



FIRST GRAPHITE LIMITED
ACN 007 870 760
ABN 50 007 870 760

ENTITLEMENT ISSUE PROSPECTUS

For a non-renounceable entitlement issue of one (1) New Option for every eight (8) Shares held by those Shareholders registered on the Record Date at an issue price of \$0.01 per New Option to raise up to \$467,202 (based on the number of Shares on issue as at the date of this Prospectus) (**Entitlement Issue**).

The Entitlement Issue is fully underwritten by Far East Capital Limited (ACN 068 838 193, AFSL 253003) (**Underwriter**). Refer to Section 8.4 for details regarding the terms of the Underwriting Agreement.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the New Options being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The New Options offered by this Prospectus should be considered as speculative.

CONTENTS

1.	CORPORATE DIRECTORY.....	1
2.	TIMETABLE.....	2
3.	IMPORTANT NOTES.....	3
4.	DETAILS OF THE OFFER.....	7
5.	PURPOSE AND EFFECT OF THE OFFER.....	11
6.	RIGHTS AND LIABILITIES ATTACHING TO NEW OPTIONS AND UNDERLYING SHARES	14
7.	RISK FACTORS	19
8.	ADDITIONAL INFORMATION	25
9.	DIRECTORS' AUTHORISATION	34
10.	GLOSSARY.....	35

1. CORPORATE DIRECTORY

Directors

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

Company Secretary

Peter Richard Youd

Share Registry*

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

All securityholder correspondence to:

PO Box 2226, Strawberry Hills, NSW 2012

Telephone: 1300 288 664 (within Australia)
Telephone: +61 (0)2 9698 5414 (outside Australia)
Email: hello@automic.com.au
Website: www.automic.com.au

Auditor

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

Telephone: +61 8 6382 4600
Facsimile: +61 8 6382 4601

Registered Office

Suite 3
9 Hampden Road
Nedlands WA 6009

Telephone: +61 1300 660 448
Facsimile: +61 1300 855 044

Email: info@firstgraphite.com.au
Website: www.firstgraphite.com.au

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

Underwriter

Far East Capital Limited
Suite 24, Level 6
259 Clarence Street
Sydney NSW 2000
AFSL 253003

* These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus.

2. TIMETABLE

Lodgement of Prospectus with the ASIC	10 November 2017
Lodgement of Prospectus & Appendix 3B with ASX	10 November 2017
Notice sent to Optionholders	13 November 2017
Notice sent to Shareholders	14 November 2017
Ex date	15 November 2017
Record Date for determining Entitlements	16 November 2017
Prospectus despatched to Shareholders & Company announces despatch has been completed	21 November 2017
Closing Date of Entitlement Issue*	30 November 2017
New Options under Entitlement Issue quoted on a deferred settlement basis	1 December 2017
ASX notified of under subscriptions of Entitlement Issue	5 December 2017
Issue Date/Despatch of holding statements for New Options issued under the Entitlement Issue	7 December 2017
Quotation of New Options issued under the Entitlement Issue*	8 December 2017

*The Directors may extend the Closing Date of the Entitlement Issue by giving at least 3 Business Days' notice to ASX prior to the Closing Date. As such, the date the New Options are expected to commence trading on ASX may vary.

3. IMPORTANT NOTES

This Prospectus is dated 10 November 2017 and was lodged with the ASIC on that date. The ASIC, the ASX and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No New Options may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The New Options the subject of this Prospectus should be considered highly speculative.

Applications for New Options offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form, Shortfall Application Form

This Prospectus is a transaction specific prospectus for an offer of continuously quoted New Options (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

3.1 Risk factors

Potential investors should be aware that subscribing for New Options in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 7 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the New Options in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for New Options pursuant to this Prospectus.

