



first graphene

Australia's leading graphene company

(Formerly First Graphite Limited)

ACN 007 870 760

ABN 50 007 870 760

INTERIM FINANCIAL REPORT

For the Half Year Ended

31 December 2017

Corporate Directory

Directors

Warwick Grigor (Chairman)
Craig McGuckin (Managing Director)
Peter R. Youd (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@firstgraphene.com.au

Website:

www.firstgraphene.com.au

Stock Exchange Listing

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

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

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
2. Other revenue.....	11
3. Administrative expenses	11
4. Inventories.....	11
5. Property, plant and equipment.....	12
6. Deposit and advances	13
7. Issued Capital.....	14
8. Dividends	14
9. Listed Options.....	14
10. Share Based Payments	15
11. Segment reporting	16
12. Related parties.....	18
13. Subsequent events after Reporting Date.....	18
14. Capital Commitments	18
15. Contingent Liabilities and Contingent Assets	18
Directors Declaration.....	19
Independent Auditors Report	20
Additional Securities Information	22
Additional Securities Information	23

Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of First Graphene Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

DIRECTORS

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

- Warwick Grigor
- Craig Robert McGuckin
- Peter Richard Youd
- Chris Banasik (resigned 14 February 2018)

REVIEW AND RESULTS OF OPERATIONS

Operating Results

Net operating loss after tax for the half-year ended 31 December 2017 was \$2,948,419 (2016: \$2,180,312), of which \$733,381 (2016: \$64,427) were non-cash expenses.

Review of Operations and Changes in State of Affairs

The key areas of activity during the half-year were:

- Construction and opening of the Company's Commercial Graphene Facility at Henderson.
- Appointment of Materials Specialist, Dr Andy Goodwin.
- Continued focus on development of graphene based intellectual property through association with three Australian universities.

Events since the end of the period

There are no known subsequent events of a material nature.

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, 9 March 2018

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF FIRST GRAPHENE LIMITED

As lead auditor for the review of First Graphene Limited for the half-year ended 31 December 2017, 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 Graphene Limited and the entities it controlled during the period.



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 9 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2017

	Note	Half-Year	
		2017 \$	2016 \$
Revenue from continuing operations			
Sales Revenue		6,680	-
		6,680	-
Other income	2	451,507	-
Insurance		(21,606)	(10,349)
Legal expenses		(37,533)	(8,474)
Employee benefit expenses		(26,114)	(38,347)
Occupancy expenses		(35,275)	(66,825)
Communication costs		(65,807)	(43,312)
Project assessment expense		(2,143)	(15,783)
Development costs		(1,109,472)	(1,248,031)
Depreciation and amortisation		(94,702)	(64,427)
Share based payment expense		(638,679)	-
Administrative expenses	3	(1,358,841)	(684,916)
Loss from continuing operations before tax expense and finance		(2,931,985)	(2,180,464)
Finance Income		4,495	2,277
Finance Expense		(20,929)	(2,125)
Loss from continuing operations before tax expense		(2,948,419)	(2,180,312)
Income tax benefit/(expense)		-	-
Loss after tax from continuing operations		(2,948,419)	(2,180,312)
Other comprehensive income			
<i>Items which may be reclassified to the profit or loss</i>			
Foreign currency translation difference on foreign operations		6,565	27,388
Total comprehensive loss for the period attributable to the owners of First Graphene Limited		(2,941,854)	(2,152,924)
Basic loss per share (cents per share)		(0.80)	(0.71)
Diluted loss per share (cents per share)		(0.80)	(0.71)

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 2017

	Note	31 December 2017 \$	30 June 2017 \$
Current Assets			
Cash and cash equivalents		1,876,748	4,175,134
Inventories	3	448,517	328,295
Trade and other receivables		78,382	43,764
Other current assets		95,912	48,768
Total Current Assets		2,499,559	4,595,961
Non-Current Assets			
Exploration and evaluation assets		1,834,470	1,818,355
Property, plant and equipment	5	916,231	462,374
Deposit and advances	6	708,823	285,000
Total Non-Current Assets		3,459,524	2,565,729
Total Assets		5,959,083	7,161,690
Current Liabilities			
Trade and other payables		597,954	977,299
Lease liabilities		33,789	48,202
Total Current Liabilities		631,743	1,025,501
Non-Current Liabilities			
Lease liabilities		21,791	48,831
Total Non-Current Liabilities		21,791	48,831
Total Liabilities		653,534	1,074,332
Net Assets		5,305,549	6,087,358
Equity			
Issued capital	7	73,920,833	73,091,669
Reserves		4,566,354	3,228,908
Accumulated losses		(73,181,638)	(70,233,219)
Total Equity		5,305,549	6,087,358

