776,662	1,076,767
Net assets		3,584,637	5,575,470
Equity			
Issued capital	15	20,485,221	19,966,771
Reserves		(5,119,314)	(3,847,587)
Other Equity	17	2,496,417	-
Accumulated losses		(12,291,902)	(10,606,171)
Equity attributable to the owners of Margosa Graphite Limited		5,570,422	5,513,013
Non-controlling interest	16	(1,985,785)	62,457
Total equity		3,584,637	5,575,470

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

Statement of changes in equity

	Issued capital	Foreign currency translation reserve	Other Equity	Accumulated losses	Non-controlling interest	Total equity
	$	$		$	$	$
Balance at 1 July 2021	19,553,093	324,011	-	(9,338,666)	103,439	10,641,877
Loss after income tax expense for the year	-	-	-	(1,267,505)	251	(1,267,255)
Other comprehensive income for the year, net of tax	-	(4,171,598)	-	-	(41,241)	(4,212,839)
Total comprehensive income for the year	-	(4,171,598)		(1,267,506)	(40,990)	(5,480,094)
Transactions with owners in their capacity as owners:						
Share-based payments (note 20)	33,478	-	-	-	-	33,478
Share Issue	380,200	-	-	-	-	380,200
Balance at 30 June 2022	19,966,771	(3,847,587)	-	(10,606,171)	62,449	5,575,461

	Issued capital	Foreign currency translation reserve	Other Equity	Accumulated losses	Non-controlling interest	Total equity
	$	$		$	$	$
Balance at 1 July 2022	19,966,771	(3,847,587)	-	(10,606,171)	62,449	5,575,461
Profit/(loss) after income tax expense for the year	-	-	-	(1,685,731)	576,728	(1,109,003)
Other comprehensive income for the year, net of tax	-	(1,271,727)		-	(128,548)	(1,400,275)
Total comprehensive income for the year	-	(1,271,727)	-	(1,685,730)	448,181	(2,509,276)
Transactions with owners in their capacity as owners:						
Transactions with Non-Controlling interest		-	2,496,414	-	(2,496,414)	
Share issue	518,450	-	-	-	-	518,450
Balance at 30 June 2023	20,485,221	(5,119,314)	2,496,414	(12,291,902)	(1,985,785)	3,584,635

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

Statement of cashflows

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers		38,303	-
Payments to suppliers and employees (inclusive of GST)		(398,017)	(859,429)
Interest received		427	111,415
Net cash used in operating activities	9	(359,287)	(748,014)
Cash flows from investing activities			
Payments for property, plant and equipment	11	(449)	(264,271)
Payments for exploration and evaluation	10	(300,952)	(985,508)
Proceeds from sales of plant and equipment		-	-
Net cash used in investing activities		(301,401)	(1,249,779)
Cash flows from financing activities			
Proceeds from issue of shares	15	518,450	346,722
Proceeds from Borrowings		70,245	-
Lease payments		(53,915)	(99,410)
Share issue costs paid		-	-
Net cash from financing activities		534,780	247,312
Net decrease in cash and cash equivalents		(125,908)	(1,750,481)
Cash and cash equivalents at the beginning of the financial year		135,489	1,901,501
Effects of exchange rate changes on cash and cash equivalents		61,015	(15,531)
Cash and cash equivalents at the end of the financial year	8	70,596	135,489

Note 1. General information

The financial statements cover Margosa Graphite Limited as a Group consisting of Margosa Graphite Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Margosa Graphite Limited's functional and presentation currency.

Margosa Graphite Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
1-3 Brixton Street, Cottesloe WA 6011	1-3 Brixton Street, Cottesloe WA 6011

The Group is primarily involved in graphite exploration and development in the Sri Lanka.

The financial statements were authorised for issue, in accordance with a resolution of Directors, 03 November 2023

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Going concern

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

As disclosed in the financial statements, the group recorded a Loss of $1,109,003 (2022: $1,267,246) and had net cash outflows from operating and investing activities of $660,689 (2022: $419,755). The Group also had a working capital deficit of $1,102,649 (2022: $1,997,793) These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The ability of the entity to continue as a going concern is dependent on securing additional funding through capital raising activities to continue its operational and exploration activities.