A summary of some of the key risks include:

Risk	Description	Reference in Prospectus
Sovereign and political risks	The Company's projects are located in Sri Lanka. Accordingly, the Company will be subject to the risks associated with operating in those countries, including various levels of political, economic and other risks and uncertainties.	7.1(a)
Exploration risks	Exploration is inherently associated with risk. Notwithstanding the experience, knowledge and careful evaluation a	7.1(b)

Risk	Description	Reference in Prospectus
	company brings to an exploration project, there is no assurance that recoverable mineral resources will be identified. Even if identified, there is no guarantee that it can be economically exploited.	
Operating risks	The current and future operations of the Company, including exploration, appraisal and production activities may be affected by a range of factors. These include, geological conditions, unanticipated operational and technical difficulties, mechanical failures, industrial action, unavailability of equipment, unexpected shortages or increase in costs of consumable and equipment, ability to obtain a wide range of permits and restriction of access to infrastructure by authorities.	7.1(e)
Licence access risk	Under Sri Lankan legislation, the Company may be required to enter into an agreement with relevant landowners for purpose of securing consent prior to commencing any exploration activities. Any delay in obtaining these consents may impact on the Company's ability to carry out exploration activities within the affected areas.	7.1(c)
Additional requirements for capital	The Company's capital requirements depend on numerous factors. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations, scale back its exploration programmes and may result in loss of tenure, as the case may be.	7.3(d)

3.2 Underwriting

The Company has entered into an Underwriting Agreement with Far East Capital Limited (**Underwriter**) under which the Underwriter has agreed to fully underwrite the Entitlement Issue. A summary of the material terms of the Underwriting Agreement is set out in Section 8.4 of this Prospectus.

The Underwriter is a related party of the Company for the purpose of the Corporations Act by virtue of being controlled by Warwick Grigor, the Non-Executive Chairman of the Company.

Notwithstanding the relationship between the Company and the Underwriter, the Board (other than Warwick Grigor due to his material personal interest) resolved that shareholder approval pursuant to the Corporations Act was not required in

relation to the entry into the Underwriting Agreement as the underwriting terms were negotiated on an arms length basis and the Company is satisfied that the terms of the Underwriting Agreement are the best the Company was able to negotiate.

Further, the Directors consider, having regard to all available options, that entering into the Underwriting Agreement with the Underwriter provides the Company with the highest degree of certainty in the time available that the Offer will be successful.

Mr Warwick Grigor's (including associate entities) current relevant interest in the Company is 4.58%, being 17,105,946 Shares. Mr Grigor has indicated that his present intention is for his associated entities to subscribe for their relevant Entitlements, being 2,138,243 New Options.

As the only securities to be issued under the Offer are Options, there will be no change to Mr Grigor's relevant interest as a result of the underwriting commitments. Notwithstanding this, assuming, no eligible Shareholder other than Mr Grigor takes up its Entitlement and all New Options are exercised the maximum Mr Grigor's relevant interest would increase to would be approximately 15%. However, it is unlikely that no other eligible Shareholders will take up their Entitlements under the Offer, accordingly the Underwriter's obligation and therefore potential maximum voting power of Mr Grigor will be reduced by a corresponding amount for the amount of Entitlements taken up by the other Shareholders. In accordance with the terms of the Underwriting Agreement, the Underwriter has also appointed sub-underwriters to sub-underwrite the Entitlement Issue.

3.3 Dilution

No dilution will occur as a result of the issue of the New Options covered by this document. Subsequent exercise of any, or all the New Options, will result in dilution.

3.4 Details of substantial holders

Based on publicly available information as at the date of this Prospectus, there are no persons which (together with their associates) have a relevant interest in 5% or more of the Shares.

3.5 Directors' Interests in New Options

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options	Entitlement (New Options)	\$
Warwick Grigor	17,105,946 ¹	Nil ⁵	2,138,243	21,382
Craig McGuckin	7,631,240 ²	Nil ⁵	953,905	9,539
Peter Youd	6,511,521 ³	Nil ⁵	813,940	8,139
Chris Banasik	872,727 ⁴	Nil ⁵	109,091	1,091

Notes:

1. Comprising 100,000 Shares held indirectly through Far East Capital Limited, the Underwriter to the Offer (an entity controlled by Mr Grigor who is a Director), 14,905,946 Shares held indirectly through Gregorach Pty Ltd, 1,100,000 Shares held indirectly through Gregorach Pty Ltd <Grigor Superfund A/C> and 1,000,000 Shares held indirectly through Sgian Dubh Pty Ltd. Mr Grigor's holding of New Options may increase as a result of the underwriting.
2. Comprising 6,908,513 Shares held indirectly through Craig Robert and Lee Ann McGuckin <ATF McGuckin Family Trust> and 722,727 Shares held indirectly through Craig Robert and Lee Ann McGuckin <ATF Superannuation Account>.
3. Comprising 6,094,794 Shares held indirectly through Hallidaf Management Limited and 416,727 held indirectly through Kingston Vale Pty Ltd <Youd Family A/C>.
4. All 872,727 Shares held directly by Mr Banasik.
5. Additional Options on the same terms as the New Options are intended to be issued to Directors subject to Shareholder approval at the Company's upcoming Annual General Meeting to be held on 24 November 2017. Refer to the Notice of Annual General Meeting released on the Company's ASX platform (ASX:FGR) on 25 October 2017. Mr Grigor, Mr McGuckin and Mr Youd to receive 5,000,000 New Options each and Mr Banasik to receive 2,000,000 New Options.

