ASX Announcement

Graphene Operations Update

29 March 2017

first graphite
A high-quality graphene producer

Continuing along the graphene commercialisation path

The directors of First Graphite (ASX: FGR) are pleased to provide shareholders with an update of progress being made with the commercialisation of its graphene division.

Highlights

- High quality graphene production capability confirmed
- Samples being distributed to potential customers for testing
- A wide range of industries have made approaches
- Modular production cell offers unique low capital cost hurdles with on-demand, just-in-time deliverability into an embryonic but potentially huge market

Graphene Capability and Quality

In September of 2016, FGR announced to the ASX that it had successfully commissioned its proto-type Graphene Cell with a nominal capacity to produce 5 tonnes p.a. of graphene, depending upon scheduling. The feedstock for the Cell is the Sri Lankan vein graphite, which is being sourced from third party mines and very soon from the mine shafts being developed by the Company. Internal and third party tests have confirmed that the graphene is of high purity demonstrating the following parameters;

- Carbon content > 99%
- Ash content < 1%
- Particle size averaging 40 µm
- Thickness averaging 1 -7 layers
- Surface area > 500m^2/g

Samples are Being Distributed to Potential Customers

Commencing late in 2016, FGR has been in discussion with a number of parties from a range of companies and institutions that have made enquiries as to the availability of samples of graphene for testing in their manufacturing enterprises. Some of these companies have already been using graphene sourced from either their own facilities or from third parties, while others have just started to consider whether they may benefit from using graphene in their process. So far FGR has received enquiries and some introductory sales from businesses involved in;

- Automotive manufacturing
- Aeronautics
- Paint manufacturers
- Polymer producers and masterbatch preparation companies

The processing of signing confidentiality agreements and the dispatching of samples, usually in the range of one to five kilograms, can take up to several months before feedback is obtained. It is only after this has occurred that the Company will be able to start to negotiate commercial supply contracts. So far the feedback has only been positive. Directors are optimistic that it will secure a number of off-take agreements during 2017, the first of which will no doubt be a significant milestone.

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Scalability of Production Capacity

It is a compelling feature of FGR's Graphene Cell that it is a very low capital cost modular unit. It does not require the prohibitive capital expenditure that a centralised processing plant would involve. It does not require off-take agreements to justify or to finance graphene production capacity. Rather, modules can be manufactured with a short lead-time in direct response to demand for graphene from customers. Where customers are needing bulk supplies of graphene it is likely that a Cell can be installed on their factory floor under the supervision of FGR personnel. This would provide the benefit of limiting transportation cost of a voluminous industry-ready graphene product whilst enabling just-in-time management of input materials into the manufacturing process.

FGR expects that individual Cells may need to be tailor-made to suit customer requirement and to meet purpose specific functionality, but this will be a matter that can resolved through working closely with each customer. Responsiveness to customer needs will be an important marketing feature.

Marketing Strategy

Approaches have been made to FGR from a number of avenues that include trade shows, direct enquiries and third party referrals. While these have been both useful and promising, the Company recognises the need to appoint serious and experienced marketing agents to accelerate the process of market penetration rather then rely on organic growth supervised by the FGR staff. Discussion along these lines have commenced and the Company is optimistic that it will soon have news on this front, in recognition of the need to establish a strong market presence as soon as possible.

FGR's Managing Director Craig McGuckin said

"With first saleable production from the graphite mines being developed expected within a matter of weeks, shareholders should be aware that the delays have had little or no impact upon the far more significant graphene commercialisation program. The value-adding that is created by the conversion of graphite to graphene is expected to be very significant."

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About First Graphite Ltd (ASX: FGR)

First Graphite produces high quality graphene from high grade Sri Lankan vein graphite.

First Graphite seeks to develop graphene production methods and acquire graphene related intellectual property which can provide further revenue related opportunities.

About Graphene

Graphene, the well-publicised and now famous two-dimensional carbon allotrope, is as versatile a material as any discovered on Earth. Its amazing properties as the lightest and strongest material, compared with its ability to conduct heat and electricity better than anything else, mean it can be integrated into a huge number of applications. Initially this will mean graphene is used to help improve the performance and efficiency of current materials and substances, but in the future it will also be developed in conjunction with other two-dimensional (2D) crystals to create some even more amazing compounds to suit an even wider range of applications.

One area of research which is being very highly studied is energy storage. Currently, scientists are working on enhancing the capabilities of lithium ion batteries (by incorporating graphene as an anode) to offer much higher storage capacities with much better longevity and charge rate. Also, graphene is being studied and developed to be used in the manufacture of supercapacitors which are able to be charged very quickly, yet also be able to store a large amount of electricity.

Nature of vein graphite

Sri Lankan graphite deposition model is best described from the 'bottom up': tension fractures formed in the metamorphic sediments, caused by the folding of the sediments, creating 'conduits' for the hydrothermal deposition of high quality vein graphite. Historically, mining of these veins has found the veins generally increase in thickness and grade quality with increasing depth.

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