The Directors are satisfied they will be able to raise additional working capital as required and thus it is appropriate to prepare the financial statements on a going concern basis. In arriving at this position, the directors have considered the following matters:

- The Directors have assessed the cash flow requirements for the 12 months period from the date of approval of the financial statements and its impact on the Group and believe there will be sufficient funds to meet the Group's working capital requirements;
- The working capital deficiency contains amounts not currently owing but will be due and settled withing the next 12 months. The Directors are satisfied additional funds will be available when these obligations are due;
- Creditors totalling approximately $837,663 have provided confirmation they will extend agreed payment terms until such time as the Group has the ability to settle these obligations;
- The Group is in ongoing discussions with remaining creditors which will be settled upon funding through a debt or equity event. At the date of this report, the Group has not received any demands for payment from creditors;
- Active cost cutting measures have continued;
- Key shareholders have confirmed willingness to financially support the Group via debt or equity event;
- Cash on hand of $403,512 as at 30 September 2023; and

Note 2. Significant accounting policies (continued)

- A history of successfully completing capital raisings over the preceding financial period, including via a placement, an entitlement issue and issue of convertible notes.
- In July 2023, the Group successfully completed a Rights issue of $750,000 for immediate operational funding.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differs from those stated in the financial statements and the financial report does not include any adjustments relating to the recoverability and classification of recorded assets amounts or liabilities that might be necessary should the entity not continue as a going concern.

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment, share based payments and derivative financial instruments.

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 24.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Margosa Graphite Limited ('Company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Margosa Graphite Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those 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 de-consolidated from the date that control ceases.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Margosa Graphite Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Note 2. Significant accounting policies (continued)

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
The Group recognises revenue as follows:

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Fair value
A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurable date. Fair value for measurement and / or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2,and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:
- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurable date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Cash and cash equivalents, trade and other receivables, trade creditors, other creditors, accruals and employee entitlements have been excluded from the above analysis as their fair values are equal to the carrying values.

Impairment of non-financial assets
Non-financial assets, other than deferred tax assets ("DTAs") are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset exceeds it recoverable amount. Impairment losses are recognised in profit or loss.

Note 2. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements.

Control over subsidiaries

On 5 December 2022, Lankan Resources & Mining (Pvt) Ltd issued 60% of its shares to Carbon six (Pvt) Ltd which is a local partner in Sri Lanka.

Management has made an assessment of control over Lankan Resources in accordance with the principles set forth in AASB 10- Consolidated Financial statements. Under AASB 10, control is defined as the power to govern the financial and operating policies of an entity to obtain benefits from its activities. Control is not solely determined by the ownership of the majority of shares. Management has considered the following factors in its judgment of control:

- Significant Rights: Control may be established through significant rights granted by contractual arrangements. The group has signed a number of agreements with the local partner, in particular a shareholder agreement is in place which restricts the local partner's ability sell, pledge or assign its shares without permission from the group.
- Representation on the Board of Directors: The group has control of the board of directors as it has the power to appoint or remove key management personal. As per contractual agreements, the board of directors of Lankan resources can have a maximum of 4 directors and two of which is appointed by the Group. Additionally, the group nominates the chairperson who has a casting vote in the event of an equity in votes.
- Decision-Making Influence: Control can be demonstrated if the Group had the practical ability to participate in the significant financial and operating policy decision of the subsidiary. A management agreement is in place which allows the group to direct Lankan Resources to enter into significant transactions or prohibit such transactions.
- Exposure to Variable returns: The Group is exposed to variable returns related to the performance of the subsidiary. The Group has provided and continues to provide significant financial support to Lankan Resources and therefore has full control of all mining and exploration projects of Lankan resources.

Taking into consideration the above factors as outlined in AASB 10, the Group has determined that it retains control of Lankan Resources & Mining (Pvt) Ltd and, therefore, the consolidated financial statements incorporate Lankan Resources' assets, liabilities and results with non-controlling interest.

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

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

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

Exploration and evaluation costs

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Control of entities where less than half of voting rights held

Management have determined that the Group controls the subsidiary Kumbuk Investments, even though it holds less than half of the voting rights of this entity. This is because the Group has contributed majority of share capital amount in Kumbuk Investments and hence are significantly exposed to the risks of Kumbuk Investments. The Group has rights, under a shareholder agreement, to direct the activities of Kumbuk Investments and also has rights to the variable returns from its involvement with Kumbuk Investments.