The Board recommends all Shareholders take up their Entitlement and advises that all Directors intend to take up their respective Entitlements.

4. DETAILS OF THE OFFER

4.1 Offer

The Entitlement Issue is being made as a non-renounceable entitlement issue of one (1) New Option for every eight (8) Shares held by Shareholders registered at the Record Date at an issue price of \$0.01 per Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as at the date of this Prospectus, (and assuming no existing Options are exercised prior to the Record Date) a maximum of 46,720,155 New Options will be issued pursuant to this Entitlement Issue to raise up to \$467,202.

As at the date of this Prospectus the Company has 10,000,000 Options on issue, all of which may be exercised prior to the Record Date in order to participate in the Entitlement Issue. Please refer to Section 5.4 of this Prospectus for information on the exercise price and expiry date of the Options on issue.

All of the New Options offered under this Prospectus will be issued on the terms and conditions set out in Section 6.1 of this Prospectus.

All of the Shares issued upon the future exercise of the New Options offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 6.2 for further information regarding the rights and liabilities attaching to the Underlying Shares.

The purpose of the Offer and the intended use of funds raised are set out in section 5.1 of this Prospectus.

4.2 Minimum subscription

The minimum subscription in respect of the Entitlement Issue is the full subscription under the Offer, being \$467,202 as the Entitlement Issue is fully underwritten by the Underwriter.

4.3 Acceptance of the Entitlement Issue

Your acceptance of the Entitlement Issue must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Entitlement Issue as follows:

- (a) if you wish to accept your **full** Entitlement:
 - (i) complete the Entitlement and Acceptance Form; and
 - (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the amount indicated on the Entitlement and Acceptance Form; or
- (b) if you only wish to accept **part** of your Entitlement:
 - (i) fill in the number of New Options you wish to accept in the space provided on the Entitlement and Acceptance Form; and

- (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate application monies (at \$0.01 per New Option); or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

4.4 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "First Graphite Limited" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5:00 pm WST on the Closing Date.

4.5 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of New Options which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 4:00 pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of New Options (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

The Entitlement Issue is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

4.6 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price for each New Option to be issued under the Shortfall Offer shall be \$0.01 being the price at which Options have been offered under the Offer.

It is intended for the Underwriter to allocate the Shortfall to its sub-underwriters and/or clients and people who have otherwise agreed to assist with the completion of the Entitlement Issue.

The Directors otherwise reserve the right to issue Shortfall Options at their absolute discretion. Accordingly, do not apply for Shortfall Options unless instructed to do

so by the Directors. If instructed to do so, applicants may apply for the Shortfall Offer by completing a Shortfall Application Form.

4.7 ASX listing

Application for Official Quotation of the New Options offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the New Options offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any New Options and will repay all application monies for the New Options within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the New Options is not to be taken in any way as an indication of the merits of the Company or the New Options now offered for subscription.

4.8 Issue of New Options

New Options issued pursuant to the Entitlement Issue will be issued in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Pending the issue of the New Options or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for the New Options issued under the Entitlement Issue will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

4.9 Overseas shareholders

This Entitlement Issue does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the New Options laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of New Options these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Entitlement Issue is not being extended and New Options will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

New Zealand

The New Options are not being made to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the transitional provisions of the Financial Markets Conduct Act 2013 (New Zealand) and the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

This Prospectus has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority.

This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Entitlement Issue does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

4.10 Enquiries

Any questions concerning the Offer should be directed to Peter Youd, Company Secretary, on + 61 1300 660 448 or +61 (0)400 556 471.

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The purpose of the Entitlement Issue is to raise up to \$467,202.