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 2017

	Issued capital	Share based payments reserve	Options reserve	Translation reserve	Accumulated losses	Total equity
As at 1 July 2017	73,091,669	3,279,949	-	(51,041)	(70,233,219)	6,087,358
Profit/(loss) for the period	-	-	-	-	(2,948,419)	(2,948,419)
Other comprehensive income	-	-	-	6,565	-	6,565
Total comprehensive income for the period	-	-	-	6,565	(2,948,419)	(2,941,854)
<i>Transactions with owners in their capacity as owners</i>						
Shares issued to satisfy contract	170,000	-	-	-	-	170,000
Shares issued from the exercise of options	690,000	-	-	-	-	690,000
Share issue costs	(30,836)	-	-	-	-	(30,836)
Options sold during the period	-	-	467,202	-	-	467,202
Options issued as share based payments	-	863,679	-	-	-	863,679
Balance at 31 December 2017	73,920,833	4,143,628	467,202	(44,476)	(73,181,638)	5,305,549

	Issued capital	Share based payments reserve	Options 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	-	-	-	27,388	(2,180,312)	(2,152,924)
<i>Transactions with owners in their capacity as owners</i>						
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

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 2017

	Half-Year	
	2017	2016
	\$	\$
Cash flows from operating activities		
Revenue from sales	6,680	-
Payments to suppliers and employees	(1,065,588)	(551,579)
Payments for exploration and technical evaluation	(2,087,002)	(1,916,845)
Interest received	4,495	2,277
Interest expense	(16,221)	(6,203)
Other income – R&D credit received	436,108	-
Net cash outflows from operating activities	(2,721,528)	(2,472,350)
Cash flows from investing activities		
Payments for property, plant and equipment	(383,902)	(117,817)
Proceeds from the sale of property, plant and equipment	58,650	-
Advance to third party	(313,823)	-
Net cash outflows from investing activities	(639,075)	(117,817)
Cash flow from financing activities		
Proceeds from the placement of shares	-	27,729
Proceeds from exercise of options	690,000	-
Proceeds from the sale of options	435,558	-
Payment for share issue costs	(2,803)	-
Finance lease payments	(39,607)	(10,555)
Net cash inflows from financing activities	1,083,148	17,174
Net decrease in cash and cash equivalents	(2,277,455)	(2,572,993)
Exchange rate adjustments	(20,930)	(9,569)
Cash and cash equivalents at beginning of the period	4,175,133	3,101,282
Cash at the end of the period	1,876,748	518,720

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

Notes to the Consolidated Financial Statements

1. Basis of Preparation of half-year financial statements

This consolidated interim financial report for the half-year reporting period ended 31 December 2017 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 Graphene Limited as at 30 June 2017 and any public announcements made by First Graphene Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

These interim financial statements were authorised for issue in accordance with a resolution of directors on 9 March 2018.

Going Concern

For the period ended 31 December 2017 the entity recorded a loss of \$2,948,419 and had net cash outflows from operating activities of \$2,721,528.

The ability of the entity to continue as a going concern is dependent on securing additional funding through the sale of equity securities to either existing or new shareholders to continue to fund its operational and marketing activities.

These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Subsequent to year end the entity expects to receive additional funds via the sale of equity securities to either existing or new shareholders

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reason:

- In the event of further funds not being raised the entity's activities would be wound back to a sustainable level.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

Notes to the Consolidated Financial Statements

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.

2. Other income

	31 December 2017 \$	31 December 2016 \$
Research & Development Grant	451,507	-

3. Administrative expenses

Contractors and consulting fees	1,008,527	417,295
ASX listing and share registry fees	87,731	30,392
Financial administration and other consultancy expenses	81,875	41,033
Other expenses	180,708	196,196
Total administrative expenses	<u>1,358,841</u>	<u>684,916</u>

4. Inventories

	31 December 2017 \$	30 June 2017 \$
Opening balance	328,925	-
Inventory purchased	119,592	328,925
Total inventories	<u>448,517</u>	<u>328,925</u>