Note 4. Professional fees

	2023 $	2022 $
Consulting fees	227,187	410,568
Legal fees	58,127	42,056
Accounting fees	96,000	82,248
ASIC fees	19,547	4,966
Audit and taxation fees	34,826	44,660
Company secretarial fees	1,517	18,000
	437,204	602,498

Note 5. Other operating expenses

	2023 $	2022 $
Travel and accommodation	89,631	175,759
Insurance	52,322	88,271
Computer, telephone and IT expenses	23,606	38,361
Employee benefit expense	22,878	32,034
Other expenses	52,659	58,074
	241,096	392,499

Note 6. Income tax

	2023 $	2022 $
Income tax expense		
Current tax	-	-
Deferred tax - origination and reversal of temporary differences	-	-
Aggregate income tax expense	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit/(Loss) before income tax expense	(1,109,003)	(1,267,246)
Tax at the statutory tax rate of 25% (2022: 25%)	(277,251)	(316,812)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	-	-
Other permanent adjustments	79,759	121,307
	(197,492)	(195,505)
Current year tax losses not recognised	197,492	195,505
Income tax expense	-	-

	2023 $	2022 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	5,130,528	4,340,562
Potential tax benefit @ 25%	1,282,632	1,085,141
Unused tax losses for which no deferred tax asset has been recognised	789,966	1,316,418
Potential tax benefit at statutory tax rates	-	-

These tax losses can only be utilised in the future if future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised, the conditions for deductibility imposed by tax legalisation continue to be complied with, no changes in tax legislation adversely affect the Group in realising the benefit and, the continuity of ownership test is passed, or failing that, the same business test is passed.

The Group is not a tax consolidated group.

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 6. Income tax (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 7. Earnings per share

	2023 $	2022 $
Loss after income tax	(1,109,003)	(1,267,246)
Non-controlling interest	(576,728)	(259)
Loss after income tax attributable to the owners of Margosa Graphite Limited	(1,685,731)	(1,267,505)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	86,714,247	85,393,334
Weighted average number of ordinary shares used in calculating diluted earnings per share	86,714,247	85,393,334
	Cents	**Cents**
Basic earnings per share	(1.94)	(1.48)
Diluted earnings per share	(1.94)	(1.48)

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Margosa Graphite Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share 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.

Note 8. Cash and cash equivalents

	2023 $	2022 $
Current assets		
Cash and cash equivalents	70,596	135,489

Accounting policy for cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 9. Cash flow information

Reconciliation of loss after income tax to net cash used in operating activities

	2023 $	2022 $
Profit/(Loss) after income tax expense for the year	(1,109,003)	(1,267,246)
Adjustments for:		
Depreciation and amortisation	45,894	76,339
Receipt from customers	(39,125)	-
Foreign exchange differences	109	-
Interest expense on convertible note	-	-
Interest on leases	640	6,011
Lease payments made	53,091	42,345
Foreign exchange gains/losses	60,793	51,379
Change in operating assets and liabilities:		
Trade and other receivables	(33,154)	(3,005)
Other assets	8,593	(2,407)
Prepayments	(5,436)	(11,709)
Inventories	2,570	(817)
Right of use assets	(7,950)	(11,748)
Lease liability	(15,219)	(10,468)
Trade and other payables	639,780	383,312
Net cash used in operating activities	(398,417)	(748,014)

Non-cash investing and financing activities

	2023 $	2022 $
Additions to the right-of-use assets	-	-
Shares issued to directors	-	-
Share-based payments	-	33,478
	-	33,478

Note 10. Exploration and evaluation

Reconciliations

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

	Exploration and evaluation $
Balance at 1 July 2021	7,442,590
Additions	1,367,912
Transfer	(143,252)
Exchange differences	(3,726,824)
Balance at 30 June 2022	4,940,426
Additions	521,585
Impairment	(27,537)
Exchange differences	(1,710,484)
Balance at 30 June 2023	3,723,990

For the year ended 30 June 2023, the recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

Accounting policy for exploration and evaluation assets

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

i. the rights to tenure of the area of interest are current; and

ii. at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

During the year, the company relinquished a mining tenement. As a result, the company recognised an impairment loss of $27,537 on the related capitalised exploration expenditure.