The funds raised from the Offer are planned to be used in accordance with the table set out below:

Item	Proceeds of the Entitlement Issue ¹	Full Subscription (\$)	%
1.	Commercial graphene production facility costs and marketing activities	350,000	75.0
2.	Expenses of the Entitlement Issue ¹	78,687	16.8
3.	Working capital	38,515	8.2
	Total	467,202	100.0

Notes:

1. Refer to Section 8.8 of this Prospectus for further details relating to the estimated expenses of the Entitlement Issue.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

On completion of the Entitlement Issue, the Board believes the Company will have sufficient working capital to achieve these objectives. Any funds raised on exercise of the New Options will be applied towards working capital.

5.2 Effect of the Entitlement Issue

The principal effect of the Entitlement Issue, assuming all New Options offered under the Entitlement Issue are issued and no Options are exercised prior to the Record Date, will be to:

- (a) increase the cash reserves by \$388,515 (after deducting the estimated expenses of the Entitlement Issue) immediately after completion of the Entitlement Issue; and
- (b) increase the number of New Options on issue by 46,720,155.

5.3 Pro-forma balance sheet

The audited balance sheet as at 30 June 2017 and the unaudited pro-forma balance sheet as at 30 June 2017 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared assuming all Entitlements not subscribed for are placed under the Shortfall Offer and no Options are exercised prior to the Record Date and including expenses of the Entitlement Issue.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and

liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	AUDITED 30 June 2017 (\$)	PROFORMA 30 June 2017 (\$)
CURRENT ASSETS		
Cash ¹	4,175,134	4,563,619
Trade and other receivables	43,764	43,764
Inventory	328,295	328,295
Other current assets	48,768	48,768
TOTAL CURRENT ASSETS	4,595,961	4,984,476
NON-CURRENT ASSETS		
Exploration and evaluation assets	1,818,355	1,818,355
Property, plant and equipment	462,374	462,374
Advance to third party	285,000	285,000
TOTAL NON-CURRENT ASSETS	2,565,729	2,565,729
TOTAL ASSETS	7,161,690	7,550,205
CURRENT LIABILITIES		
Trade and other payables	977,299	977,299
Lease liabilities	48,202	48,202
TOTAL CURRENT LIABILITIES	1,025,501	1,025,501
NON-CURRENT LIABILITIES		
Lease liabilities	48,831	48,831
TOTAL NON-CURRENT LIABILITIES	48,831	48,831
TOTAL LIABILITIES	1,074,332	1,074,332
NET ASSETS	6,087,358	6,475,873
EQUITY		
Issued capital	73,091,669	73,091,669
Reserves	3,228,908	3,617,423
Accumulated loss	(70,233,219)	(70,233,219)

TOTAL EQUITY	6,087,358	6,475,873
---------------------	------------------	------------------

Notes

1. Cash will increase by the funds raised under the Entitlement Issue, less expenses of the Entitlement Issue.

5.4 Effect on capital structure

The effect of the Entitlement Issue on the capital structure of the Company, assuming all Entitlements not subscribed for are placed under the Shortfall Offer and no Options are exercised prior to the Record Date, is set out below.

Shares

	Number
Shares currently on issue	373,761,237 ¹

Notes

1. 1,266,665 of the Shares currently on issue are subject to voluntary escrow to be released in equal portions on 3 November 2017, 3 February 2018 and 3 May 2018.

Options

	Number
Options on issue at the date of this Prospectus on terms as follows:	10,000,000
Unquoted Options exercisable at \$0.10 on or before 5:00 pm (AEST) on 11 January 2019	250,000
Unquoted Options exercisable at \$0.15 on or before 5:00 pm (AEST) on 11 January 2019	250,000
Unquoted New Options on terms as follows: (a) \$0.15 each, if exercised on or before 8 August 2019; (b) \$0.20 each, if exercised after 8 August 2019 but on or before 8 August 2020; and (c) \$0.25 each, if exercised after 8 August 2020 but on or before 8 August 2021.	9,500,000
New Options <i>(For full terms and conditions of the New Options refer to Section 6.1 of this Prospectus)</i>	46,720,155
Total Options on issue after completion of the Entitlement Issue	56,720,155¹

Notes

1. Additional 17,000,000 Options on the same terms as the New Options are intended to be issued to Directors subject to Shareholder approval at the Company's upcoming Annual General Meeting to be held on 24 November 2017. Refer to the Notice of Annual General Meeting released on the Company's ASX platform (ASX:FGR) on 25 October 2017.

