



NGX Limited

ACN 649 545 068

**FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

CORPORATE DIRECTORY

Directors

Mr Ian Middlemas – Non-Executive Chairman
Mr Matthew Syme – Executive Director
Mr Matthew Bungey – Non-Executive Director
Mr Mark Pearce – Non-Executive Director

Company Secretary

Ms Elizabeth (Lib) Matthews

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Legal Adviser

Thomson Geer
Level 27, Exchange Tower
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Perth WA 6000

Auditor

William Buck Audit (WA) Pty Ltd
3/15 Labouchere Road
South Perth WA 6151

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DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2022

The directors of NGX Limited present their report on the Group consisting of NGX Limited ("Company" or "Parent Entity") and the entities it controlled at the end of, or during, the half year ended 31 December 2022 ("Group" or "NGX").

Directors

The following persons were directors of the Company during the half year and up to the date of this report, unless otherwise stated:

Mr Ian Middlemas	Non-Executive Chairman
Mr Matthew Syme	Executive Director (<i>appointed 19 January 2023</i>)
Mr Matthew Bungey	Non-Executive Director (<i>appointed 24 January 2023</i>)
Mr Mark Pearce	Non-Executive Director
Mr Benjamin Stoikovich	Non-Executive Director (<i>resigned 12 December 2022</i>)

OPERATIONAL AND FINANCIAL REVIEW

Review of operations

The loss for the Company, after providing for income tax, amounted to A\$239,019 (31 December 2021: A\$108,068).

Financial Position

At 31 December 2022, the Group had cash reserves of A\$132,168 (30 June 2022: A\$2) and net liabilities of A\$795,467 (30 June 2022: A\$694,504).

Significant changes in the state of affairs

In December 2022, Sovereign Metals Limited ("Sovereign"), the ultimate parent entity of NGX Limited announced that it intends to undertake a demerger ("Demerger") whereby Sovereign's Malawian graphite projects, being the Nanzeka Project, Duwi Project, Malingunde Project and Mabuwa Project ("Graphite Projects"), are to be demerged through NGX.

Sovereign proposes, subject to shareholder approval, to demerge the Graphite Projects via a spin-out of NGX and in-specie distribution of NGX fully paid ordinary shares ("NGX Shares") to Sovereign shareholders by issuing one (1) NGX Share for every eleven (11) Sovereign shares ("SVM Shares") held ("Distribution"), allowing Sovereign shareholders to retain exposure to the value and upside of the Graphite Projects.

Upon completion of the Demerger, NGX intends to seek admission to the official list of the ASX. NGX will undertake a capital raising to satisfy the ASX admission requirements.

Sovereign shareholders will have the opportunity to retain further exposure to the value and upside of the Graphite Projects as the NGX IPO is expected to comprise a priority offer to existing shareholders on the basis of one (1) new NGX Share for every one (1) NGX Share received pursuant to the Demerger to raise approximately A\$8,561,364 and a general offer of A\$1,000,000 to assist with satisfying ASX spread requirements. This will ensure there is no cash outflow from Sovereign to NGX as part of the Demerger, other than applicable Sovereign expenses to effect the Demerger. However, the terms of the NGX IPO are yet to be finalised.

Sovereign's General Meeting for the Demerger is to take place on 17 March 2023.

On 27 July 2022, NGX acquired NGX Mining Limited and NGX Exploration Limited from Sovereign Metals Limited.

Ms Elizabeth (Lib) Matthews was appointed Company Secretary on 9 December 2022.

There were no other significant changes in the state of affairs of the Company during the half year.

DIRECTORS' REPORT (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2022

Matters subsequent to the end of the financial half year

Subsequent to the end of the half year, on 19 January 2023, Mr Matthew Syme was appointed as Executive Director and on 24 January 2023, Mr Matthew Bungey was appointed as Non-Executive Director of the Company.

Other than as already disclosed, at the date of this report there were no significant events occurring after balance date requiring disclosure.

Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, William Buck Audit (WA) Pty Ltd, to provide the directors of NGX Limited with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is on page 4 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.