Note 11. Property, plant and equipment

	2023 $	2022 $
Non-current assets		
Land - at cost	147,355	122,397
Plant and equipment - at cost	1,587,695	1,370,298
Less: Accumulated depreciation	(776,303)	(480,009)
	811,392	890,289
Fixtures and fittings - at cost	4,424	4,424
Less: Accumulated depreciation	(2,507)	(1,622)
	1,917	2,802
Motor vehicles - at cost	13,216	10,990
Less: Accumulated depreciation	(13,084)	(8,684)
	132	2,306
Computer equipment - at cost	26,237	21,857
Less: Accumulated depreciation	(10,985)	(5,362)
	15,252	16,495
	976,048	1,034,289

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

	Land $	Plant and equipment $	Office equipment $	Computer equipment $	Motor vehicle $	Total $
Balance at 1 July 2021	192,385	1,178,966	3,687	10,449	7,480	1,392,966
Additions	9,292	380,680	-	17,552	-	407,524
Exchange differences	(79,279)	(433,888)	-	(7,890)	(2,050)	(523,108)
Depreciation expense	-	(235,469)	(885)	(3,616)	(3,124)	(243,094)
Balance at 30 June 2022	122,397	890,289	2,802	16,495	2,306	1,034,289
Additions	150	163	-	136	-	449
Exchange differences	24,807	123,914	-	2,610	149	151,480
Depreciation expense	-	(202,974)	(885)	(3,988)	(2,322)	(210,169)
Balance at 30 June 2023	147,355	811,392	1,917	15,252	132	976,048

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Computer equipment	20%
Office equipment	20%
Plant and equipment	15% to 25%

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

Note 11. Property, plant and equipment (continued)

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

Note 12. Right-of-use assets

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

	Land & Building $
Balance at 1 July 2021	314,997
Additions	-
Disposals	-
Exchange differences	3,972
Depreciation expense	(15,720)
Balance at 30 June 2022	303,249
Exchange differences	11,585
Depreciation expense	(19,535)
Balance at 30 June 2023	295,299

Accounting policy for right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are amortised on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the amortisation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities. The subsequent measurement of the right-of-use assets is at cost less accumulated amortisation and impairment losses.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 13. Trade and other payables

	2023 $	2022 $
Current liabilities		
Trade payables	1,298,098	489,544
Other payables and accrued expenses	51,532	249,607
	1,349,630	739,151

Refer to note 18 for further information on financial risk management.

Note 13. Trade and other payables (continued)

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. The amounts are unsecured and are usually paid at the end of the month following date of recognition.

Note 14. Borrowings

As at 30 June 2023, the Group had the following borrowings:

Lender	Principal Amount $	Interest Rate	Maturity Date	Security
Attvest finance	41,469	7.8%	29/02/2024	Unsecured
Taplan Pty Ltd	32,728	-	On Call	Unsecured

All borrowings are unsecured. The Group is exposed to credit risk from its borrowings; however, the credit risk exposure is considered to be low.

Note 15. Issued capital

	2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares - fully paid	87,347,437	86,037,581	20,485,221	19,966,771

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2021	85,210,223		19,553,093
Share issue - share placement at $0.50		760,400	$0.50	380,200
Share based payments at $0.50 (note 22)		66,958	$0.50	33,478
Share issue costs		-	$0.00	
Balance	30 June 2022	86,037,581		19,966,771
Share issue - share placement at $0.50		400,000	$0.50	200,000
Share issue - share placement at $0.35		909,856	$0.50	318,450
Balance	30 June 2023	87,347,437		20,485,221

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

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

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

Note 16. Non-controlling interest (continued)

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

Accounting policy for issued capital
Ordinary shares are classified as equity.

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

Note 16. Non-controlling interest

On 3 September 2020, the Group acquired 49% of the shares in Kumbuk Investment (Private) Limited and has determined that they have control. On this basis, the consolidated financial statements incorporate Kumbuk's assets, liabilities and results with non-controlling interest (see note 23).

Kumbuk Investment (Private) Limited	2023	2022
	$	$
Issued capital	108,802	108,802
Reserves	(27,896)	(46,337)
Accumulated Profit/ losses	(308)	(8)
	80,598	62,457

On 5 December 2022, the group issued 60% of shares in Lankan Resources & Mining (Private) Limited to a local partner Carbon Six (Private) Limited. The Group has determined that it retains control and, therefore, the consolidated financial statements incorporate Lankan Resources' assets, liabilities and results with non-controlling interest (see note 22).

