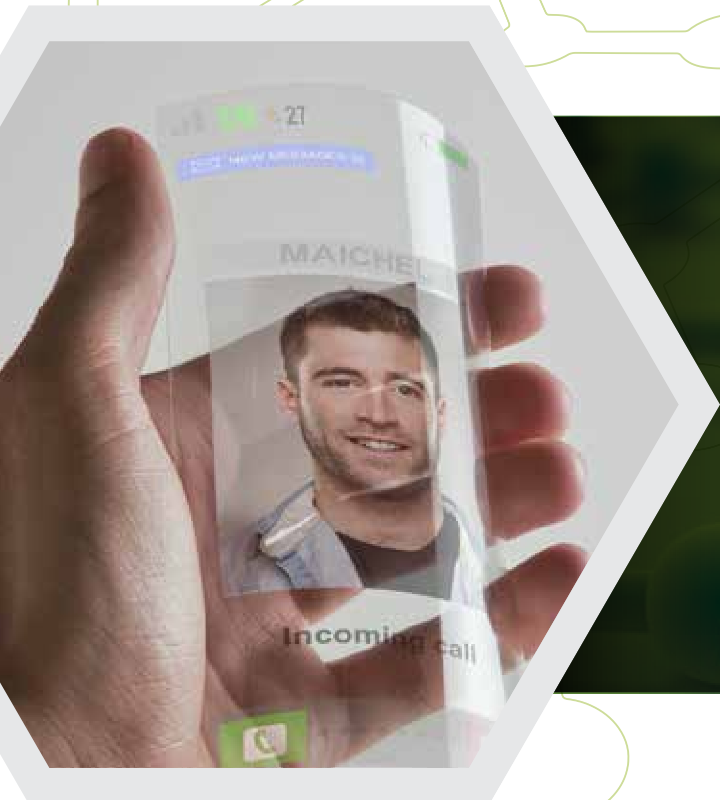

first graphite

Australia's leading graphene company

2017 ANNUAL REPORT

Corporate Directory

Directors

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

Company Secretary

Peter R. Youd

Principal Registered Office in Australia

Suite 3, 9 Hampden Road
Nedlands WA 6009

P: +61 1300 660 448
F: +61 1300 855 044
E: info@firstgraphite.com.au

Website: www.firstgraphite.com.au

Stock Exchange Listings

The Company is listed on the Australian Securities Exchange Limited under the trading code FGR.

The Company is listed on the Frankfurt Stock Exchange under the trading code FSE:M11.

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

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

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Chairman's Report

Dear Fellow Shareholders,

The 2017 financial year has been one of significant achievements for your Company.

Your Company has been positioning itself to benefit from the expected exponential growth curve offered by the latest nanomaterial to come to market – graphene. FGR has made extraordinary progress in the development and proving of the world's lowest cost method of producing graphene, progressing from initial testing of the process to the construction of a commercial scale production facility in the space of less than two and a half years. This facility is expected to be operational by the end of calendar 2017.

It is in this emerging new industry that First Graphite is seeking to position itself by becoming the lowest cost producer of the highest quality, bulk graphene currently available to the market. It will do this by using the highest-grade crystalline vein graphite in the world as the feedstock for its low cost exfoliated graphene production process.

As a downstream processer of mining products the Company is ambivalent as to where it gets its raw material from, provided it has security of supply. This is why First Graphite is sourcing the raw material from its own mines as well as buying from third parties, but this is only the beginning of the value chain.

Every supplier of raw materials to industry faces the risk of having its product commoditised. This is why producers seek to be in the lowest cost quartile, to ensure they can survive downswings in the commodity cycle. There is another restricting factor in being a supplier of raw materials, being the physical parameters, which come with extractive industries such as mining. Key motivators to the strategy being employed by First Graphite are the desire to escape the commoditisation trap that confronts suppliers of raw materials, and the attraction offered by a business which is not bound by physical parameters. It wants to grow with the expanding market.

First Graphite does not underestimate the challenges as a pioneer in a new industry, but it has given itself the best chance of success through targeting the most profitable entry points and focusing on the highest quality feedstock. It is perfectly poised at the start of what promises to be a growth curve that can continue upwards for many decades. Having done so, First Graphite is now Australia's leading graphene company.

