MARGOSA GRAPHITE LIMITED

Exploiting the differentiating brilliance of VEIN Graphite

Annual Report

June 2026

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CHAIRMAN'S LETTER

Dear Fellow Shareholders

The 2025/2026 financial year was marked by continued improvement in Sri Lanka's economic stability, supported by the Government's ongoing progress under its IMF-supported reform programme. However, temporary external pressures emerged during 2026, including the impact of Cyclone Ditwah and the ongoing Middle East conflict, both of which placed renewed pressure on the economic outlook and contributed to temporary fiscal easing during the year.

Cyclone Ditwah caused significant damage and tragic loss of life across parts of Sri Lanka. While the Ridee Ganga Project area was not directly impacted, surrounding regions experienced heavy rainfall and minor localised flooding. Margosa and LRM responded promptly by providing financial and in-kind support to affected communities.

During the year, responsibility for Sri Lanka's mining sector was transferred to the Ministry of Industry and Entrepreneurship Development as part of broader Government departmental changes. The Company subsequently presented to the newly established ministerial committee on its historical exploration and mining activities, work undertaken to date and proposed future work programmes, and received positive feedback. The Company continues to maintain a constructive working relationship with the Geological Survey and Mines Bureau through ongoing, professional engagement.

At the Pathakada exploration licence and mining area, the Company continued work on Shaft No. 1 (Egress and Services Shaft), including the installation of critical mining infrastructure required to support the Project's transition toward production. Advancing the Project toward production readiness remains an important element of the Company's development strategy and may support future capital markets initiatives, including any potential public offering

Product validation activities undertaken during the year have generated increased offtake interest from parties in India, Japan, Korea and the United States. This has supported the Company's decision to progress a Demonstration Processing Facility, intended to produce larger quantities of Margosa's vein graphite for offtake qualification and customer testing. The Company has completed a Scoping Study for the proposed facility and has progressed to the detailed engineering design stage. Subject to completion of the facility and receipt of all necessary approvals, it is expected to support initial supply requirements associated with a potential Early Production Opportunity. The Company is also continuing to assess potential applications for its graphite beyond printed electronics, including biosensor applications. Test work completed to date has produced positive preliminary results, with further testing and discussions continuing.

The Company continued to develop stakeholder-focused sustainability strategies aimed at creating long-term value for employees, customers, suppliers, investors and local communities, while managing its broader responsibilities to society and the environment.

On behalf of the Board, I extend our sincere appreciation to shareholders for their continued support and confidence in Margosa's strategy and long-term objectives. I also acknowledge the professionalism, dedication and resilience of the Sri Lankan management and operational teams, whose continued efforts are helping to build a strong and sustainable foundation for the Company's future.

Sincerely



Colin Belton
Chairman
Margosa Graphite Ltd
Perth, WA

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 2026.

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)
Mr. Varuna Mallawarachchi (Non-Executive Director)
Mr. Colin Belton (Non-Executive Director)
Mr. Craig Pentland (Non-Executive Director)

Information on Directors

Name:	Colin Belton
Title:	Non-Executive Chairmen
Experience and expertise:	Colin has more than 40 years' experience as a Certified Practising Accountant (CPA) and has held senior roles in accounting and business advisory firms across Australia. He is currently a Consultant and Chartered Tax Adviser at SLS Advisory. Throughout his career, Colin has provided accounting, taxation and commercial advice to a broad range of businesses, including ASX-listed companies across various industries. Colin has significant experience in Sri Lanka's resources sector. He was a founding director of the Lankan Resources Development Fund, from which CGS Australia and Margosa Graphite were established in 2017. He has been involved in supporting the development of Margosa Graphite's operations in Sri Lanka, including engagement with regulatory authorities and stakeholders in relation to permitting and mining licence approvals. Colin brings extensive commercial, governance and strategic advisory experience to the Board, with a focus on business planning, risk management and corporate development.
Interest in equity	
Shares	4,938,993
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	9,646,061
Performance rights	- Nil

Name:	Varuna Mallawarachchi
Title:	Non-Executive Director
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	5,844,136
Performance rights	- Nil

Name:	Craig Pentland
Title:	Non-Executive Director (appointed 21 November 2024)
Experience and expertise:	Craig is a Chartered Accountant (CA), Certified Practising Accountant (CPA) and Chartered Tax Adviser with over 28 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	5,261,154
Performance rights	- Nil

Company secretary

Mr Craig Douglas Pentland (Appointed 31 January 2023)
Craig is a Chartered Accountant (CA), Certified Practising Accountant (CPA) and Chartered Tax Adviser with over 28 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 in 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 2026

Sri Lanka continued to make progress under its IMF-supported reform programme during the year, with the IMF completing the combined fifth and sixth reviews in May 2026 and noting generally strong programme performance. Fiscal outcomes in 2025 exceeded earlier expectations, strengthening the country's capacity to respond to subsequent external shocks. However, Cyclone Ditwah and the Middle East conflict placed renewed pressure on the economic outlook and resulted in temporary fiscal easing during 2026. The Government remained committed to the broader reform agenda and to restoring the medium-term primary balance target from 2027, supporting continued fiscal and macroeconomic stability.