Summarised Financial Information
Summarised financial information of the subsidiary with non-controlling interest that are material to the consolidated entity are set out below:

Lankan Resources & Mining (Private) Limited	2023	2022
Summary statement of financial position	$	$
Current assets	234,348	163,611
Non-current assets	3,320,610	2,630,348
Total assets	3,554,958	2,793,959
Current liabilities	18,088	38,931
Non-current liabilities	6,980,841	6,485,548
Total Liabilities	6,998,929	6,524,479
Net Assets	**(3,443,971)**	**(3,730,520)**

Summarised statement of profit and loss and other comprehensive income

Revenue	-	2,300
Expenses	(279,010)	(285,855)
Foreign exchange gain/(Loss)	1,195,118	(3,185,102)
Profit/(loss) before income tax	916,108	(3,468,657)
Income tax expense	-	-
Profit/(loss) after income tax expense	916,108	(3,468,657)
Other comprehensive income	-	-
Total comprehensive income	**916,108**	**(3,468,657)**

Note 16. Non-controlling interest (continued)

Statement of cash flows

	2023	2022
	$	$
Net cash flow from operating activities	(100,065)	(249,961)
Net cash flow form investing activities	86,387	284,231
Net cash flow from financing activities	14,480	(66,495)
Net cash increase/(Decrease) in cash held	802	(32,225)

	2023	2022
Other information	$	$
Profit attributable to non-controlling interest	576,411	-
Accumulated non-controlling interests at end of reporting period	**(2,066,383)**	**-**

Note 17. Other Equity

The group recognised other Equity of $2,496,717 as a result of its dealings with non-controlling interest in Lankan resources. This amount represents 60% of the net assets of Lankan resources attributable to non-controlling interest in Lankan Resources as at 05 December 2022.

Note 18. Financial risk management

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

Market risk

Foreign currency risk

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

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

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

	Assets		Liabilities	
	2023	2022	2023	2022
	$	$	$	$
US dollars	17,073	17,093	-	-

The Group is mainly exposed to United States Dollar (USD). The following table details the Group's sensitivity to a 10% (2022: 10%) increase and decrease in the Australian dollar against the relevant foreign currencies and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% (2022: 10%) change in foreign currency rates. A positive number indicates an increase in other profit and loss where the Australian dollar strengthens against the respective currency.

Note 18. Financial risk management (continued)

2023	AUD strengthened % change	Effect on profit before tax	Effect on equity	AUD weakened % change	Effect on profit before tax	Effect on equity
US Dollar	10%	1,897	1,897	10%	(1,552)	(1,552)

2022	AUD strengthened % change	Effect on profit before tax	Effect on equity	AUD weakened % change	Effect on profit before tax	Effect on equity
US Dollar	10%	1,899	1,899	(10%)	(1,554)	(1,554)

Price risk
The Group is not exposed to any significant price risk.

Interest rate risk
The Group only has interest rate risk relating to its funds on deposit with banking institutions. Accordingly, the Group does not hedge its interest rate risk exposure.

At the reporting date the Group hold variable rate financial assets and did not hold any variable rate financial liabilities.

As at the reporting date, the Group had the following variable rate financial assets as reported to management for the Group as follows

	2023 Balance $	2022 Balance $
Cash and cash equivalents	70,596	135,489
Net exposure to cash flow interest rate risk	70,596	135,489

The Group does not account for any other fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

A change of basis points in interest rates at the reporting date would have increased / (decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for twelve months ended 30 June 2023.

2023	Basis points increase Basis points change	Effect on profit before tax	Effect on equity	Basis points decrease Basis points change	Effect on profit before tax	Effect on equity
Cash and cash equivalents	100	706	706	100	(706)	(706)

2022	Basis points increase Basis points change	Effect on profit before tax	Effect on equity	Basis points decrease Basis points change	Effect on profit before tax	Effect on equity
Cash and cash equivalents	100	1,408	1,408	(100)	(1,408)	(1,408)

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 and investments in debt securities. The carrying amount of financial assets in represents the maximum credit exposure as follows:

Note 18. Financial risk management (continued)

	2023 $	2022 $
Financial assets		
Trade and other receivables	86,247	51,493

Currently, the Group undertakes exploration and evaluation activities exclusively in Sri Lanka, hence the Group is not generating trading revenue and does not have material trade receivables. Hence, the Group is not exposed to credit risk. Trade and other receivables relate to advances made to the director of the Company. There are no financial assets past due as at the reporting date.