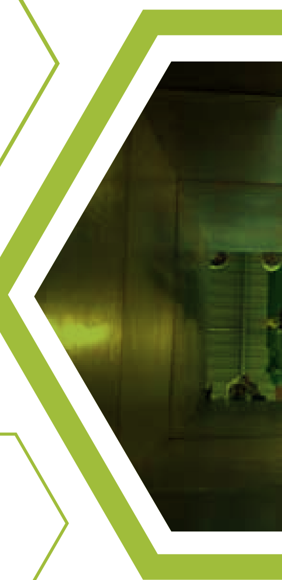
Therefore, as shareholders we ask you to come with us on this journey and look forward to a long term, mutually beneficial relationship.

In closing I would like to thank our shareholders for their support. The board would also like to express its thanks to our Managing Director, Mr Craig McGuckin, for his tireless efforts to advance the Company's graphene and graphite projects and his inspirational leadership in building the Commercial Graphene Facility. Let's not forget Peter Youd's sterling performance as a director and CFO. I am pleased to be working with these professionals

The board looks forward to an exciting and rewarding 2017/18 financial year.

Warwick Grigor

Non-Executive Chairman
29 September 2017



graphene IP development

The enormous potential of First Graphite and it's involvement in graphene applications

University

ADELAIDE UNIVERSITY AUSTRALIA

Current Graphene Applications	Exclusive Involvement of First Graphite
Node 1: FIRE RETARDANT	WORLDWIDE LICENCE
Node 2: CONDUCTIVE POLYMERS	A GROWTH MARKET
Node 3: BUILDING MATERIALS	CEMENT; FIBRE CEMENT; PLASTER BOARD; WATER SOLVENT

University

Flinders UNIVERSITY

Current Graphene Applications	Exclusive Involvement of First Graphite
VORTEX FLUIDIC DEVICE	PRODUCE GRAPHENE OXIDE USING A WATER SOLVENT
EXCLUSIVE LICENCE & PARTNERSHIP ARRANGEMENTS	POTENTIAL GRAPHENE POWDER DELIVERY SYSTEM; POTENTIAL TO MAKE QUALITY GRAPHENE FROM ANY GRAPHITE

University

SWINBURNE UNIVERSITY OF TECHNOLOGY

Current Graphene Applications	Exclusive Involvement of First Graphite
SUPER CAPACITY BATTERIES	IMPROVED PERFORMANCE OVER LITHIUM IRON BATTERIES
	WORLDWIDE LICENCE

for more information visit: **firstgraphite.com.au**

Review of Operations

First Graphite is an advanced materials company seeking to position itself in the lowest cost quartile of global graphene suppliers. It has developed an environmentally sound and safe method of converting its supplies of ultra-high grade graphite into the lowest cost highest quality graphene, in bulk quantities. In so doing it is addressing the three greatest impediments to the commercialisation of graphene, being reliable quality at realistic prices in sufficient volumes to facilitate the development of applications in modern materials, energy storage devices, coatings and polymers. It aims to use these competitive advantages to access new technologies and processes and in turn gain maximum leverage to the entire graphene supply chain, from sourcing the raw material to end use, with development of associated intellectual property for licencing and sales.

Although FGR was initially a company aiming to develop and operate vein graphite mines in Sri Lanka, extraordinary test results from conversion of the graphite to graphene have caused an evolution into the full spectrum of the graphene value chain, such that the graphite itself is the door opener to much greater profitability downstream.

While graphene is currently selling at very high prices today, a realistic assessment of the future market should acknowledge that as more producers enter the market the price will probably fall. As it falls it will become more economically viable for industry to use graphene and total demand will correspondingly increase. Graphene producers will experience shrinking profit margins but it will be a trade-off between margins and volumes, such that low cost producers who can expand output will probably experience improved profits. Higher cost graphene producers will become casualties of the changing dynamics in the market for graphene.