The Government transferred responsibility for Sri Lanka's mining sector from the Ministry of Environment to the Ministry of Industry and Entrepreneurship Development. The Company considers the transfer a positive development that may strengthen sector governance by providing clearer separation between mining administration and environmental oversight. As part of the administrative transition, exploration and mining companies were required to brief a newly established government committee on their historical activities, current operations and proposed work programs across their respective tenement portfolios. The Company presented its activities and work programs to the Committee and received positive feedback on its exploration and mining activities undertaken to date.

During the 2025/2026 financial year, the Company continued to advance the development of Shaft No. 1 and install the critical mining infrastructure required to support its expansion. The Company intends to use Shaft No. 1 to supply graphite for an Early Production Opportunity and to construct a Demonstration Processing Facility in support of that opportunity. A Scoping Study for the Demonstration Processing Facility has been completed, and the project is now progressing to the engineering design stage.

Technical validation of the Ridee Ganga graphitic ore resource continued to progress during the period, alongside ongoing offtake discussions with international parties.

Final-stage test work undertaken by the Company's international research and development partners on RG Project graphitic ore for printed electronics applications produced positive results. These results have identified potential additional commercial opportunities in the advanced materials market and generated interest from global manufacturers. The Company has also commenced test programs assessing the use of its graphitic ore in biosensor applications. Preliminary results have been positive and have supported further offtake discussions in this market. Additional testing is continuing as the Company evaluates potential graphite applications beyond conventional battery-grade markets.

The Company also continues to maintain a constructive and professional working relationship with the Geological Survey and Mines Bureau. Engagement with the agency remains positive and measured, supported by a strong reputation and established working relationships with senior management.

Proposed amendments to the Mines and Minerals Act have been presented to Parliament in draft form and are expected to undergo further review before being resubmitted for parliamentary consideration in 2026. Based on the draft provisions reviewed to date, the Company has not identified any material changes that it presently expects would prevent it from progressing its projects toward production or continuing to explore and develop graphite projects in Sri Lanka. The Company will continue to monitor the legislative process and assess the implications of any amendments ultimately enacted.

The Company, continued to develop sustainability strategies that focus on creating value amongst a broad group of stakeholders - including employees, customers, suppliers, investors and community groups - whilst managing their broader obligations to society and the environment.

The Company holds 5 graphite Exploration Licenses and 7 grids under Industrial Mining License retention in southwestern Sri Lanka. The consolidated area of the grids (including - pending applications) is 22km2. The Company intends to renew the exploration licenses as and when they expire. The Exploration Licenses details are as follows.

License No.	License Name	District	Area (km^2)	Date of Expiry*	Status of Renewal**
EL218	Aluketiya	Mathugama	5	12 mths	Presentation completed
EL219	Pathakada	Kalutara	7	12 mths	Industrial Mining License
EL312	Dumbara	Rathnapura	1	12 – 36mths	Presentation completed
EL294	Waharaka	Attanagalla	5	12 mths	Presentation completed
EL319	Dehiowita	Avissawella	4	12 – 24mths	Presentation completed

**The Company's assessment of the specific grids will determine its date of expiry. This assessment will be completed with the GSMB systematically. According to the Company's notification of the extended works program for each of the licenses, the license will be issued for that period. The Licenses will remain "Presentation completed" until such time as the assessment is completed, and the license activated. No external individual/Company/entity can operate within these license areas until the Company relinquishes its Exploration license. The Company is aware of pending changes to the Sri Lankan Mining Regulations and will belligerently finalise its explorational activities over past years to determine the extent of its portfolio to ensure it continues to maintain control over the tenements it considers are economically viable resource options.*

***Status of renewal note:*

- *Active – License is still active.*
- *Ministerial Approved – Instruction from Ministry to issue license. Awaiting discussion with GSMB to convert to "Active" status.*
- *Industrial Mining License (IML) – grids are now covered by IML retention license and are considered mining areas.*
- *Pending renewal – Application have been submitted and currently waiting for presentation as part of renewal application process.*
- *Presentation completed – Presentation to GMSB has been completed and is currently waiting for the license to be issued.*
- *Applied for license – New license application – currently awaiting approval of Scope of Works.*

Corporate activities

During the 2025/2026 ending 30 June 2026, the company raised $5,272,698 (June 2025: $1,103,632) capital through the issue of shares

Directors' Meetings

During the financial year, in addition to regular Board discussions, the number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

Director	Number of Meetings Eligible to Attend	Number of Meetings Attended
Mr. John Shackleton	9	9
Mr. Varuna Mallawarachchi	9	9
Mr. Colin Belton	9	9
Mr. Craig Pentland	9	9

Financial results and condition

The loss for the Group after providing for income tax amounted to $8,490,515 (2025: $4,916,919). The net assets of the Group as at 30 June 2026 were $10,132,049 (2025: $7,226,298).