Notes to the Consolidated Financial Statements

5. Property, plant and equipment

	31 December 2017 \$	30 June 2017 \$
Exploration equipment:		
Carrying amount at beginning of year	167,365	241,791
Depreciation	(34,170)	(71,434)
Movement due to foreign exchange	(1,161)	(2,992)
Carrying amount at year end	132,034	167,365
Leasehold improvement		
Carrying amount at beginning of year	91,853	-
- Additions	-	110,413
- Transfer to Exploration equipment	-	(15,309)
Depreciation	(22,458)	-
- Movement due to foreign exchange	(2,017)	(3,251)
Carrying amount at year end	67,378	91,853
Plant & equipment:		
Carrying amount at beginning of year	87,189	15,680
Additions	-	104,859
Depreciation	(19,266)	(30,506)
Movement due to foreign exchange	(1,421)	(2,844)
Carrying amount at year end	66,502	87,189
Office equipment:		
Carrying amount at beginning of year	16,793	24,081
Additions	-	4,220
Depreciation	(5,082)	(10,265)
Movement due to foreign exchange	(431)	(1,243)
Carrying amount at year end	11,280	16,793
Motor vehicles:		
Carrying amount at beginning of year	193	808
Depreciation	(188)	(578)
Movement due to foreign exchange	(5)	(37)
Carrying amount at year end	-	193
Leased Motor Vehicles		
Carrying amount at beginning of year	98,981	139,530
Cost of motor vehicle sold	(66,609)	-
Accumulated amortisation of vehicle sold	23,359	-
Amortisation	(13,367)	(34,180)
Movement due to foreign exchange	(2,535)	(6,369)
Carrying amount at year end	39,829	98,981
Commercial Graphene Facility:		
Carrying amount at beginning of year	-	-
Additions	599,377	-
Depreciation	(169)	-
Carrying amount at year end	599,208	-
Total carrying amount at year end	916,231	462,374

Notes to the Consolidated Financial Statements

6. Deposit and advances

	31 December 2017 \$	30 June 2017 \$
Deposit and advances	708,823	-
Opening balance	285,000	285,000
Cash payments	28,823	
Issue of 2,000,000 shares @ \$0.085	170,000	-
Issue of 7,500,000 options	225,000	-
Closing balance	708,823	285,000

The Company entered into a binding Heads of Agreement (“HoA”) on 20 January 2017 to earn a controlling interest in Kremford Pty Ltd, a company working with Swinburne University of Technology, to advance radically new energy storage devices. On 16 May 2017 the Company announced that it had entered into the Best Battery Development Agreement after restructuring some terms of the initial HoA which allow FGR to increase its potential level of equity to be earned. On 8 August 2017, the Company issued the following equity instruments as consideration for partial completion of Stage 1 of the Agreement:

- 2,000 000 shares at \$0.082 per share;
- 7,500,000 options expiring 8 August 2021, and exercisable at:
 - o \$0.15 each, if exercised on or before 8 August 2019
 - o \$0.20 each, if exercised after 8 August 2019 but on or before 8 August 2020;
and
 - o \$0.25 each, if exercised after 8 August 2020 but on or before 8 August 2021.

Notes to the Consolidated Financial Statements

7. Issued Capital

	31 December 2017 Number of Shares	31 December 2016 Number of Shares	31 December 2017 \$	31 December 2016 \$
Issued and Paid-Up Capital				
Opening Ordinary shares, fully paid	364,261,237	306,977,307	73,091,669	67,328,257
Movements in ordinary share capital				
Placement to Kremford (Vic) Pty Ltd August 2017 (Refer Note 6)	2,000,000	-	170,000	-
Issues to investors July to December through exercise of options	7,500,000	277,282	690,000	57,729
Issue to supplier	-	220,000	-	-
Share issue costs	-		(30,836)	
At end of the period	<u>373,761,237</u>	<u>307,474,589</u>	<u>73,920,833</u>	<u>67,385,986</u>

8. Dividends

No dividends have been paid or declared during the period.

9. Listed Options

(a) Share options

	31 December 2017 Number	30 June 2017 Number
<i>Listed share options</i>		
At the beginning of the period	-	174,528,914
Options issued - Kremford	7,500,000	-
Options issued – Bolam	2,000,000	-
Options issued – Directors Note 12)	17,000,000	
Options issued – Entitlement Issue	46,720,155	
Options lapsed 17 October 2016	-	(49,398,551)
Options exercised during the year	-	(23,213,930)
Options lapsed 21 May 2017	-	(101,916,433)
At the end of the period	<u>73,220,155</u>	<u>-</u>

Notes to the Consolidated Financial Statements

10. Share Based Payments

The Company provides directors, certain employees and advisors with share options. The options are exercisable at set prices and the vesting and exercisable terms varied to suit each grant of options.