Matthew Syme
Executive Director

21 March 2023

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF NGX LIMITED

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2022 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

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Conley Manifis
Director
Perth, 21st day of March 2023

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

	Half Year Ended 31 December 2022 A\$	Half Year Ended 31 December 2021 A\$
Expenses		
Corporate and administrative expenses	(136,883)	-
Exploration and evaluation expenses	(102,136)	(108,068)
Loss before income tax	(239,019)	(108,068)
Income tax expense	-	-
Loss from operations	(239,019)	(108,068)
Loss attributable to members of NGX Limited	(239,019)	(108,068)
Other comprehensive income, net of income tax:		
Exchange differences arising on translation of foreign operations	2,034	-
Total comprehensive loss attributable to members of NGX Limited	(236,985)	(108,068)
Basic and diluted loss per share (dollars per share)	(119,510)	(54,034)

The above Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	Notes	31 December 2022 A\$	30 June 2022 A\$
ASSETS			
Current assets			
Cash and cash equivalents	2	132,168	2
Other assets		-	38
TOTAL ASSETS		132,168	40
LIABILITIES			
Current liabilities			
Trade and other payables	3	94,042	144,824
Total current liabilities		94,042	144,824
Non-current liabilities			
Borrowings	4	833,593	549,720
Total non-current liabilities		833,593	549,720
TOTAL LIABILITIES		927,635	694,544
NET LIABILITIES		(795,467)	(694,504)
SHAREHOLDER DEFICIT			
Issued capital	5	2	2
Reserves	6	138,056	-
Accumulated losses	7	(933,525)	(694,506)
TOTAL DEFICIENCY		(795,467)	(694,504)

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

	Contributed Equity	Foreign Currency Translation Reserve	Other Equity Reserve	Accumulated Losses	Total Equity A\$
2022					
Balance at 1 July 2022	2	-	-	(694,506)	(694,504)
Net loss for the period	-	-	-	(239,019)	(239,019)
Exchange differences arising on translation of foreign operations	-	2,034	-	-	2,034
Total comprehensive loss for the period	-	2,034	-	(239,019)	(236,985)
Transactions with owners recorded directly in equity					
Equity contribution (refer to Note 11 and Note 6)	-	-	136,022	-	136,022
Balance at 31 December 2022	2	2,034	136,022	(933,525)	(795,467)
2021					
Balance at 1 July 2021 (restated)	2	-	-	(54,251)	(54,249)
Restated net loss for the period	-	-	-	(108,068)	(108,068)
Exchange differences arising on translation of foreign operations	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(108,068)	(108,068)
Balance at 31 December 2021	2	-	-	(162,319)	(162,317)

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

	Notes	Half Year Ended 31 December 2022 A\$	Half Year Ended 31 December 2021 A\$
Operating activities			
Payments to suppliers and employees		(12,433)	-
Net cash outflows from operating activities		(12,433)	-
Investing activities			
Cash acquired on acquisition	11	144,194	-
Net cash flows from investing activities		144,194	-
Net increase in cash and cash equivalents		131,761	-
Net foreign exchange differences		405	
Cash and cash equivalents at beginning of the period		2	2
Cash and cash equivalents at end of the period	2	132,168	2

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

Note 1: Statement of Significant Accounting Policies

(a) Company Information

The interim consolidated financial statements of NGX Limited ("NGX" or "Company") and its consolidated entities ("Consolidated Entity" or "Group") for the six-months ended 31 December 2022 were authorised for issue in accordance with the resolution of the directors on 21 March 2023.

NGX Limited is a for profit company limited by shares, incorporated and domiciled in Australia. The Group's principal activities are the exploration and development of mineral resource projects.

(b) Basis of Preparation

This general-purpose financial report for the interim six-month reporting period ended 31 December 2022 has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of the Company for the year ended 30 June 2022.

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2022, except as disclosed below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The financial report has been prepared on a historical cost basis and is presented in Australian dollars (A\$).

(c) Statement of Compliance

In the current period, the Group has adopted all of the new and revised standards, interpretations and amendments that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2022. The new standards have not had a material effect on the Group's financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(d) Changes in Accounting Policies

The accounting policies adopted in the preparation of the half-year financial report are consistent with those applied in the preparation of the Group's annual financial report for the year ended 30 June 2022, except for new standards, amendments to standards and interpretations effective 1 July 2022 as set out in Note 1(c).