Allowance for expected credit losses
The Group has not recognised a loss in profit or loss in respect of the expected credit losses for the year ended 30 June 2023. No allowances have been made for further expected credit losses.

Liquidity risk
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. As at 30 June 2023, the Group had borrowings of $74,197 with a weighted average maturity of 6 months.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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

2023	1 year or less $	Over 1 year $	Remaining contractual maturities $
Non-derivatives			
Non-interest bearing			
Trade payables	1,349,630	-	1,349,630
Interest-bearing - variable			
Lease liability	33,784	319,052	352,836
Total non-derivatives	1,383,414	319,052	1,702,466

2022	1 year or less $	Over 1 year $	Remaining contractual maturities $
Non-derivatives			
Non-interest bearing			
Trade payables	739,151	-	739,151
Interest-bearing - variable			
Lease liability	37,197	300,419	337,616
Total non-derivatives	776,348	300,419	1,076,767

Note 18. Financial risk management (continued)

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 19. Remuneration of auditors

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

	2023 $	2022 $
Audit services -		
Audit or review of the financial statements	32,136	40,609
Other services -		
Preparation of the tax return	2,060	2,809
Transfer pricing review	1,236	14,789
Financial modelling		-
	3,296	17,598
	35,432	58,207

It is the Group's policy to employ BDO on assignments additional to their statutory audit duties where BDO's expertise and experience with the Group are important. It is the Group's policy to seek competitive tenders for all major consulting projects.

Note 20. Related party transactions

Parent entity
Margosa Graphite Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 23.

Key management personnel
Disclosures relating to key management personnel are set out in note 21.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties (other than those relating to key management personnel) at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 21. Key management personnel disclosures

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

	2023 $	2022 $
Short-term employee benefits	241,181	190,503
Post-employment benefits	15,645	2,667
Share-based payments (note 22)	-	-
	256,826	193,170

Other key management personnel transactions
A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over the financial or operating policies of those entities.

Some of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions to non-key management personnel related companies on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

	2023 $	2022 $
Noralee Pty Ltd[1]	163,042	271,176
Venn Family Trust[2]	-	9,303
Allbeach Nominees Pty Ltd[3]	22,500	6,957
Varuna Mallawarachchi[4]	53,750	140
4C Advisory[7]	53,750	-
Colin Belton[8]	42,680	-
Craig Pentland[9]	42,680	-
	378,402	287,576

The following balances are outstanding at the reporting date in relation to transactions with key management personnel:

	2023	2022
Noralee Pty Ltd[1]	229,450	183,806
Allbeach Nominees Pty Ltd[3]	24,750	12,500
Varuna Mallawarachchi[4]	53,750	12,500
Donald James[5]	10,832	14,165
Peter Sullivan[6]	10,000	10,000
4C Advisory[7]	59,125	-
Colin Belton[8]	46,948	-
Craig Pentland[9]	50,435	-
	485,290	232,971

Note 21. Key management personnel disclosures (continued)

[1] Noralee Pty Ltd, a company associated with John Shackleton, has charged the Company for director fees, consulting fees, travel and disbursements in relation to his role as Chairman of the Company.
[2] Venn Family Trust, an entity associated with Peter Venn, has charged the Company for director fees, consulting fees and disbursements in relation to his role as a Director of the Company.
[3] Allbeach Nominees Pty Ltd, a company associated with Peter Cunningham, has charged the Company for director fees, consulting fees and other disbursements in relation to his role as a Director of the Company.
[4] Varuna Mallawarachchi, in relation to his role as a Director of the Company, has charged the Company for director fees, consulting fees and other disbursements.
[5] Donald James has been paid director fees and superannuation in relation to his role as a Non-executive Director of the Company.
[6] Peter Sullivan has been paid director fees in relation to his role as a Non-executive Director of the Company.
[7] 4C Advisory is an accounting firm associated with Craig Pentland, the company provides bookkeeping, management advisory and accounting services to the Group.
[8] Colion Belton, in relation to his role as non-executive director and chairman of the company, has charged the company for director fees and other disbursements.
[9] Craig Pentland, in relation to his role as non-executive director and secretary of the company, has charged the company for director fees and other disbursements.