For the year ended 30 June 2026, the Group had a working capital surplus of $1,322,859 (2025: $1,233,156 deficit) and net cash inflow of $3,003,961 (2025: $1,437,460 outflow).

Summary of results

	2026 $	2025 $
Other income	158,452	192,664
Expenditure	(8,648,820)	(5,109,583)
Income tax expense	(147)	-
Loss from continuing operations	(8,490,515)	(4,916,919)
Other comprehensive income / (Loss)	315,765	11,603
Total comprehensive loss	(8,174,750)	(4,905,316)

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 share under options issued during the year ended 30 June 2026 and up to the date of this report.

Shares issued on the exercise of options

There were no ordinary shares issued on the exercise of options during the year ended 30 June 2026 and up to the date of this report.

Shares under performance rights

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

Shares issued on the exercise of performance rights

There were no ordinary shares issued on the exercise of performance rights during the year ended 30 June 2026 and up to the date of this report.

Indemnity and insurance of officers

The Group has indemnified the Directors and executives of the Group 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 Group paid a premium in respect of a contract to insure the Directors and executives of the Group 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 Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group 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 Group

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

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2026/183, issued by the Australian Securities and Investments Commission, relating to 'rounding off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Matters subsequent to the end of the financial year

Shareholders will be asked to consider at the AGM a name change of the company to better align with the market understanding of the commodity resource and the mining stage at which the company is currently situated. Further, performance shares are being proposed to management which will require shareholder consideration and consent

Auditor's independence declaration

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

Auditor

RSM Australia Partners continue in office in accordance with section 327 of the Corporation Act 2001.

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



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Colin Belton
Chairman

06 November 2026
Perth, WA

RSM Australia Partners

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2 The Esplanade Perth WA 6000
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T +61 (0) 8 9261 9100

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Margosa Graphite Limited for the year ended 30 June 2026, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA

Perth, WA
Dated: 6 November 2026

MATTHEW BEEVERS
Partner

THE POWER OF BEING UNDERSTOOD
ASSURANCE | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.
RSM Australia Partners ABN 36 965 185 036
Liability limited by a scheme approved under Professional Standards Legislation

	Note	2026 $	2025 $
Revenue			
Other income		158,452	192,664
Expenses			
Professional fees	5	(414,918)	(256,501)
Directors fees		(765,400)	(498,710)
Other operating expenses	6	(805,170)	(532,201)
Finance expenses		(200,287)	(43,698)
Lease payments		(12,643)	(11,463)
Depreciation and amortisation expense		(7,694)	(45,055)
Share-based payments	24	(5,807,803)	(3,720,049)
Foreign exchange loss		(634,905)	(1,906)
Loss before income tax expense		(8,490,368)	(4,916,919)
Income tax expense	7	(147)	-
Loss after income tax expense for the year		(8,490,515)	(4,916,919)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		315,765	11,603
Other comprehensive income for the year, net of tax		315,765	11,603
Total comprehensive Loss for the year		(8,174,750)	(4,905,316)
Loss for the year is attributable to:			
Non-controlling interest		(487,621)	(630,189)
Owners of Margosa Graphite Limited		(8,002,894)	(4,286,730)
		(8,490,515)	(4,916,919)
Total comprehensive Loss for the year is attributable to:			
Non-controlling interest		(16,928)	(689,586)
Owners of Margosa Graphite Limited		(8,157,822)	(4,215,730)
		(8,174,750)	(4,905,316)

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

Margosa Graphite Limited
Statement of financial position
As at 30 June 2026

	Note	2026 $	2025 $
Assets			
Current assets			
Cash and cash equivalents	8	3,850,965	850,608
Trade and other receivables		10,671	39,097
Inventories		139,674	163,034
Other		65,969	65,573
Total current assets		4,067,279	1,118,312
Non-current assets			
Exploration and evaluation	10	8,630,477	7,982,780
Property, plant and equipment	11	523,427	626,070
Right-of-use assets	12	238,948	276,009
Other		35,468	33,617
Total non-current assets		9,428,320	8,918,476
Total assets		13,495,599	10,036,788
Liabilities			
Current liabilities			
Trade and other payables	14	2,622,022	2,267,260
Lease liabilities	13	46,262	35,978
Borrowings	15	76,136	48,230
Total current liabilities		2,744,420	2,351,468
Non-current liabilities			
Lease liabilities	13	365,571	344,951
Borrowings	15	-	114,071
Other liabilities		253,559	-
Total non-current liabilities		619,130	459,022
Total liabilities		3,363,550	2,810,490
Net assets		10,132,049	7,226,298
Equity			
Issued capital	16	31,400,642	26,127,944
Reserves	23	9,210,415	3,557,540
Other equity	18	2,496,417	2,496,417
Accumulated losses		(30,247,178)	(22,244,284)
Equity attributable to the owners of Margosa Graphite Limited		12,860,296	9,937,617
Non-controlling interest	17	(2,728,247)	(2,711,319)
Total equity		10,132,049	7,226,298