(e) Issued standards and interpretations not early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the reporting period ended 31 December 2022. Those which may be relevant to the Group are set out in the table below, but these are not expected to have any significant impact on the Group's financial statements:

Standard/Interpretation	Application Date of Standard	Application Date for Group
<i>AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	January 1, 2024	July 1, 2024
<i>AASB 2022-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current – Deferral of Effective Date</i>	January 1, 2024	July 1, 2024
<i>AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	January 1, 2023	July 1, 2023

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022 (continued)

Note 1: Statement of Significant Accounting Policies (continued)

(f) Going Concern

The financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. At 31 December 2022, the Group has a deficiency in net assets of A\$795,467 (30 June 2022: A\$694,504) predominantly due to a related party loan of A\$833,593 (30 June 2022: A\$549,720) to Sovereign Metals Limited ("SVM"). Pursuant to the Demerger Deed between NGX and SVM, A\$549,720 of this loan will be forgiven and SVM will not call up the remainder of the loan until the earlier of: (i) the date that NGX Shares are admitted to Official Quotation on ASX; or (ii) NGX obtaining alternative funding from a third party. Upon completion of the Demerger Deed, Sovereign will provide financial support through an unsecured loan facility of an amount and on terms to be agreed between Sovereign and NGX and if requested by Sovereign, documented in a separate facility agreement. Drawdowns by NGX from this loan facility will be repayable by NGX twenty (20) Business Days after the earlier of the date that: (i) NGX Shares are admitted to official quotation on ASX; or (ii) NGX obtains alternative funding from a third party. Any loan provided by Sovereign may be used by NGX to fund the costs associated with NGX seeking admission of the NGX Shares for official quotation on ASX and such loan will be on an interest free basis. Any subsequent loans provided by Sovereign to NGX if it is unsuccessful in being admitted to the official list of ASX may be interest bearing on terms to be agreed by the parties.

(g) Segment Information

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

During the reporting period, the Consolidated Entity operated in one segment, being mineral exploration and development of mineral resource projects. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Entity.

	31 December 2022 A\$	30 June 2022 A\$
Note 2: Cash and cash equivalents		
Cash at bank and on hand	132,168	2
Total cash and cash equivalents	132,168	2

Note 3: Trade and other payables	31 December 2022 A\$	30 June 2022 A\$
Trade payables	6,648	135,824
Accrued expenses	87,394	9,000
Total trade and other payables	94,042	144,824

Note 4: Borrowings	31 December 2022 A\$	30 June 2022 A\$
Loan from Sovereign Metals Limited ¹	833,593	549,720
Total borrowings	833,593	549,720

Note:

¹ Sovereign Metals Limited is the ultimate parent entity of the NGX Group. SVM provided the Company funding as part of its operations. See Note 11 for further information.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022 (continued)

Note 5: Issued capital	31 December 2022	30 June 2022
	A\$	A\$
2 fully paid ordinary shares (30 June 2022: 2)	2	2
Total issued capital	2	2

Note 6: Reserves	31 December 2022	30 June 2022
	A\$	A\$
Foreign Currency Translation Reserve	2,034	-
Other Equity Reserve ¹	136,022	-
	138,056	-

Note:

¹ On 27 July 2022, NGX acquired NGX Exploration Limited and NGX Mining Limited through its subsidiaries, NGX Exploration UK Limited and NGX Mining UK Limited. Prior to the acquisition, NGX had loaned NGX Exploration Limited and NGX Mining Limited a total of \$136,022. In the year ended 30 June 2022, a provision was made for the loan and it was written off by the Company. As at 27 July 2022, this transaction was between a parent entity and subsidiary and the amount was recognised at fair value directly in equity as a contribution. Refer to Note 11 for further information.

Note 7: Accumulated losses	31 December 2022	30 June 2022
	A\$	A\$
Accumulated losses at beginning of the period	(694,506)	(109,408)
Net loss attributable to members of the Company	(239,019)	(585,098)
Accumulated losses at end of the period	(933,525)	(694,506)

Note 8: Commitments and Contingencies

As a condition of retaining the current rights to tenure to exploration tenements, the Group is required to pay an annual rental charge to meet minimum expenditure requirements for granted tenements. These obligations are not provided for in the financial statements and are at the sole discretion of the Group. The majority of the remaining exploration commitments relate to licences with a term greater than one year. For the purposes of disclosure, the Group has apportioned the remaining commitments on an equal monthly basis over the remaining term of the exploration licences.