The small-scale underground mining operation in Sri Lanka will always be challenging owing to cultural, regulatory and workforce related issues. Recognising this reality, FGR has adopted a dual approach to source the graphite by also securing an exclusive off-take agreement from Kahatagaha Graphite Lanka Limited (KGLL), the Sri Lankan government owned graphite mine. FGR's own mines will continue to be ramped up for a number of years with the rate of expansion being dependent upon the need for raw materials for the graphene conversion process.

Rather than pursuing a long life small-scale mining operation, FGR is seeking to gain leverage and higher profit margins from value adding activities of downstream processing. It promises the greatest upside potential, conservatively estimated to be at least 10x more profitable than just supplying graphite to customers.

FGR is also pursuing another level of earnings from the graphene value chain. That is the development of applications for graphene and intellectual property. On a basic level, it makes sense for FGR to stimulate research and commercialisation of applications, as it will lead to increased demand for graphene products. Intimate involvement at this level will assist FGR in better understanding exactly what graphene products are required by industry, thereby enabling it to better meet the demands of customers. This is all about staying ahead of the competition through interaction with the market.

At the same time, the development and proving of IP will give access to royalties and income streams which will grow over time with increasing market penetration. The sale of licences to use processes may be another source of income. These sources of income will not be constrained by the physical parameters which limit mining operations.

The Graphene Value Chain

Activity	Description
Graphite Production and Supply	• Narrow, high grade vein mining • Third party supply • Sales of graphite to third parties • Calue-adding processing
Graphene Production	• Electrochemical exfoliation of vein graphite • Secondary processing with VFD & sonication • Preparation of graphite to suit customer needs • Production of graphene oxide • Sales of graphene products
Graphene Applications and IP	• Development of BEST battery • Commercialisation of fire retardants • Sales of IP to global manufacturers

Review of Operations CONTINUED

Graphene Developments

Fire Retardant – Firestop™

Fire is a devastating disaster for our society, costing lives, damaging the environment and causing significant financial loss. In the United States alone economic loss from fire is estimated at US$600bn p.a., or approximately 2.1% of GDP. In Australia, the numbers are estimated at $15 bn or 1.3% of GDP. The recent tragic Grenfell fire in the UK has amplified the concerns emanating from fires and ineffective fire retardants.

Fire retardants currently used throughout industry rely on toxic halogen organic-based fire retardants. These create environmental problems such as soil and water pollution. Many are mutagenic and carcinogenic and have been banned in some countries. Industry is actively looking for better alternatives as regulatory standards are being tightened.

One of the main causes of damage by fire on many materials is the intumescent effect, whereby these materials swell on exposure to heat, thereby causing expansion and a destruction of the structural integrity of the material. This material starts to break down, causing the release of flammable and toxic gases. As the process continues there is an increasing danger of structural collapse even with the use of existing retardants that may slow down the reactions. The test work with graphene has demonstrated an effective barrier to oxygen in the first instance, which is one of the three key elements needed for a fire. The restricting of a fire's access to oxygen reduces its intensity and limits the generation of heat, thereby minimising the intumescent effect.

Having proven graphene-based retardants work well, FGR and the University of Adelaide are continuing with research into the practical aspects of applying these coatings and optimising developed formulations. Importantly, as it comes down to ease of use, the graphene-based retardant can be effectively applied with a spray or a brush. Its flexibility makes it suitable in the protection of cellulosic materials (such as wood), plastics and polymers. It is effective and fit for purpose in significantly smaller concentrations than existing retardants. It is not difficult to manufacture and does not require expensive capital equipment.

As well as economic benefits offered to manufacturers and end users, this new generation of fire- retardants offers better fire-protection and strong environmental benefits to society. Fires will generate less toxic gases, thereby reducing air pollution. The carcinogenic and mutagenic effects of existing retardants will be circumvented.

There appears to be no obvious impediments to the commercialisation of these new types of fire- retardants once government standards and ratings are satisfied. Different applications and materials will be subject to varying compliance regimes depending upon whether the retardant is used for consumer products or those that have implications for building codes. Each state and each country will have its own set of rules.