	31 December 2017		31 December 2016	
	Number of Options	Weighted average exercise price (cents)	Number of Options	Weighted average exercise price (cents)
<i>Outstanding 1 July</i>	11,000,000	9.4	48,198,551	14.6
Issued	19,000,000	15.0	-	-
Forfeited	-	-	-	-
Exercised	(7,500,000)	9.2	-	-
Lapsed	(3,000,000)	9.2	-	-
<i>Outstanding 31 December</i>	19,500,000	15.0	48,198,551	14.6

The Group recognised total expenses of \$682,380 (2016: \$Nil) related to director, senior employee and consultant share based payment transactions in the period.

Share-based payments and options issued to directors and consultants

The table below summarises options granted to directors, employees and consultants:

Grant Date	Expiry Date	Exercise price	Balance at start of the period	Granted during the period	Exercised during the period	Expired/lapsed during the period	Balance at end of the period	Vested & exercisable during the period
			Number	Number	Number	Number	Number	Number
31 October 2017	8 August 2021	(1)	-	2,000,000	-	-	2,000,000	2,000,000
24 Nov 2017	8 Aug 2021	(1)	-	17,000,000	-	-	17,000,000	17,000,000
11 Jan 2016	11 Jan 2019	\$0.15	250,000	-	-	-	250,000	250,000
11 Jan 2016	11 Jan 2019	\$0.10	250,000	-	-	-	250,000	250,000
31 Oct 2014	31 Oct 2017	\$0.092	10,500,000	-	(7,500,000)	(3,000,000)	-	10,500,000

(1) 19,000,000 options issued to Directors and consultants exercisable as follows: Please refer to Note 12 for valuation of these options.

- o \$0.15 each, if exercised on or before 8 August 2019
- o \$0.20 each, if exercised after 8 August 2019 but on or before 8 August 2020; and
- o \$0.25 each, if exercised after 8 August 2020 but on or before 8 August 2021.

Notes to the Consolidated Financial Statements

11. Segment reporting

Identification of reportable segments

The Group has identified its operating segments based on the internal reports which are reviewed and used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The existing operating segments are identified by management based on the way the Group's operations were carried out during the financial year. Discrete financial information about each of these operating businesses is reported to the Board monthly.

The reportable segments are based on aggregated operating segments determined by the similarity of the asset base and revenue or income streams, as these are the sources of the Group's major risks and have the most effect on the rates of return. The Group's segment information for the current reporting period is reported based on the following segments:

Mining and exploration activities

The Board has determined the Company has one reportable segment, being mineral exploration and development in Sri Lanka. As the Company is focused on mineral exploration, the Board monitors the Company based on actual versus budgeted exploration expenditure incurred by area of interest.

Corporate services

This segment reflects the overheads associated with maintaining the ASX listed FGR corporate structure, identification of new assets and general management of an ASX listed entity.

Business Segment	Mining and Exploration		Corporate Services		Total	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Revenue from external customers	-	-	6,680	-	6,680	-
Interest revenue	695	922	3,800	1,355	4,495	2,277
Operating loss	(1,787,190)	(1,649,466)	(1,161,229)	(530,846)	(2,948,419)	(2,180,312)
Depreciation expense	79,992	36,177	1,343	28,250	81,334	64,427
Amortisation expense	13,367	12,200	-	-	13,367	12,200
	31		31		31	
	December	30 June	December	30 June	December	30 June
	2017	2017	2017	2017	2017	2017
	\$	\$	\$	\$	\$	\$
Segment assets	2,639,781	2,755,458	3,319,302	4,406,232	5,959,083	7,161,690
Segment liabilities	51,186	124,596	602,348	949,736	653,534	1,074,332

Notes to the Consolidated Financial Statements

Geographical areas

In presenting the information based on geographical areas, segment revenue is based on the geographical location of operations. Segment assets are based on the geographical location of the assets.

	6 months to 31 December 2017	31 December 2017	6 months to 31 December 2016	31 December 2016
Geographical segments	Revenue \$	Total Assets \$	Revenue \$	Total Assets \$
Australia	461,987	3,319,3039	1,355	4,406,232
Sri Lanka	695	2,639,780	922	2,755,458
Total	462,682	5,959,083	2,277	7,161,690

Reconciliation of segment assets and liabilities to the Statement of financial Position

Reconciliation of segment assets to the Statement of Financial Position

	31 December 2017 \$	30 June 2017 \$
Total segments assets	5,551,175	12,815,248
Inter-segment elimination	407,908	(5,653,558)
Total assets per statement of financial position	5,959,083	7,161,690

Reconciliation of segment liabilities to the Statement of Financial Position

	31 December 2017 \$	30 June 2017 \$
Total segments liabilities	6,817,995	6,973,352
Inter-segment elimination	(6,164,461)	(5,899,020)
Total liabilities per statement of financial position	653,534	1,074,332

Notes to the Consolidated Financial Statements

12. Related parties

Director Options were approved at the Annual General Meeting on 24 November 2017.