The capital structure on a fully diluted basis as at the date of this Prospectus would be 383,761,237 Shares and on completion of the Offer (assuming all Entitlements are accepted and no Options are exercised prior to the Record Date) would be 430,481,392 Shares.

6. RIGHTS AND LIABILITIES ATTACHING TO NEW OPTIONS AND UNDERLYING SHARES

6.1 New Options

The material terms of the New Options are set out below:

(a) **Entitlement**

Each New Option entitles the holder to subscribe for one Share upon exercise of the New Option.

(b) **Exercise Price**

The exercise price per New Option (**Exercise Price**) will be:

- (i) \$0.15 each, if exercised on or before 8 August 2019;
- (ii) \$0.20 each, if exercised after 8 August 2019 but on or before 8 August 2020; and
- (iii) \$0.25 each, if exercised after 8 August 2020 but on or before 8 August 2021.

(c) **Expiry Date**

Each New Option will expire at 5:00 pm (WST) on the date which is 4 years from 8 August 2017 (**Expiry Date**). A New Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The New Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The New Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each New Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the later of the following:

- the Exercise Date; and
- when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of New Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the New Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the New Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the New Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the New Options without exercising the New Options.

(k) **Change in exercise price**

A New Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the New Option can be exercised.

(l) **Transferability**

The New Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

(m) **ASX Compliance**

The terms of the New Options may be amended in order to comply with the ASX Listing Rules.

6.2 Shares

The following is a summary of the more significant rights and liabilities attaching to Shares, being the underlying securities of the New Options offered pursuant to this Prospectus (**Underlying Shares**). This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) **Future increase in capital**

The allotment and issue of any **new** Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) **Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

7. RISK FACTORS

The New Options and Underlying Shares are considered highly speculative. An investment in our Company is not risk free and the Directors strongly recommend potential investors consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for New Options. Shareholders should also consult their professional advisers before deciding whether to apply for New Options pursuant to this Prospectus.

There are specific risks which relate directly to our business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the New Options and Underlying Shares

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.1 Company specific

(a) Sovereign and political risks associated with operating in Sri Lanka

The Company's projects are located in Sri Lanka and the Company will be subject to the risks associated with operating in that country, including various levels of political, economic and other risks and uncertainties.

The Company may be subject to economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

Outcomes in courts in Sri Lanka may be less predictable than in Australia, which could affect the enforceability of contracts entered into by the Company or its subsidiaries in Sri Lanka.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Company.

(b) Exploration Risk

There can be no assurance that future exploration of the Company's projects will result in the discovery of economic graphite deposits. Even if an apparently viable deposit is identified, there is no guarantee it can be economically exploited.

Further, there is a risk that the proposed exploration of the Company's Sri Lankan licences (**Licences**) may be adversely affected by the operational factors referred to below.

Accordingly, no assurance can be given that the Company will achieve commercial viability through the successful exploration of the projects.

Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

(c) **Licence access risk**

The right of the holder of an exploration license to enter onto the license to explore for minerals is subject to the consent of:

- (i) the occupier of the land; and
- (ii) where the land is proximate to certain restricted locations, the ministry responsible for the protection of such locations.

Under Sri Lankan legislation, the Company may be required to enter into an agreement with the relevant landowner or occupier for the purpose of securing this consent prior to commencing any exploration activities on the affected areas within the Licences.

Whilst the requirement to seek and obtain these consents and enter such agreements is customary in Sri Lanka, any delay in obtaining these consents, entry into requisite agreements or issues with landowners performing their obligations under the relevant agreements may impact on the Company's ability to carry out exploration activities within the affected areas.

(d) **Exploration license title risk**

There are a number of conditions that the Company must satisfy with respect to the Licences, including annual reporting requirements to keep the Licences in good standing. There is a risk that the Company (through its Sri Lankan subsidiary) may not be able to satisfy these requirements, in which case the Company may forfeit title to the Licences.

Licences are also subject to periodic renewal and may only be renewed a limited number of times for a limited period of time. While the Company anticipates that such renewals will be given as and when sought, there can be no assurance that these renewals will be given as a matter of course and that new conditions will not be imposed in connection therewith.

Furthermore, the Company will require an industrial mining licence in order to conduct mining operations in Sri Lanka. There can be no assurance, however, that such licences will be obtained on terms favourable to the Company or at all for the Company's future intended mining and/or exploration targets in Sri Lanka.

(e) **Operating risks**

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of factors.