A graphene-based fire-retardant could become the new generation of fire resistive coatings and fire retardants. The graphene technology would provide a four-fold benefit:

1. oxygen barrier effect and water vapour release that would mitigate flammability,
2. self-extinguishing ability so it would not be a flame propagator,
3. restraining structural collapse as the mechanical strength of graphene would assist in maintaining integrity, and
4. toxic and flammable volatiles suppression that would assist rescue efforts.

A video demonstrating the benefit of the graphene-based fire retardant can be viewed on the Company's YouTube channel at www.youtube.com/watch?v=v82SrC72R0s&feature=youtu.be. The butane flame, at approximately 3,0000 C, is applied to the wood, one which is untreated and other treated with the graphene fire retardant. The results are dramatic.

The BEST Battery™ – Going Beyond Lithium-Ion and Problems with Chemistry

The fundamental operating principle of the lithium-ion battery, a leading rechargeable energy storage device, involves movement of lithium-ions into the recesses of a graphite-based electrode (anode) when it is charging. When it is discharging, these ions move back through a liquid electrolyte to a more complicated electrode (cathode) made of compounds containing lithium and other metals. Lithium-ion technology is the established method, but it is acknowledged that lithium-ion batteries are potentially dangerous. Authorities in Australia are sufficiently concerned that they propose strict new standards for the housing of lithium-ion batteries in domestic locations where residents are seeking to install battery walls. They specify that these walls should be stored in concrete bunkers separate from the home. Maybe these regulations are too tough and there is room for them to be relaxed a little, but the point to remember is that lithium-ion, as a chemical based battery, presents ongoing safety issues. We need to move on to better technology.

The obvious better technology involves physical storage of energy as opposed to electricity from chemical reactions. This takes us to supercapacitors. These devices are much safer as there is no chemical reaction that can lead to fires and explosions. It is simply a matter of filling up the reservoir by plugging it into the power point, and this happens in a fraction of the time that it takes for existing rechargeable batteries; try 60 seconds for a mobile phone rather than an hour or two. A Tesla car would take only five minutes to recharge.

The key to new supercapacitors is the use of graphene oxide. Existing supercapacitors use activated carbon to house energy, but this material has poor interconnectivity of spacing and in reality, only achieves 10% of the potential storage capacity. The BEST Battery™ being developed by FGR and Swinburne University of Technology overcomes this problem by using graphene oxide (GO) and reduced GO to create nanopores, using laser technology that enable 10x greater storage capacity than existing supercapacitors. Thus, they can now compete with lithium-ion storage but with much faster charging rates. Also, they will last at least 10-20x longer as there is no chemical reaction to degrade cathode or electrodes. This promises to be a serious game changer.

We know the science works in the laboratory. The current work program involves the construction of a working prototype AA battery for demonstration purposes, hopefully by the end of 2017. The focus will be on designing manufacturing methods so as to ensure a reasonable unit cost, in scale.

As yet the market doesn't seem to understand the risk reward ratio for the BEST Battery™ or the outstanding leverage available to FGR. The Company is committed to spending up to $2m to earn a 70% interest in the global licence, but almost half of this could come back in the form of R&D rebates.

Parameters	Supercapacitor (BEST Battery)	AA Rechargeable Battery
Storage mechanism	Physical	Chemical
Charge time	1-10 seconds	1 – 4 hours
Cycle life	Minimum 10,000 cycles	300 – 1,000 cycles
Cell voltage	1.5 to 2.3 V	1.25 – 1.5 V
Energy density (Wh/L)	5 (current state) 50- 60 (target for this project)	100 to 200
Power density (W/L)	Up to 10,000	35 to 300
Cost per Wh	$20 (current state) $0.30 (target for this project)	$0.50 - $1.00 (large system)
Service life	10 to 15 years	1 to 2 years
Disposal	No special need, environmentally friendly	Land fill, harmful to environment