Note 22. Share-based payments

Share based payments
In the Previous financial year, the Company has issued share based payments as follows:

- On 30 April 2022, 66,958 shares at $0.50 in lieu of cash payments were issued to consultants as part payment for their geological consulting fee as part of the exploration activities. This amounts to $33,478 of share-based payments capitalised as exploration and evaluation assets on the statement of financial position.

Performance rights to directors
In previous financial years, the Company has issued performance rights with the following on issue during the year:

Class	Performance conditions	Expiry date	Number issued
Class E Performance Right	On or before 31 March 2022, the Company announces or reports to its shareholders a new JORC Code 2012 compliant Indicated Mineral Resource Estimate of at least 100,000 tonnes with a minimum grading of 75% TGC outside of the Ridee Ganga Vein Graphite Deposit.	31 March 2022	1,275,000

The Performance Rights only vest when the Performance Conditions have been satisfied, and the holder of the Performance Rights has 6 months after the vesting date to exercise the Performance Rights.

At 30 June 2023, the Directors noted the vesting conditions for Class E have not been met given the deadlines for the respective rights have passed.

No performance rights have been expensed as share based payments for the year.

Accounting policy for share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or 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, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Note 22. Share-based payments (continued)

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 23. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following entities.

		Ownership interest	
Name	Principal place of business / Country of incorporation	2023 %	2022 %
Margosa Holdings (Australia) Pty Ltd	Australia	100%	100%
Margosa Investments Pvt Ltd	Sri Lanka	100%	100%
Lankan Resources & Mining Pvt Ltd	Sri Lanka	40%	100%
Kumbuk Investments (Private) Limited	Sri Lanka	49%	49%

On 3 September 2020, the Group has acquired 49% shares in Kumbuk Investment (Private) Limited ("Kumbuk") and has determined that they have control. On this basis, the consolidated financial statements incorporate Kumbuk's assets, liabilities and results with non-controlling interest. Upon acquisition, an expense of $108,768 was recognised to take account of the 51% minority interests.

On 5 December 2022, the group issued 60% of shares in Lankan Resources & Mining (Private) Limited to a local partner Carbon Six (Private) Limited. The Group has determined that it retains control and, therefore, the consolidated financial statements incorporate Lankan Resources' assets, liabilities, and results with non-controlling interest.

Note 23. Interests in subsidiaries (continued)

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interests in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Parent Ownership interest 2023 %	Parent Ownership interest 2022 %	Non-controlling interest Ownership interest 2023 %	Non-controlling interest Ownership interest 2022 %
Kumbuk Investment (Private) Limited	Sri Lanka	49%	49%	51%	51%
Lankan Resources & Mining (Private) Limited	Sri Lanka	40%	100%	60%	-

Transactions with non-controlling interests
On 5 December 2022, Lankan Resources & Mining (Pvt) Ltd issued 60% of its shares to Carbon six (Pvt) Ltd which is a local partner in Sri Lanka. The Group has determined that it retains control of Lankan resources (refer to Note 3). Accordingly, the Group has consolidated the financial statements of Lankan Resources' assets and liabilities. Non-controlling interest at the date of transactions reflects 60% of the net assets of Lankan Resources and is reflected through other equity reserve.

Note 24. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2023 $	Parent 2022 $
Profit/Loss after income tax	5,889,587	(2,766,619)
Total comprehensive income	5,889,587	(2,766,619)

Statement of financial position

	Parent 2023 $	Parent 2022 $
Total current assets	171,397	209,897
Total non-current assets	5,477,297	8,725,533
Total assets	5,648,695	8,935,430
Total current liabilities	1,347,601	646,496
Total non-current liabilities		-
Total liabilities	1,347,601	646,496
Equity		
Issued capital	20,485,222	19,966,771
Accumulated losses	(16,184,128)	(11,677,837)
Total equity	4,301,094	8,288,934

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Note 24. Parent entity information (continued)

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

Note 25. Events after the reporting period

In July 2023 the group announced a rights issue to raise $745,649. The rights issue was offered to existing shareholders on a basis of 1:41. The rights issue was completed in July 2023 and was fully subscribed.

