



**first** graphite

A high-quality graphene producer

ACN 007 870 760  
ABN 50 007 870 760

## INTERIM FINANCIAL REPORT

For the Half Year Ended  
31 December 2016

## Corporate Directory

### Directors

Warwick Grigor (Chairman)  
Craig McGuckin (Managing Director)  
Peter R. Youd (Executive Director)  
Chris Banasik (Non-Executive Director)

### Company Secretary

Peter R. Youd

### Principal Registered Office in Australia

Suite 3  
9 Hampden Road  
Nedlands WA 6009

Telephone: +61 1300 660 448

Facsimile: +61 1300 855 044

Email: [info@firstgraphite.com.au](mailto:info@firstgraphite.com.au)

Website: [www.firstgraphite.com.au](http://www.firstgraphite.com.au)

### Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Limited under the trading codes FGR and FGROB

### Share Registry

Automic  
Level 2,  
267 St Georges Terrace,  
Perth WA 6000

All securityholder correspondence to:

PO Box 2226, Strawberry Hills, NSW 2012

Contact:

P: 1300 288 664 (within Australia)

P: +61 (0)8 9324 2099 (outside Australia)

E: [hello@automic.com.au](mailto:hello@automic.com.au)

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

### Auditor

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

### Solicitors – Australia

Steinepreis Paganin  
Lawyers and Consultants  
Level 4,  
The Read Buildings  
16 Milligan Street  
Perth WA 6000

### Solicitors – Sri Lanka

Varners  
Level 14, West Tower  
World Trade Centre  
Echelon Square  
Colombo 01  
Sri Lanka

### Bankers - Australia

Westpac Banking Corporation  
Level 6  
109 St Georges Terrace  
Perth WA 6000

### Bankers – Sri Lanka

MCB Bank Limited  
Pettah Branch  
No. 280 Main Street  
Colombo 11  
Sri Lanka

## Contents

Corporate Directory .....	2
Directors' Report .....	4
Auditors Independence Declaration.....	5
Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	6
Consolidated Statement of Financial Position .....	7
Consolidated Statement of Changes in Equity .....	8
Consolidated Statement of Cash Flows.....	9
Notes to the Consolidated Financial Statements.....	10
1. Basis of Preparation of half-year financial statements .....	10
Accounting policies.....	10
2. Exploration and evaluation expenditure .....	11
3. Issued Capital.....	11
4. Dividends .....	11
5. Subsequent events after Reporting Date.....	11
6. Capital Commitments .....	11
7. Contingent Liabilities and Contingent Assets .....	12
Directors Declaration.....	13
Independent Auditors Report .....	14
Additional Securities Information .....	16
Additional Securities Information .....	17

## Directors' Report

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Your Directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of First Graphite Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

### DIRECTORS

The following persons were Directors of First Graphite Limited during the half-year and up to the date of this report:

- Warwick Grigor
- Craig Robert McGuckin
- Peter Richard Youd
- Chris Banasik

### REVIEW AND RESULTS OF OPERATIONS

#### Operating Results

Net operating loss after tax for the half-year ended 31 December 2016 was \$2,180,312 (2015: \$2,520,265), of which \$64,427 (2015: \$418,598) were non-cash expenses.

#### Review of Operations and Changes in State of Affairs

The key areas of activity during the half were:

- Commencement of production of commercial graphene from the Company developed graphene production unit.
- Commenced marketing of graphene products.
- Continued development of mine projects at Pandeniya and Aluketiya

#### Events since the end of the period

On 23 January 2017 the Company announced it had raised \$3.52m through the issue of 32m shares at \$0.11 per share.

### AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of Directors and on behalf of the Directors by:



Craig McGuckin  
Managing Director

Nedlands, 3 March 2017

**DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF FIRST GRAPHITE LIMITED**

As lead auditor for the review of First Graphite Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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