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

Margosa Graphite Limited
Statement of changes in equity
For the year ended 30 June 2026

	Issued capital $	Foreign currency translation reserve $	Share-based payment reserve $	Other Equity $	Accumulated Losses $	Non-controlling interest $	Total equity $
Balance at 1 July 2024	23,474,166	(537,560)	1,854,197	2,496,417	(17,957,554)	(2,021,733)	7,307,933
Profit/(loss) after income tax expense for the year	-	-	-	-	(4,286,730)	(630,189)	(4,916,919)
Other comprehensive income for the year, net of tax	-	71,000	-	-	-	(59,397)	11,603
Total comprehensive income for the year	-	71,000	-	-	(4,286,730)	(689,586)	(4,905,316)
Transactions with owners in their capacity as owners:							
Share issue (note 16)	1,103,632	-	-	-	-	-	1,103,632
Share-base payment (note 23)	38,146	-	3,681,903	-	-	-	3,720,049
Vesting of performance rights	1,512,000	-	(1,512,000)	-	-	-	-
Balance at 30 June 2025	26,127,944	(466,560)	4,024,100	2,496,417	(22,244,284)	(2,711,319)	7,226,298

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

Margosa Graphite Limited
Statement of changes in equity
For the year ended 30 June 2026

	Issued capital	Foreign currency translation reserve	Share-based payment reserve	Other Equity	Accumulated losses	Non-controlling interest	Total equity
	$	$	$	$	$	$	$
Balance at 1 July 2025	26,127,944	(466,560)	4,024,100	2,496,417	(22,244,284)	(2,711,319)	7,226,298
Profit/(loss) after income tax expense for the year	-	-	-	-	(8,002,894)	(487,621)	(8,490,515)
Other comprehensive loss for the year, net of tax	-	(154,928)	-	-	-	470,693	315,765
Total comprehensive income for the year	-	(154,928)	-	-	(8,002,894)	(16,928)	(8,174,750)
Transactions with owners in their capacity as owners:							
Share issue (note 16)	5,272,698	-	-	-	-	-	5,272,698
Share-base payment (note 23)	-	-	5,807,803	-	-	-	5,807,803
Vesting of performance rights	-	-	-	-	-	-	-
Balance at 30 June 2026	31,400,642	(621,488)	9,831,903	2,496,417	(30,247,178)	(2,728,247)	10,132,049

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

Margosa Graphite Limited
Statement of cash flows
For the year ended 30 June 2026

	Note	2026 $	2025 $	
Cash flows from operating activities				
Receipts from Customers/other receipts		366,860	297,325	
Payments to suppliers and employees (inclusive of GST)		(1,371,469)	(1,182,614)	
Interest received		1,569	5,573	
Income tax paid		(147)	-	
Net cash used in operating activities	9	(1,003,187)	(879,716)	
Cash flows from investing activities				
Payments for property, plant and equipment	11	(178,743)	(112,639)	
Payments for exploration and evaluation	10	(1,029,663)	(1,125,523)	
Net cash used in investing activities		(1,208,406)	(1,238,162)	
Cash flows from financing activities				
Proceeds from issue of shares	16	5,272,698	1,032,382	
Proceeds from borrowings		(59,690)	(337,037)	
Lease payments		2,546	(14,927)	
Net cash from financing activities		5,215,554	680,418	
Net (decrease) / increase in cash and cash equivalents		3,003,961	(1,437,460)	(125,908)
Cash and cash equivalents at the beginning of the financial year		850,608	2,014,665	135,489
Effects of exchange rate changes on cash and cash equivalents		(3,604)	273,403	61,015
Cash and cash equivalents at the end of the financial year	8	3,850,965	850,608	70,596

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

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
C/- SLS Advisory Level 2, 35 Ventnor Ave, West Perth WA 6005	C/- SLS Advisory Level 2, 35 Ventnor Ave, West Perth WA 6005

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, 06 November 2026

Note 2. Material accounting policies

The material 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 $8,490,515 (2025: $4,916,919) and had net cash outflows from operating and investing activities of $2,211,593 (2025: $2,117,878). The Group had a working capital surplus of $1,322,859 (2025: $1,233,156 deficit). These conditions indicate the existence of uncertainty that may cast 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 Group is in informal ongoing discussions with certain creditors which will be settled upon funding through a debt or equity event.
- Active cost cutting measures have continued;
- A history of successfully completing capital raisings over the preceding financial period, including via a placement, an entitlement issue; and
- The Group has been awarded a 10-year "A" Class IML by the GSMB and various financial institutions have signalled their support of the group via short term debt and equity options. The group is committed to equity options and has continued to attract small scale investors and enjoys the support of a UK based company that has taken up 7.85% stake in the company.