	31 December 2022	30 June 2022
	A\$	A\$
Within 1 year	42,917	-
1 to 5 years	107,293	-
Total	150,210	-

As at the date of this report, no contingent assets or liabilities had been identified as at 31 December 2022 (30 June 2022: nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022 (continued)

Note 9: Related Parties

(a) Subsidiaries

	Country of Incorporation	Equity Interest (%)	
		31 December 2022	30 June 2022
NGX Graphite Pty Ltd	Australia	100	100
NGX Holdings UK Limited	United Kingdom	100	100
NGX Exploration UK Limited	United Kingdom	100	100
NGX Mining UK Limited	United Kingdom	100	100
NGX Exploration Limited	Malawi	100 ¹	-
NGX Mining Limited	Malawi	100 ¹	-

Note:

¹ On 27 July 2022, NGX Limited acquired NGX Exploration Limited and NGX Mining Limited through its subsidiaries, NGX Exploration UK Limited and NGX Mining UK Limited. Refer to Note 11 for further details.

(b) Ultimate Parent

NGX Limited is the ultimate parent of the Group ("NGX Group").

(c) Transactions with Related Parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Sovereign Metals Limited ("SVM") is the ultimate parent of the NGX Group. A related party loan of A\$833,593 (30 June 2022: A\$549,720) to SVM. Pursuant to the Demerger Deed between NGX and SVM, A\$549,720 of this loan will be forgiven and SVM will not call up the remainder of the loan until the earlier of: (i) the date that NGX Shares are admitted to Official Quotation on ASX; or (ii) NGX obtaining alternative funding from a third party.

Note 10: Fair Value of Financial Instruments

At 31 December 2022 and 30 June 2022, the carrying value of the Group's financial assets and liabilities approximate their fair value.

Note 11: Asset Acquisition

On 27 July 2022, NGX acquired NGX Exploration Limited and NGX Mining Limited through its subsidiaries, NGX Exploration UK Limited and NGX Mining UK Limited.

In line with relevant accounting standards, the Company has treated the acquisition of NGX Exploration Limited and NGX Mining Limited as an asset acquisition and an equity contribution.

Where an acquisition does not meet the definition of a business combination the transaction is accounted for as an asset acquisition. The consideration transferred for the acquisition of an asset comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs with regards to the acquisition are capitalised. Identifiable assets acquired and liabilities assumed in the acquisition are measured at their fair value at the acquisition date.

Where settlement of any part of cash consideration is deferred and/or contingent, the probability of making these future payments are assessed as at acquisition date and measured accordingly. The amounts of payable in the future are discounted to their present value as at the date of exchange. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022 (continued)

Note 11: Asset Acquisition (continued)

The total cost of the asset acquisition was nil as follows:

	27 July 2022 A\$
Consideration	
Cash paid	-
Total consideration	-
Identifiable net assets	
Cash at bank	144,194
Identifiable net assets	144,194
Net cash inflow	
Cash paid	-
Net cash acquired on acquisition of NGX Exploration Limited and NGX Mining Limited	144,194
Net consolidated cash inflow	144,194

Note 12: Events subsequent to balance date

Subsequent to the end of the half year, on 19 January 2023 Mr Matthew Syme was appointed as Executive Director and on 24 January 2023, Mr Matthew Bungey was appointed as Non-Executive Director of the Company. Other than as already disclosed, as at the date of this report, there are no matters or circumstances which have arisen since 31 December 2022 that have significantly affected or may significantly affect:

- the operations, in financial periods subsequent to 31 December 2022, of the Group;
- the results of those operations, in financial periods subsequent to 31 December 2022, of the Group;
or
- the state of affairs, in financial periods subsequent to 31 December 2022, of the Group.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of NGX Limited:

In the opinion of the Directors:

- (a) the attached financial statements and notes thereto for the six month period ended 31 December 2022 are in accordance with the *Corporations Act 2001*, including:
 - (i) section 304 (compliance with accounting standards and Corporations Regulations 2001); and
 - (ii) section 305 (true and fair view); and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Matthew Syme
Executive Director

Dated 21 March 2023

NGX Limited

Independent auditor's review report

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of NGX Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of NGX Limited is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b. complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Financial Report

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

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

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Conley Manifis
Director

Perth, 21st day of March 2023