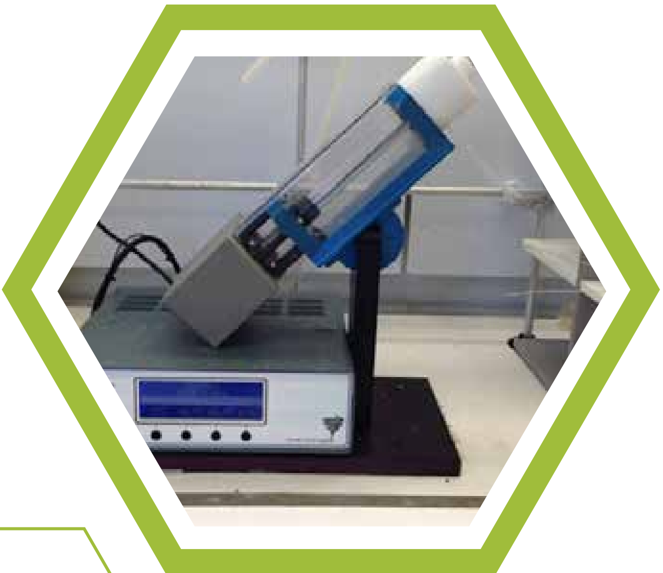
Comparison of the BEST Battery™ with Lithium-ion

The Vortex Fluidic Device (VFD)

FGR first announced a memorandum of understanding with Flinders University in September 2016, with a view to collaborating on the commercial development of the Vortex Fluidic Device and Turbo Thin Film processing technologies. Of particular appeal to FGR at the time was the potential for the VFD to be used in the secondary processing of exfoliated graphene to achieve a single layer thickness, amongst other applications. There is also the possibility that the VFD could be used to make graphene oxide (GO) directly from graphite in a much more simple and environmentally friendly way than methods being employed by existing manufacturers of GO.

The VFD was pioneered by Professor Colin Raston, winner of the Ig Nobel prize for refolding proteins. It has potential for a growing number of processing capabilities, from small molecule synthesis through to processing advanced materials. The technology works by precisely controlling a number of different parameters that affect fluid dynamics and the shear forces experienced by these fluids in continuous process.

In November 2016, FGR announced initial success in producing few layer graphene in water using the Turbo Thin Film technology, producing graphene nanostructures and scrolls (similar to carbon nanotubes). The process involves a single step, low cost and environmentally friendly process to achieve high purity products, with scalability, that is compatible with the Graphene Cell process.



Laboratory scale Vortex Fluidic Device

Sri Lankan Graphite Development Work

Aluketiya

In May 2017, it was announced that ore extraction had commenced from **Aluketiya Shaft H**. Access Drive H036196 continued to a length of 18 metres from the Shaft. H036196 cross cut and strike development drives have been extended to a total length of 12 metres, realising in excess of 10 tonnes of graphite during July. Future developments include the construction of drive H036041 to the mineralised area associated with ALK18 and 21 and the deepening of the shaft initially to the 42 RL to 56RL. The production focus will continue with winzing of strike drive H036196 to provide the first long-term development stoping block.

Work has also commenced on the H036041 development drive towards the East. When completed this will be the second, long-term development stope block and provide future access to the ALK18 mineralisation.

The Company advised that an amended mine plan will enable a longer term sustainable production and maximise the extraction of the ultra-high grade (99.27% TGC) vein intersections previously intersected in ALK18, being three zones of mineralisation comprising a total of 1.72 metres of graphite within a 2.8 metre interval of core. With the additional prospectivity shown from the DHTEM it would have been unwise and short sighted not to have amended the initial plans.

On-going work in relation to ore recoveries, while minimising waste removal, continue with the adaptation of the more traditional working methods to suit the geology of the Aluketiya mines. On the completion of the lower level development drives the majority of waste produced will remain underground, thereby enabling increased production advancement.

Shaft J successfully completed the access drive J026113 to target borehole ALK13, and delivered the first graphite ore from this intersection in July 2017. Mining efficiencies are being improved with the mining cycle (drill, blast, haul) targeted at being within two shifts. Further improvements are expected as the work force become more familiar with the development process.

Further work on J Shaft will realise the deepening of the shaft to RL38 to RL46 and the advancement of two additional development drives, J030164 and J038087. Drive J030164 will complement current drive J026113, forming the lower access to the graphite plane defined by ALK13 and form the first long term stoping block for Shaft J, while J030164 will open up the graphite intersects in ALK15 and associated areas south of the shaft.