In August 2023 the Group entered into a creditor finance agreement with Quickfee Australia Pty Ltd and borrowed $62,698 on the following terms:

Lender	Principal Amount	Interest Rate	Maturity Date	Security
	$			
QuickFee Australia Pty Limited	62,698	13%	29/07/2024	Unsecured

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Director's Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

Colin Belton
Chairman

03 November 2023
Perth

BDO

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INDEPENDENT AUDITOR'S REPORT

To the members of Margosa Graphite Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Margosa Graphite Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of Margosa Graphite Limited, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Annual Report, 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 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 has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

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

This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd

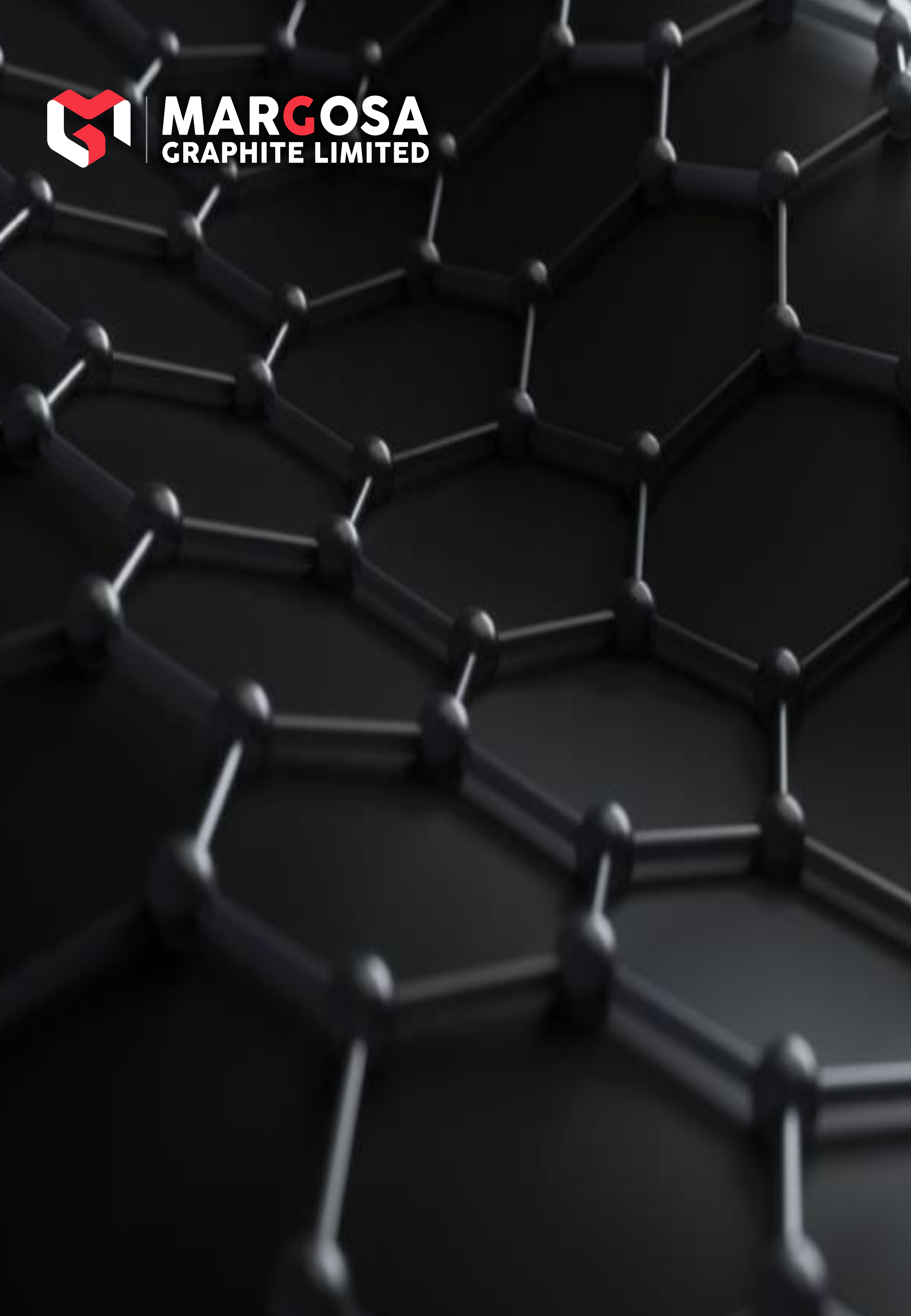
BDO

Dean Just

Director

Perth

3 November 2023



MARGOSA
GRAPHITE LIMITED