Factors that may affect the operations of the Company, include:

- (i) geological conditions;
- (ii) unanticipated operational and technical difficulties encountered in geophysical surveys, drilling and production activities;
- (iii) mechanical failure of operating plant and equipment, industrial and environmental accidents, acts of terrorism or political or civil unrest and other force majeure events;
- (iv) industrial action, disputation or disruptions;
- (v) unavailability of aircraft or drilling equipment to undertake airborne electromagnetic and other geological and geophysical investigations;
- (vi) unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment;
- (vii) prevention or restriction of access by reason of political unrest, outbreak of hostilities, and inability to obtain consents or approvals;
- (viii) current exploration operations and future development of the Licences are subject to the Company's ability to obtain a wide range of permits, licences, and approvals and there is no guarantee that such permits, licences and approvals will be granted or will be granted in a timely matter;
- (ix) advancement of the exploration operations to mine development can be a lengthy process taking a number of years where the Company's projects may be subject to new laws, regulations, and taxes which may have a material impact on the Company; and
- (x) restriction of access to infrastructure by Sri Lankan authorities.

(f) **Potential for dilution**

Upon implementation of the Entitlement Issue, assuming all Entitlements are fully subscribed or taken up by the Underwriter, and no Options are exercised prior to the Record Date, the number of Options in the Company will increase from 10,000,000 currently on issue to 56,720,155.

This means that if the New Options are exercised and Underlying Shares are issued on exercise of those New Options, each Share will represent a significantly lower proportion of the ownership of the Company.

It is not possible to predict what the value of the Company or a Share or New Option will be following the completion of the Entitlement Issue being implemented and the Directors do not make any representation as to such matters.

The last trading price of Shares on ASX prior to the prospectus being lodged of \$0.11 is not a reliable indicator as to the potential trading price of New Options after implementation of the Entitlement Issue.

7.2 Industry specific

(a) Environmental risks

The operations and proposed activities of the Company's projects in Sri Lanka are subject to Sri Lankan laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

(b) Infrastructure

Several of the Licences are located in areas that have access to limited infrastructure including roads, electricity, running water and health and emergency services.

The limited infrastructure may impact negatively on the economic viability of any deposits discovered by the Company in those regions and may require the Company to negotiate access to existing infrastructure and/or invest on the upgrade of existing infrastructure or development of new infrastructure.

(c) Graphite price volatility

If successful, substantial portions of the Company's revenues and cash flow are expected to be derived from the sale of graphite. Therefore, the financial performance of the Company would be exposed to fluctuations in the graphite price. Historically, the graphite price has fluctuated widely and has experienced periods of significant decline.

Graphite prices are affected by numerous factors and events that are beyond the control of the Company. These factors and events include general economic activity, world demand, forward selling activity as well as general global economic conditions and political trends.

If graphite prices should fall below or remain below the Company's costs of production for any sustained period due to these or other factors and events, the Company's exploration and proposed production could be delayed or even abandoned. A delay in exploration or production or the abandonment of one or more of the Company's projects may require the Company to write-down its graphite assets and may have a material adverse effect on the Company's production, earnings and financial position.

7.3 General risks

(a) Foreign exchange risk

The Company will be exposed to the volatility and fluctuations of the exchange rate between the United States dollar, the Sri Lanka rupee and the Australian dollar. Global currencies are affected by a number of factors that are beyond the control of the Company. These factors include economic conditions in the relevant country and elsewhere and the outlook for interest rates, inflation and other economic factors. These factors may have a positive or negative effect on the Company's

exploration, project development and production plans and activities together with the ability to fund those plans and activities.

(b) **Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(c) **Market conditions**

Share market conditions may affect the value of the Company's quoted New Options and Underlying Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of New Options and Underlying Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(d) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Entitlement Issue, if required. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(e) **Insurance risks**

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by

insurance could have a material adverse effect of the business, financial condition and results of the Company.

Insurance against all risks associated with mining exploration and production is not always available and where available the costs can be prohibitive.

(f) **Competition risk**

The industry in which the Company will be involved is subject to domestic and global competition. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, whose activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

(g) **Government and policy changes**

Government action or policy change, both in Australia and Sri Lanka, particularly in relation to lands and infrastructure, compliance with environmental regulations, taxation and royalties, may adversely affect the Company's operations and financial performance.