Exploration

Aluketiya Geology

The geological mapping of development towards ALK13 at Shaft J is providing valuable data to assist in constructing a geological model for the mine area. The current level drive is designed to intersect the possible up-dip continuation of DHTEM plates, which were generated as a result of work completed in August 2016. This drive will allow geological personnel to correlate the actual geology with the geophysical interpretation, with this being important for the future of exploration and the ongoing use of DHTEM in the area.

Geological mapping of development at Shaft H is providing factual data for the geological model in the mine area. As development approaches the area near the ALK7 intercept, this will be a very good indication of the positional accuracy of drilling.

In March, the Company commenced the refurbishment of its drill rig. This started work again in June. It has drilled an East-West traverse of holes east of Shaft H to provide targets for possible development drives to the east of the shaft. These holes will also provide stratigraphic information for the area above drill holes ALK17, ALK18 and ALK 19, which were drilled in 2016.

Following the completion of the programme above, the drill will move to an area south east of shaft J to drill a series of holes below ALK13, ALK14 and ALK15. This will provide data approximately 30 meters below the current drilling and the results will be used to extend the mine plan.

Environment

The Directors and management are conscious of ensuring all activities are undertaken with a view to achieving the highest environmental standards that are practically possible.

The Company's new Commercial Graphene Production facility has met the environmental standards set down by the Government of Western Australia's Department of Environment Regulation.

The Company is actively working to establish a method of production for Graphene Oxide which will be environmentally less harmful than the existing Hummers and modified Hummers methods.

The surface footprint of the Company's mining activities is small and all mining activities are to be conducted underground. As a result, the impact on the surrounding area will be minimal. No processing will occur on the mining location and all mined graphite will be transported to a central processing facility.

Safety

Employment and Training Program

All potential full time employees must undergo a Company funded full medical examination prior to commencing employment. All employees are also required to complete a Company funded safety first training course at the commencement of employment and annual refresher courses.

In Sri Lanka the safety training and safety standards adopted by the Company are those applicable to the well-developed and proven standards used in the West Australian mining and petroleum industries and exceed the legislative standards imposed in Sri Lanka.

The Company will be ensuring training is provided to all machinery operators by qualified training institutions and personnel. Employees will then be signed out as competent operators for selected pieces of machinery, e.g. cranes, winches, compressors etc.

Refresher courses will be conducted to make sure competence levels are maintained.

Consolidated Financial Report 2017

For the year ended 30 June 2017

Directors' Report

The directors present their report together with the financial report of the consolidated entity (referred to hereafter as the 'consolidated entity') and the entities it controlled at the end of, or during, the year ended 30 June 2017.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. The Directors were in office for this entire period unless otherwise stated.

Warwick Grigor BEc. LLB, MAusIMM, FAICD

Non-Executive Chairman

Mr Grigor is a highly respected and experienced mining analyst, with an intimate knowledge of all market related aspects of the mining industry. He is a graduate of the Australian National University having completed degrees in law and economics. His association with mining commenced with a position in the finance department of Hamersley Iron, and from there he moved to Jacksons, Graham, Moore and Partners to become Australia's first specialist gold mining analyst. Mr Grigor left to be the founding research partner at Pembroke Securities and then the Senior Analyst at County NatWest Securities. He left County in 1991 to found Far East Capital Limited which was established as a specialist mining company financier and corporate adviser, together with Andrew "Twiggy" Forrest.

In 2008, Far East Capital sponsored the formation of a stockbroking company, BGF Equities, and Mr Grigor assumed the position of Executive Chairman. This was re-badged as Canaccord Genuity Australia Limited when a 50% stake was sold to Canaccord Genuity Group Inc. Mr Grigor retired from Canaccord in October 2014, returning to Far East Capital.

Special Responsibilities:
Member of the Audit Committee and Remuneration Committee

Former Directorships:
Non-executive director of Peninsular Energy Limited.

Craig McGuckin Dip. Minsurv Class 1, Dip Surfmin

Managing Director

Craig McGuckin is a qualified mining professional with 31 years' experience in the mining, drilling and petroleum industries. He has held senior positions including Senior Planning Engineer, Mine Manager and Managing Director of private and publicly listed companies.