**Phillip Murdoch**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 3 March 2017

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2016

	Note	Half-Year	
		2016	2015
		\$	\$
Revenue from continuing operations			
Other income		-	-
		-	-
Exploration and evaluation expenditure		(15,783)	(1,289,825)
Technical feasibility expenses		(1,481,367)	-
Legal expenses		(8,474)	(33,783)
Occupancy expenses		(66,825)	(115,702)
Employee benefit expenses		(38,347)	(9,826)
Depreciation and amortisation		(64,427)	(13,519)
Share based payment expense		-	(405,079)
Other expenses from ordinary activities		(505,241)	(653,439)
(Loss) from continuing operations before tax expense		(2,180,464)	(2,521,173)
Finance Income		2,277	908
Finance Expense		(2,125)	-
(Loss) from continuing operations before tax expense		(2,180,312)	(2,520,265)
Income tax benefit/(expense)		-	-
(Loss) after tax from continuing operations		(2,180,312)	(2,520,265)
Other comprehensive income			
Items which may be reclassified to the profit or loss			
Foreign currency translation difference on foreign operations		27,388	(119,980)
Total comprehensive loss for the period attributable to the owners of First Graphite Limited		(2,152,924)	(2,640,245)
Basic (loss) per share (cents per share)		(0.71)	(1.15)
Diluted (loss) per share (cents per share)		(0.71)	(1.15)

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 2016

	Note	31 December 2016 \$	30 June 2016 \$
<b>Current Assets</b>			
Cash and cash equivalents		518,721	3,101,282
Trade and other receivables		4,154	20,471
Inventory		57,582	-
Other current assets		37,597	71,962
<b>Total Current Assets</b>		<b>618,054</b>	<b>3,193,715</b>
<b>Non-Current Assets</b>			
Exploration and evaluation assets	2	1,861,086	1,848,446
Property, plant and equipment		532,372	421,890
<b>Total Non-Current Assets</b>		<b>2,393,458</b>	<b>2,270,337</b>
<b>Total Assets</b>		<b>3,011,512</b>	<b>5,464,052</b>
<b>Current Liabilities</b>			
Trade and other payables		319,080	667,730
Lease liabilities		23,515	23,073
<b>Total Current Liabilities</b>		<b>342,595</b>	<b>690,803</b>
<b>Non-Current Liabilities</b>			
Lease liabilities		64,766	73,904
<b>Total Non-Current Liabilities</b>		<b>64,766</b>	<b>73,904</b>
<b>Total Liabilities</b>		<b>407,361</b>	<b>764,706</b>
<b>Net Assets</b>		<b>2,604,151</b>	<b>4,699,345</b>
<b>Equity</b>			
Issued capital	3	67,385,986	67,328,257
Reserves		3,371,736	3,344,348
Accumulated losses		(68,153,571)	(65,973,260)
<b>Total Equity</b>		<b>2,604,151</b>	<b>4,699,345</b>

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

## Consolidated Statement of Changes in Equity

For Half-Year Ended 31 December 2016

	Issued capital	Share based payments reserve	Translation reserve	Accumulated losses	Total equity
As at 1 July 2016	67,328,257	3,279,949	64,399	(65,973,259)	4,699,346
Profit/(loss) for the period	-	-	-	(2,180,312)	(2,180,312)
Other comprehensive income	-	-	27,388	-	27,388
Total comprehensive income for the period	-	-	-	-	(2,152,924)
Transactions with owners in their capacity as owners					
Share placement during the period	57,729	-	-	-	57,728
Balance at 31 December 2016	67,385,986	3,279,949	91,787	(68,153,571)	2,604,151

	Issued capital	Share based payments reserve	Translation reserve	Accumulated losses	Total equity
As at 1 July 2015	60,743,995	2,848,053	315,005	(61,296,035)	2,611,018
Profit/(loss) for the period	-	-	-	(2,520,265)	(2,520,265)
Other comprehensive income	-	-	(119,980)	-	(119,980)
Total comprehensive income for the period	-	-	(119,980)	(2,520,265)	(2,640,245)
Transactions with owners in their capacity as owners					
Share placement during the period	4,578,791	-	-	-	4,578,791
Share issue costs	(264,990)	-	-	-	(264,990)
Issue of options	-	405,079	-	-	405,079
Balance at 31 December 2015	65,057,796	3,253,132	195,025	(63,816,300)	4,689,653