(h) **Potential acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or projects. Any such future transactions would be accompanied by the risks commonly encountered in making such acquisitions.

(i) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

7.4 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Options offered under this Prospectus and the Underlying Shares.

Therefore, the New Options and Underlying Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

8. ADDITIONAL INFORMATION

8.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

8.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;

- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
31/10/2017	Quarterly Activities Report
31/10/2017	Quarterly Cashflow Report
31/10/2017	Change of Director's Interest Notice
31/10/2017	Appendix 3B
25/10/2017	Loyalty Option Issue
25/10/2017	Notice of Annual General Meeting/Proxy Form
23/10/2017	Graphene Technology Update
20/10/2017	Dr Andy Goodwin's Interview with Finance News Network
12/10/2017	First Graphite to Change Name
09/10/2017	Appendix 3B
09/10/2017	Change of Director's Interest Notice
09/10/2017	Change of Director's Interest Notice

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.firstgraphite.com.au.

8.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest	\$0.100	24 October 2017
Lowest	\$0.069	5 September 2017

8.4 Material contracts

The following is a summary of the significant terms of the material agreement which relate to the business of the Company and the Offer.

Underwriting Agreement

By an agreement between the Underwriter and the Company (**Underwriting Agreement**), the Underwriter agreed to manage the offer and fully underwrite the Entitlement Issue for 46,720,155 New Options (**Underwritten New Options**).

Pursuant to the Underwriting Agreement, the Company has agreed to pay the Underwriter an underwriting fee of 6% of the amount raised through the New Options to be issued under the Entitlement Issue being \$28,032.

As indicated above in Section 3.2, the Underwriter is a related party of the Company by virtue of being controlled by the Company's Non-Executive Chairman.

The Directors other than Mr Grigor (who has a material personal interest by virtue of his directorship with Far East Capital), resolved that the terms of the Underwriting Agreement and the fees payable to Far East Capital were negotiated on an arm's length basis. Accordingly, Shareholder approval was not required to enter into the Underwriting Agreement.

The Underwriter may at any time in accordance with the terms of the Underwriting Agreement appoint sub-underwriters.

The obligation of the Underwriter to underwrite the Entitlement Issue is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement if:

- (a) **Share Price:** the share price of the Company trading on the ASX under the ASX code of "FGR" finishes trading for two consecutive trading days with a closing share price that is less than \$0.09;
- (b) **Indices fall:** the S&P ASX 200 Index, the Metals and Mining Index (ASX:XMM) or the Energy Index (ASX:XEJ) is at any time after the date of this Agreement 10% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement for a period of two consecutive trading days;
- (c) **Prospectus:** the Company does not lodge the Prospectus on the day of lodgement or the Prospectus or the Entitlement Issue is withdrawn by the Company;
- (d) **Supplementary Prospectus:** the Underwriter reasonably forms the view that a supplementary or replacement document (as appropriate) must be lodged with ASIC under section 719 of the Corporations Act and the Company does not lodge a supplementary or replacement document (as the case may be) in the form and content and within the time reasonably required by the Underwriter or the Company lodged a supplementary prospectus without the written agreement of the Underwriter;

- (e) **Non-compliance with disclosure requirements:** it transpires that the Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (ii) the rights and liabilities attaching to the New Options;
- (f) **Misleading Information:** any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect the Offer or the affairs of any subsidiary of the Company is or becomes misleading or deceptive or likely to mislead or deceive;
- (g) **Restriction on allotment:** the Company is prevented from allotting the New Options within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;
- (h) **Withdrawal of consent to Prospectus:** any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;
- (i) **ASIC application:** an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the Shortfall Notice Deadline Date has arrived, and that application has not been dismissed or withdrawn;
- (j) **ASIC hearing:** ASIC gives notice of its intention to hold a hearing under section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or ASIC makes an interim or final stop order in relation to the Prospectus under section 739 of the Corporations Act;
- (k) **Takeovers Panel:** the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel;
- (l) **Hostilities:** there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this agreement involving one or more of Australia, New Zealand, Indonesia, Japan, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China, Israel, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- (m) **Authorisation:** any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter;
- (n) **Event of Insolvency:** an Event of Insolvency, as defined in the Underwriting Agreement, occurs in respect of the Company or any of its subsidiaries;

- (o) **Indictable offence:** a director of the Company or any of its subsidiaries is charged with an indictable offence; or
- (p) **Termination Events:** a Termination Event, as defined in the Underwriting Agreement, occurs.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

8.5 Interests of Directors

Refer to Section 3.5 for Directors' interests in securities of the Company.