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 4.

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 26.

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 2026 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'.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest without the loss of control is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share is recognised directly in equity attributable to the parent.

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.

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

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.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and noncontrolling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

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.

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.

Government Grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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 2026. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 4. 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 to 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.

Exploration and evaluation costs

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

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.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 5. Professional fees

	2026 $	2025 $
Consulting fees	107,437	47,760
Legal fees	33,556	11,101
Accounting fees	185,770	97,440
ASIC fees	15,223	8,209
Audit and taxation fees	71,846	91,991
Company secretarial fees	1,086	-
	414,918	256,501

Note 6. Other operating expenses

	2026 $	2025 $
Travel and accommodation	183,857	116,914
Insurance	69,349	94,697
Computer, telephone and IT expenses	35,206	22,669
Employee benefit expense	91,564	51,784
Other expenses	425,194	246,137
	805,170	532,201

Note 7. Income tax

	2026 $	2025 $
Income tax expense		
Current tax	147	-
Deferred tax - origination and reversal of temporary differences	-	-
Aggregate income tax expense	147	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(8,490,368)	(4,916,919)
Tax at the statutory tax rate of 25% (2025: 25%)	(2,122,592)	(1,229,230)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	1,451,951	930,012
Other permanent adjustments	69,111	41,246
Effect of foreign income tax	147	-
Current year deferred tax assets not recognised	601,530	257,972
Income tax expense	147	-

Note 7. Income tax (continued)

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.

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 8. Cash and cash equivalents

	2026 $	2025 $
Current assets		
Cash and cash equivalents	3,850,965	850,608

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

	2026 $	2025 $
Loss after income tax expense for the year	(8,490,515)	(4,916,919)
Adjustments for:		
Depreciation and amortisation	7,694	6,041
Share-based payment	5,807,803	3,720,049
Lease payments made	(1,093)	14,327
Foreign exchange gains/losses	2,593,398	(247,628)
Change in operating assets and liabilities:		
Trade and other receivables	(1,436,864)	110,708
Other assets	(3,566)	(23,275)
Prepayments	(11,637)	(7,289)
Inventories	11,194	(5,103)
Right of use assets	(64,301)	(27,240)
Lease liability	(35,116)	(43,313)
Trade and other payables	619,816	539,926
Net cash used in operating activities	(1,003,187)	(879,716)

Non-cash investing and financing activities

	2026 $	2025 $
Share-based payment expense	5,807,803	3,720,049
	5,807,803	3,720,049

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 2024	6,667,498
Additions	1,218,875
Exchange differences	96,407
Balance at 30 June 2025	7,982,780
Additions	1,252,363
Exchange differences	(604,666)
Balance at 30 June 2026	8,630,477

For the year ended 30 June 2026, 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.

The Group did not relinquish any exploration licences during the year and no impairment of exploration licences was identified.

Note 10. Exploration and evaluation (continued)

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.

Note 11. Property, plant and equipment

	2026 $	2025 $
Non-current assets		
Land - at cost	130,211	153,546
Plant and equipment - at cost	1,598,198	1,649,383
Less: Accumulated depreciation	(1,264,243)	(1,247,909)
	333,955	401,475
Fixtures and fittings - at cost	4,424	4,424
Less: Accumulated depreciation	(2,507)	(2,507)
	1,917	1,917
Motor vehicles - at cost	73,020	87,266
Less: Accumulated depreciation	(21,930)	(27,020)
	51,090	60,246
Computer equipment - at cost	26,771	28,306
Less: Accumulated depreciation	(20,517)	(19,420)
	6,254	8,886
	523,427	626,070

Note 11. Property, plant and equipment (continued)

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 2024	147,830	588,059	1,917	9,475	-	747,281
Additions	-	35,317	-	3,272	74,050	112,639
Disposal	-	-	-	-	-	-
Exchange differences	5,716	21,854	-	350	(1,429)	26,491
Depreciation expense	-	(243,755)		(4,211)	(12,375)	(260,344)
Balance at 30 June 2025	153,546	401,475	1,917	8,886	60,246	626,070
Additions	-	144,037	-	2,299	-	146,336
Exchange differences	(23,335)	(35,677)	-	(937)	(9,156)	(69,105)
Depreciation expense	-	(175,880)	-	(3,994)	-	(179,874)
Balance at 30 June 2026	130,211	333,955	1,917	6,254	51,090	523,427