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 2016

	Half-Year	
	2016	2015
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(551,579)	(802,007)
Payments for exploration and technical evaluation	(1,916,845)	(1,211,883)
Interest received	2,277	5,285
Interest expense	(6,203)	-
Net cash outflows from operating activities	<u>(2,472,350)</u>	<u>(2,008,605)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(117,817)	(220,610)
Net cash (outflows)/inflows from investing activities	<u>(117,817)</u>	<u>(220,610)</u>
Cash flow from financing activities		
Proceeds from placement of shares	27,729	4,578,791
Payment for share issue costs	-	(264,990)
Finance lease payments	(10,555)	
Net cash inflows from financing activities	<u>17,174</u>	<u>4,313,801</u>
Net increase/(decrease) in cash and cash equivalents	(2,572,993)	2,084,586
Exchange rate adjustments	(9,569)	(4,376)
Cash and cash equivalents at beginning of the period	<u>3,101,282</u>	<u>1,055,093</u>
Cash at the end of the period	<u>518,720</u>	<u>3,135,303</u>

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

## Notes to the Consolidated Financial Statements

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### 1. Basis of Preparation of half-year financial statements

This consolidated interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This consolidated 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 Financial Statements of First Graphite Limited as at 30 June 2016 and any public announcements made by First Graphite Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

### Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period:

#### New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period, however, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

#### Impact of standards issued but not yet applied by the entity

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) which are relevant to its operations and effective for the current reporting period. The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the consolidated entity's accounting policies and has had no effect on the amounts reported for the current or prior periods.

## Notes to the Consolidated Financial Statements

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### 2. Exploration and evaluation expenditure

	31 December 2016 \$	30 June 2016 \$
Opening balance	1,848,446	1,910,640
Foreign currency translation adjustment	12,640	(62,194)
Total exploration and evaluations expenditure	<u>1,861,086</u>	<u>1,848,446</u>

### 3. Issued Capital

	31 December 2016 Number of Shares	31 December 2015 Number of Shares	31 December 2016 \$	31 December 2015 \$
Issued and Paid-Up Capital				
Opening Ordinary shares, fully paid	306,977,307	196,716,587	67,328,257	60,743,995
Movements in ordinary share capital				
Issues to investors July to December through exercise of options	277,282	83,250,714	57,729	4,578,791
Issue to supplier	220,000			
At end of the period	<u>307,474,589</u>	<u>279,967,301</u>	<u>67,385,986</u>	<u>65,057,796</u>

### 4. Dividends

No dividends have been paid or declared during the period.

### 5. Subsequent events after Reporting Date

On 23 January 2017 the Company announced it had raised \$3.52m through the issue of 32m shares at \$0.11 per share.

### 6. Capital Commitments

There have been no changes to capital commitments since 30 June 2016.

## 7. Contingent Liabilities and Contingent Assets

There has been no material change to contingent liabilities and contingent assets since 30 June 2016.

## Directors Declaration

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In the Directors' opinion:

- a) The financial statements and notes set out on pages 6 to 12 are in accordance with the Corporations Act 2001, including:
  - a. Complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - b. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date, and
- b) There are reasonable grounds to believe First Graphite Limited will be able to pay its debts as and when they become due and payable.

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



Craig McGuckin  
Managing Director

Nedlands, 3 March 2017

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of First Graphite Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of First Graphite Limited, which comprises the consolidated statement of financial position as at 31 December 2016, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### Directors' Responsibility for the Half-Year 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 is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 consolidated entity's financial position as at 31 December 2016 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*. As the auditor of First Graphite Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of First Graphite Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



## Conclusion

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 First Graphite Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

**BDO Audit (WA) Pty Ltd**

BDO

**Phillip Murdoch**

**Director**

Perth, 3 March 2017

## Additional Securities Information

Additional information not shown elsewhere in this report is as follows. This information is complete as at 2 March 2017.

### a) Substantial Shareholders

Shareholder name	Number of shares	% Of issued Shares
Agcentral Pty Ltd	17,614,000	5.18

### b) Distribution of Shareholdings – Fully Paid Ordinary Shares:

Size of Holding	Number of Shareholders	Number of Share
1 – 1,000	86	14,169
1,001 – 5,000	107	415,199
5,001 – 10,000	245	2,112,945
10,001 – 100,000	823	34,777,551
100,001 and over	432	302,522,906
	1,693	339,842,770

Equity Security	Quoted	Unquoted
Fully Paid ordinary shares	339,842,77086	-
Options	124,871,285	12,500,000