Using the Black and Scholes option pricing model and based on the assumptions set out below, the Director Options were ascribed the following value:

Assumptions:

Valuation date	24 November 2017
Market price of shares	\$0.084
Exercise price	Varying
Expiry date (length of time from issue)	8 August 2021 – 3.71 years
Risk free interest rate	2.13%
Volatility	79.7%

Indicative Value of Director Option **\$0.03**

Total Value of Director Options	544,000
- Mr Craig McGuckin	150,000
- Mr Peter Youd	150,000
- Mr Warwick Grigor	150,000
- Mr Chris Banasik	60,000

13. Subsequent events after Reporting Date

There are no known subsequent events of a material nature.

14. Capital Commitments

Under the terms of the "BEST Battery Development Agreement" the investment commitments are as follows:

Stage one – Commitment to spend the first \$700,000

FGR earns the first 30% equity in Kremford by committing \$700,000. If not satisfied with the results achieved, FGR can exit the project without any further liability.

Stage two – Commitment to spend the an additional \$1,300,000

FGR can increase its equity to 70% ownership of Kremford by funding an additional \$1,300,000, with this to be made available within the two years of signing the Research and License Agreements.

There have been no other changes to capital commitments since 30 June 2017.

15. Contingent Liabilities and Contingent Assets

There has been no material change to contingent liabilities and contingent assets since 30 June 2017.

Directors Declaration

In the Directors' opinion:

- a) The financial statements and notes set out on pages 6 to 18 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 2017 and of its performance for the half-year ended on that date, and
- b) There are reasonable grounds to believe First Graphene 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, 9 March 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of First Graphene Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of First Graphene Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, 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 then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

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 Group's financial position as at 31 December 2017 and its financial 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 the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch', written over a horizontal line.

Phillip Murdoch

Director

Perth, 9 March 2018

Additional Securities Information

Additional information not shown elsewhere in this report is as follows. This information is complete as at 7 March 2018.

a) Distribution of Shareholdings – Fully Paid Ordinary Shares:

Size of Holding	Number of Shareholders	Number of Share
1 – 1,000	97	15,278
1,001 – 5,000	304	1,185,452
5,001 – 10,000	433	3,577,855
10,001 – 100,000	1,261	50,900,547
100,001 and over	445	318,113,355
	2,540	373,792,487

Equity Security	Quoted	Unquoted
Fully Paid ordinary shares	373,409,154	383,333
Options	73,188,9058	-

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

	Name of Holder	Number of Shares	%
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	40,881,380	10.94
2	IPS NOMINEES LIMITED	16,781,465	4.49
3	GREGORACH PTY LTD	14,905,946	3.99
4	MR CRAIG ROBERT MCGUCKIN & MRS LEE ANN MCGUCKIN <MCGUCKIN FAMILY A/C>	6,908,513	1.85
5	DEBT MANAGEMENT ASIA CORPORATION	6,801,154	1.82
6	CITICORP NOMINEES PTY LIMITED	6,655,345	1.78
7	EMERPUS ASIA LTD	6,250,000	1.67
8	HALLIDAF MANAGEMENT LTD	6,094,794	1.63
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,604,436	1.50
10	GINGA PTY LTD	5,427,811	1.45
11	WILLIAM TAYLOR NOMINEES PTY LTD	4,730,000	1.27
12	SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	4,700,000	1.26
13	MR RYAN JEHAN ROCKWOOD	4,500,000	1.20
14	BISSAPP SOFTWARE PTY LTD <SUPER FUND ACCOUNT>	3,540,700	0.95
15	MS FADILLAH BURHAN HASIBUAN	3,388,230	0.91
16	MRS VICTORIA MARIE HARDING	3,200,000	0.86
17	PAVARAI PTY LTD <THE SAYERS SUPER FUND A/C>	3,150,000	0.84
18	MRS GAYLE TERESA CRABBE	3,134,094	0.84
19	KHAKI INVESTMENTS PTY LTD	3,125,000	0.84
20	SDG NOMINEES PTY LTD <T J STRAPP SUPER FUND A/C>	3,000,000	0.80
	Total	152,778,868	41.68
	Total Issued Capital	383,792,487	100.00

At 7 March 2018, there were 135 shareholders holding less than a marketable parcel of shares (\$0.18 cents on this date) in the Company totalling 98,467 ordinary shares amounting to 0.03% of the issue capital.

Additional Securities Information

c) Licence Position as at 7 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