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% (2025: 20%)
Office equipment	20% (2025: 20%)
Plant and equipment	15% to 25% (2025: 15% to 25%)

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

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 2024	282,494
Exchange differences	(526)
Depreciation expense	(5,959)
Balance at 30 June 2025	276,009
Exchange differences	(31,889)
Depreciation expense	(5,172)
Balance at 30 June 2026	238,948

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. Lease liabilities

	2026 $	2025 $
Current		
Lease liability	46,262	35,978
Non-current		
Lease liability	365,571	344,951
Future Lease payments		
Future lease payments are due as follows:		
Not later than 1 year	51,101	35,978
Later than 1 year but not later than 5 years	199,665	162,095
Later than 5 years	1,243,534	1,396,021

Note 14. Trade and other payables

	2026 $	2025 $
Current liabilities		
Trade payables	1,510,928	1,173,700
Other payables and accrued expenses	1,111,094	1,093,560
	2,622,022	2,267,260

Refer to note 19 for further information on financial risk management.

Amount owing to key management personnel is set out in note 22.

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 15. Borrowings

As at 30 June 2026, the Group had the following borrowings:

Lender	Principal Amount $	Interest Rate	Maturity Date	Security
Iqumulate premium funding	46,392	4.98%	28/02/2027	Unsecured
Kanchana Kodituwakku	1,937		On Call	Unsecured
Taplan Pty Ltd	27,807		On Call	Unsecured
	76,136			

As at 30 June 2025, the Group had the following borrowings:

Lender	Principal Amount $	Interest Rate	Maturity Date	Security
Iqumulate premium funding	36,563	5.21%	28/02/2026	Unsecured
Quickfee	69,520	14.19%	14/04/2026	Unsecured
Mercantile Investments and Finance Plc	44,552	9.34%	20/08/2029	Unsecured
Kanchana Kodituwakku	2,284		On Call	Unsecured
Taplan Pty Ltd	9,382		On Call	Unsecured
	162,301			

Note 16. Issued capital

	2026 Shares	2025 Shares	2026 $	2025 $
Ordinary shares - fully paid	119,504,201	104,267,167	31,400,642	26,127,944

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2024	96,026,829		23,474,166
Share issue – performance shares		1,000,000	$0.35	350,000
Share issue – performance shares		4,150,000	$0.28	1,162,000
Share issue – shares in settlement of interest of $0.35		108,988	$0.35	38,146
Share issue - share placement at $0.35		203,571	$0.35	71,250
Share issue - share placement at $0.37		2,777,779	$0.37	1,032,382
Balance	30 June 2025	104,267,167		26,127,944
Share issue - share placement at $0.35		1,118,146	$0.35	391,351
Share issue - share placement at £0.18		14,118,888	$0.35*	4,881,347
Balance	30 June 2026	119,504,201		31,400,642

* Issued at GBP 0.18 per share. The Australian-dollar equivalent issue price is rounded to the nearest cent; total proceeds reflect the applicable exchange rates.

Ordinary shares

Ordinary shares are classified as equity.

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 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.

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.

Capital risk management

The consolidated entity's objective 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.

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 17. Non-controlling interest

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	Ownership interest 2026 %	Parent Ownership interest 2025 %	Non-controlling interest Ownership interest 2026 %	Non-controlling interest Ownership interest 2025 %
Kumbuk Investment (Private) Limited	Sri Lanka	19.6%	19.6%	80.4%	80.4%
Lankan Resources & Mining (Private) Limited	Sri Lanka	40%	40%	60%	60%

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 **Summary statement of financial position**	2026 $	2025 $
Current assets	330,445	327,705
Non-current assets	4,095,366	3,908,325
Total assets	4,425,811	4,236,030
Current liabilities	71,806	45,420
Non-current liabilities	9,173,750	9,002,171
Total liabilities	9,245,556	9,047,591
Net assets	**(4,819,745)**	**(4,811,561)**
Net assets attributable to NCI	**(2,891,847)**	**(2,886,937)**
Summarised statement of profit and loss and other comprehensive income		
Expenses	(570,392)	(621,038)
Foreign exchange loss	(242,600)	(430,616)
Loss before income tax	(812,992)	(1,051,654)
Income tax expense	-	-
Loss after income tax expense	(812,992)	(1,051,654)
Other comprehensive income	-	-
Total comprehensive (loss)	**(812,992)**	**(1,051,654)**
Total comprehensive (Loss) allocated to NCI	**(487,795)**	**(630,992)**

Note 17. Non-controlling interest (continued)

Statement of cash flows

	2026 $	2025 $
Net cash flow from operating activities	218,817	(1,022,449)
Net cash flow from investing activities	(176,552)	1,073,742
Net cash flow from financing activities	1,453	(14,927)
Net cash increase in cash held	43,718	36,366

Note 18. Other Equity

The group recognised other equity of $2,496,417 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 19. 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	
	2026 $	2025 $	2026 $	2025 $
GBP	2,390,627	556,411	-	-
US dollars	25,883	186,332	-	-

The Group is mainly exposed to United States Dollar (USD) the British Pound (GBP). The following table details the Group's sensitivity to a 10% (2025: 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% (2025: 10%) change in foreign currency rates. A positive number indicates an increase in profit and equity; a negative number indicates a decrease.