### c) Top 20 Security Holders – Fully Paid Ordinary Shares (FGR)

	Name of Holder	Number of Shares	%
1	Agcentral Pty Ltd	17,614,000	5.18
2	IPS Nominees Limited	16,781,465	4.94
3	J P Morgan Nominees Australia Limited	13,810,244	4.06
4	Gregorach Pty Ltd	12,005,946	3.53
5	UBS Nominees Pty Ltd	8,454,000	2.49
6	Spiceme Capital Pty Ltd	8,000,000	2.35
7	Citicorp Nominees Pty Limited	7,508,364	2.21
8	Mr Craig Robert McGuckin & Mrs Lee Ann McGuckin <McGuckin Family A/C>	6,908,513	2.03
9	Emerpus Asia Ltd	6,250,000	1.84
10	Hallidaf Management Ltd	6,094,794	1.79
11	Mr Jason Peterson & Mrs Lisa Peterson <J & L Peterson S/F A/C>	5,700,000	1.68
12	Debt Management Asia Corporation	5,133,134	1.51
13	Jitarning Nominees Pty Ltd <Watson Super Fund A/C>	5,100,000	1.50
14	Ginga Pty Ltd	4,697,811	1.38
15	HSBC Custody Nominees (Australia) Limited	4,590,951	1.35
16	Mr Ryan Jehan Rockwood	4,500,000	1.32
17	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	3,143,052	0.92
18	SDG Nominees Pty Ltd <T J Strapp Super Fund A/C>	2,900,000	0.85
19	Winkara Pty Ltd	2,766,800	0.81
20	BNP Paribas Noms Pty Ltd <DRP>	2,564,675	0.75
	Total	144,523,749	42.53
	Total Issued Capital	339,842,770	100.00

At 2 March 2017, there were 167 shareholders holding less than a marketable parcel of shares (\$0.10 cents on this date) in the Company totalling 299,368 ordinary shares amounting to 0.09% of the issue capital.



## Additional Securities Information

### d) Top 20 Security Holders – Listed Options (FGROB) expiring 21 May 2017

	Name of Holder	Number of Shares	%
1	Gregorach Pty Ltd	11,795,000	9.08
2	Mr Craig Robert McGuckin & Mrs Lee Ann McGuckin <McGuckin Family A/C>	10,136,364	7.81
3	Twynam Agricultural Group Pty Ltd	9,000,000	6.93
4	Hallidaf Management Ltd	5,550,000	4.27
5	IPS Nominees Limited	4,880,000	3.76
6	Far East Capital Limited	3,500,000	2.70
7	Kingston Vale Pty Ltd <Youd Family A/C>	3,136,361	2.42
8	Jitarning Nominees Pty Ltd <Watson Super Fund A/C>	2,750,000	2.12
9	National Nominees Limited	2,466,797	1.90
10	Mr Alan Wesley Patterson-Kane	2,105,000	1.62
11	Ginga Pty Ltd	1,946,667	1.50
12	Nutsville Pty Ltd <Indust Electric Co S/F A/C>	1,902,000	1.46
13	Mr Peter Chronis	1,800,000	1.39
14	Mr Jason Peterson & Mrs Lisa Peterson <J & L Peterson S/F A/C>	1,776,111	1.37
15	Anikava Pty Ltd	1,775,000	1.37
16	Mr Kieran John Harford <The Harford Super Fund A/C>	1,666,668	1.28
17	Egavas Consulting Services Pty Ltd <VJ & KMS Super Fund A/C>	1,666,666	1.28
18	Mr Ronald Harold Kreymborg & Mrs Jennifer Marguerite Kreymborg	1,666,666	1.28
19	Geo Ban Consulting Pty Ltd	1,636,364	1.26
20	SDG Nominees Pty Ltd <T J Strapp Super Fund A/C>	1,525,000	1.17
	Total	72,680,664	55.98
	Total Issued Options	129,834,919	100.00

### e) Licence Position as at 2 March 2017

All granted licences are in good standing and comply with the reporting requirements of the relevant licence.

Licence Number	FGR Interest - %	Status	General Location
IML/A/HO/9405	100	Granted	Central
IML/A/HO/8416/LR2	100	Granted	Western
EL/225	100	Granted	Central
EL/226	100	Granted	Central
EL/228	100	Granted	Central
EL/243	100	Granted	Central
EL/318	100	Granted	Central
EL/321	100	Granted	Central
EL/227	100	Granted	South Central
EL/322	100	Granted	South Central
EL/231	100	Granted	South West
EL/244	100	Granted	South West
EL/262	100	Granted	Central
EL/325	100	Granted	Central
EL/326	100	Granted	Central