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is subject to approval of Shareholders at a general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$300,000 per annum.

A Director may be paid fees or other amounts (ie non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive directors.

Director	2015/2016 (Actual)	2016/2017 (Actual)	2017/2018 (Proposed as at date of Prospectus)
Warwick Robert Grigor	158,087 ²	36,000	54,000
Craig Robert McGuckin ¹	750,667	424,270	430,000
Peter Youd ¹	488,075	382,818	385,000
Chris Banasik	98,317	45,000	45,000

Notes:

1. Mr Craig McGuckin and Mr Peter Youd do not receive director's fees however are compensated in accordance with their respective consultant agreements.
2. Mr Warwick Grigor was appointed as a Non-Executive Director on 7 December 2015 and is also a director of Far East Capital. Mr Grigor will also receive, through Far East Capital, an entity controlled by him, underwriting fees pursuant to the terms of the Underwriting Agreement.

8.6 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offer.

Far East Capital Pty Ltd will act as the underwriter to the Offer and will be paid an underwriting fee of approximately \$28,032 in respect of the Offer. For further detail refer to Section 8.4 of the Prospectus.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$15,000 (excluding GST and disbursements) for these services.

8.7 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as proposed directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Far East Capital Pty Ltd has given its written consent to being named as underwriter to the Entitlement Issue in this Prospectus, in the form and context in which it is named. Far East Capital Group Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

BDO Audit (WA) Pty Ltd has given its written consent to being named as the auditors of the Company in this Prospectus and the inclusion of the 30 June 2017 audited balance sheet of the Company in Section 5.3. BDO Audit (WA) Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

8.8 Expenses of the Entitlement Issue

In the event that all Entitlements are accepted, the total cash expenses of the Entitlement Issue are estimated to be approximately \$78,687 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	2,400
ASX fees ¹	20,000
Underwriting fees	28,032
Legal fees	15,000
Printing and distribution	11,000
Miscellaneous	2,255

Total

78,687

Notes:

1. ASX fees only include the ASX listing fees for the New Options pursuant to the Entitlement Issue.

8.9 Electronic prospectus

The Corporations Act allows for distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on +61 1300 660 448 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.firstgraphite.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8.10 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

8.11 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing option certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of New Options issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

8.12 Privacy Act

If you complete an application for New Options, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application,

service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for New Options, the Company may not be able to accept or process your application.

9. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Craig Robert McGuckin
Managing Director
For and on behalf of
First Graphite Limited

10. **GLOSSARY**

\$ means the lawful currency of the Commonwealth of Australia.

Applicant means a Shareholder who applies for New Options pursuant to the Offer or a Shareholder or other party who applies for Shortfall pursuant to the Shortfall Offer.

Application Form means an Entitlement and Acceptance Form or Shortfall Application Form

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the New Options clearing house which operates CHES.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the closing date for the Entitlement Issue specified in the timetable set out at the commencement of this Prospectus (unless extended).

Company means First Graphite Limited (ACN 007 870 760)

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

Far East Capital or **Far East Capital Limited** means Far East Capital Limited (ACN 068 838 193) (AFSL 253003).

Directors means the directors of the Company as at the date of this Prospectus.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Entitlement Issue.

Entitlement Issue means the non-renounceable entitlement issue the subject of this Prospectus.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

New Options means the Options offered under this Prospectus, the terms of which are set out at Section 6.1.

Offer means the Entitlement Issue.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Prospectus means this prospectus.

Record Date means the record date for the Entitlement Issue specified in the timetable set out at the commencement of this Prospectus.

Section means a section of this Prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Shortfall means the New Options not applied for under the Offer (if any).

Shortfall Application Form means the shortfall application form either attached to or accompanying this Prospectus.

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in Section 4.6 of this Prospectus.

Shortfall Options means those New Options issued pursuant to the Shortfall.

Underlying Shares has the meaning given to it in Section 6.2.

Underwriter means Far East Capital.

Underwriting Agreement means the underwriting agreement between the Company and Far East Capital to fully underwrite the Entitlement Issue as is summarised at Section 8.4 of the Prospectus.

WST means Western Standard Time as observed in Perth, Western Australia.