		AUD strengthened			AUD weakened	
2026	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
GBP	10%	(217,330)	(217,330)	10%	265,625	265,625
US Dollar	10%	(2,353)	(2,353)	10%	2,876	2,876

		AUD strengthened			AUD weakened	
2025	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
GBP	10%	61,823	61,823	10%	(50,583)	(50,583)
US Dollar	10%	20,704	20,704	10%	(16,939)	(16,939)

Note 19. Financial risk management (continued)

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

	2026 Balance $	2025 Balance $
Cash and cash equivalents	3,850,965	850,608
Net exposure to cash flow interest rate risk	3,850,965	850,608

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 2025.

	Basis points increase			Basis points decrease		
2026	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Cash and cash equivalents	100	38,510	38,510	100	(38,510)	(38,510)

	Basis points increase			Basis points decrease		
2025	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Cash and cash equivalents	100	8,506	8,506	100	(8,506)	(8,506)

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:

	2026 $	2025 $
Financial assets		
Trade and other receivables	10,671	39,097

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 2026. No allowances have been made for further expected credit losses.

Note 19. Financial risk management (continued)

Liquidity risk

Prudent 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 2026, the Group had borrowings of $76,136 (2025: $162,301) repayable on demand or by 28 February 2027 and a working capital surplus of $1,322,859 (2025: $1,233,156 deficit). The board perpetually monitors the need for raising capital to ensure that liquidity risk is mitigated.

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.

2026	1 year or less $	Over 1 year $	Remaining contractual maturities $
Non-derivatives			
Non-interest bearing			
Trade payables	2,622,022	-	2,622,022
Other financial liabilities			
Lease liability	51,101	1,443,199	1,494,300
Borrowings	76,136	-	76,136
Total non-derivatives	2,749,259	1,443,199	4,192,458

2025	1 year or less $	Over 1 year $	Remaining contractual maturities $
Non-derivatives			
Non-interest bearing			
Trade payables	2,267,260	-	2,267,260
Other financial liabilities			
Lease liability	35,978	1,558,116	1,594,094
Borrowings	495,104	-	495,104
Total non-derivatives	2,798,342	1,558,116	4,356,458

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

Fair value of financial instruments

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

Note 20. Remuneration of auditors

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

	2026 $	2025 $
Audit services – RSM Australia Partners		
Audit or review of the financial statements	80,000	77,050
	80,000	77,050

It is the Group's policy to employ RSM on assignments additional to their statutory audit duties where RSM's expertise and experience with the Group are important.

Note 21. Related party transactions

Parent entity
Margosa Graphite Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 25.

Key management personnel
Disclosures relating to key management personnel are set out in note 22.

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 22. 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:

	2026 $	2025 $
Short-term employee benefits	715,000	476,142
Post-employment benefits	50,400	29,900
Share-based payments	4,539,666	3,163,247
	5,305,066	3,669,289

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.

Note 22. Key management personnel disclosures (continued)

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:

	2026 $	2025 $
Varuna Mallawarachchi[4]	30,000	90,000
SLS Advisory	230,969	235,302
	260,969	325,302

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

	2026	2025
Noralee Pty Ltd[1]	148,374	148,374
Allbeach Nominees Pty Ltd[2]	24,750	24,750
Varuna Mallawarachchi[3]	293,750	188,750
Colin Belton[4]	216,245	133,745
Craig Pentland[5]	219,732	137,232
SLS Advisory[6]	58,619	11,825
John Shackleton[1]	944,881	699,481
	1,881,601	1,344,157

[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 Director of the Company.
[2] 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. Peter Cunningham has ceased to be a member of key management personnel and accordingly no outstanding balance is disclosed for 2026.
[3] 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.
[4] Colin 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.
[5] 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.
[6] SLS Advisory is an accounting firm associated with Craig Pentland, the company provides bookkeeping, management advisory and accounting services to the Group.

Note 23 Reserves

	30 June 2026 $	30 Jun 2025 $
Foreign currency translation reserve	(621,488)	(466,560)
Share-based payments reserve	9,831,903	4,024,100
	9,210,415	3,557,540

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Note 23 Reserves (continued)

Share-based payment reserve
The share-based payment reserve records the cumulative share-based payment expense recognised for equity settled transactions. Refer to note 24.

Note 24. Share-based payments

Cancellation of Performance Rights

In October 2025, the Board of Directors formally cancelled all outstanding unvested performance rights from Milestone 2 through to Milestone 5(D), (detailed below):

Milestone 2 - Upgrade Resource for the RG Project
Milestone 3 - Second Resource Announcement
Milestone 4 - Securing Substantial Capital Investment
Milestone 5(A) - Successful IPO listing (ASX or other)
Milestone 5(B) - Successful Reverse Takeover
Milestone 5(C) - Successful Joint Venture Agreement
Milestone 5(D) - Successful Sale Event

In accordance with AASB 2 *Share-based Payment*, the cancellation was accounted for as an acceleration of vesting. Accordingly, the remaining unrecognised grant-date fair value of $5,807,803 was recognised as a share-based payment expense during the year ended 30 June 2026.

No payment was made by the Company to the directors or employees as compensation for the cancellation of the performance rights.

	30 June 2026 $
Movement in share-based payments reserve	
Opening balance on 1 July 2025	4,024,100
Share-based payment expense - cancellation of performance rights	5,807,803
Closing balance on 30 June 2026	9,831,903

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 is 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.

The cost of equity-settled transactions is 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.

Note 24. Share-based payments (continued)

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 25. Interests in subsidiaries

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

		Ownership interest	
	Principal place of business /	2026	2025
Name	Country of incorporation	%	%
Margosa Holdings (Australia) Pty Ltd	Australia	100%	100%
Margosa Investments Pvt Ltd	Sri Lanka	100%	100%
Lankan Resources & Mining Pvt Ltd (i)	Sri Lanka	40%	40%
Kumbuk Investments (Private) Limited (i)	Sri Lanka	19.6%	19.6%

(i) The Group has undertaken an analysis of the key determination of control in relation to the subsidiaries, underlying consultation of shareholder agreements and has concluded that there is control over these entities.

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 4). 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 26. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2026 $	Parent 2025 $
Loss after income tax	2,366,789	1,873,090
Total comprehensive loss	2,366,789	1,873,090

Statement of financial position

	2026 $	2025 $
Total current assets	5,307,541	888,255
Total non-current assets	7,596,681	8,524,345
Total assets	12,904,222	9,412,600
Total current liabilities	2,518,614	1,932,743
Total non-current liabilities	253,559	253,559
Total liabilities	2,772,173	2,186,302
Net assets	10,132,049	7,226,298
Equity		
Issued capital	31,400,643	26,127,945
Accumulated losses	(21,268,594)	(18,901,647)
Total equity	10,132,049	7,226,298

Material accounting policy information

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

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

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 2026 and 30 June 2025.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2026 and 30 June 2025.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2026 and 30 June 2025.

Note 27. Events after the reporting period

Shareholders will be asked to consider at the AGM a name change of the company to better align with the market understanding of the commodity resource and the mining stage at which the company is currently situated. Further, performance shares are being proposed to management which will require shareholder consideration and consent.

Basis of Preparation

Consolidated Entity Disclosure Statement (CEDS) has been prepared in accordance with the Corporations Act 2001. It includes certain mation for each entity that was part of the consolidated entity at the end of the financial year.

Determination of Tax Residency

Section 295 (3A) of the Corporation Acts 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency involves judgment as there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the consolidated entity has applied the following interpretations:

Australian tax residency

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5.

Foreign tax residency

Where necessary, the consolidated entity has used independent tax advisers in foreign jurisdictions to assist in determining tax residency and ensure compliance with applicable foreign tax legislation.

Entity name	*Entity Type*	*Place formed/Country of incorporation*	*Ownership interest %*	*Tax Residency*
Margosa Graphite Ltd	Body corporate	Australia	100	Australia
Margosa Holdings (Australia) Pty Ltd	Body corporate	Australia	100	Australia
Margosa Investments Pvt Ltd	Body corporate	Sri Lanka	100	Sri Lanka
Lankan Resources & Mining Pvt Ltd	Body corporate	Sri Lanka	40	Sri Lanka
Kumbuk Investments (Private) Limited	Body corporate	Sri Lanka	19.6	Sri Lanka

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 2026 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.
- The information disclosed in the Consolidated Entity Disclosure statement is true and correct.

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

06 November 2026
Perth, WA

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT

To the Members of Margosa Graphite Limited

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 2026, 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 statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group 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 2026 and of its financial performance for the year then ended; 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 auditor independence requirements of the *Corporations Act 2001* and the APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (the Code) that are relevant to our audit of the financial report of public interest entities 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 Group, 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.

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Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a loss attributable to members of $8,490,515 and had net cash outflows from operating activities and investing activities of $2,211,593 for the year ended 30 June 2026. As at that date, the Group had net current asset of $1,322,859. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2026 but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

a. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001; and
b. the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

i. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
ii. the consolidated entity disclosure statement that is true and correct and is free of 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

RSM AUSTRALIA

Perth, WA
Dated: 6 November 2026

MATTHEW BEEVERS
Partner