No other directorships have been held in the last three years.

Peter Youd B Bus (Accounting), AICA

Executive Director

Peter Youd is a Chartered Accountant and has extensive experience within the resources and oil and gas services, industries. For the last 29 years Mr Youd has held a number of senior management positions and directorships for publicly listed and private companies in Australia and overseas.

No other directorships have been held in the last three years.

Special Responsibilities:
Member of the Audit Committee.

Other Current Directorships:
Non-executive director of Haranga Resources Limited.

Directors' Report CONTINUED

Chris Banasik B App Sc (Physics), MSc (Econ Geol), Grad Dip Ed, MAusIMM

Non-Executive Director

Mr Banasik was a founding Director of Exploration and Geology for the ASX listed company Silver Lake Resources Limited and held this position from May 2007 until November 2014.

Mr Banasik has a Master's Degree in Mineral Economics from University of WA and Bachelor's Degree in Applied Physics from Curtin University.

Prior to becoming the Director of Exploration and Geology of Silver Lake Resources, he held senior geological management positions over 12 years' with organisations including WMC Resources Ltd, Reliance Mining Ltd, Goldfields Mine Management and Consolidated Minerals Ltd. He has gained extensive experience in every aspect of mining, mineral processing, smelting and refining primarily for gold and nickel.

Special Responsibilities:
Member of the Audit Committee and Remuneration Committee

Former Directorships:
Silver Lake Resources Limited until November 2014.

Company Secretary & Chief Financial Officer

Peter Youd B Bus (Accounting), AICA

Results and Dividends

The Group result for the year was a loss of $4,259,960 (2016: loss of $4,677,224).

No final dividend has been declared or recommended as at 30 June 2017 or as at the date of this report (2016: $ nil).

No interim dividends have been paid (2016: nil).

Principal Activities

During the financial year the principal continuing activities of the consolidated entity were as an explorer and developer of high-grade graphite projects in Sri Lanka. It is also a developer and producer of high technology graphene materials.

Events Since the End of the Financial Year

There are no known subsequent events of a material nature.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Likely Developments and expected results of operations

The Directors have excluded from this report any further information on the likely developments in the operations of the Group and the expected results of those operations in future financial years, other than as mentioned in the Chairman's Statement and Review of Operations as the Directors have reasonable grounds to believe the continuing market volatility makes it impractical to forecast future profitability and other material financial events.

For the year ended 30 June 2017 the entity recorded a loss of $4,259,960 and had net cash outflows from operating activities of $4,438,287. 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. Management believe there are sufficient funds to meet the entity's working capital requirements and as at the date of this report

Directors' and other officers' emoluments

Details of the remuneration policy for Directors and other officers are included in Principle 8: "Remunerate fairly and responsibly" of the Remuneration Report (page 15) and the Corporate Governance Principles (page 20).

Details of the nature and amounts of emoluments for each Director of the Company and Executive Officers are included in the Remuneration Report.

Environmental Regulations

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Proceedings on behalf of company

No person has applied to the Court under section 237 of the Corporations Act for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Share Options

At the date of this report, First Graphite Limited has unlisted options holders holding options exercisable into ordinary shares in First Graphite Limited as follows:

Unlisted	Grant Date	Date of Expiry	Exercise Price	Number under option
Share options	31 Oct 2014	31 Oct 2017	$0.092	10,500,000
Share option	11 Jan-2016	11 Jan 2019	$0.10	250,000
Share option	11 Jan-2016	11 Jan 2019	$0.15	250,000

1,500,000 options were exercised and 500,000 options were cancelled during the year and to the date of this report.

At the date of this report, First Graphite Limited has no listed options holders holding options exercisable into ordinary shares in First Graphite Limited.

49,398,551 FGROA options lapsed on 17 October 2016. 101,657,355 FGROB options lapsed on 21 May 2017. 23,213,930 FGROB options were exercised during the year.

Directors' meetings

The number of meetings of Directors held during the year and the number attended by each Director was as follows:

	Directors' Meetings		Audit Committee Meetings	
	Meetings Attended	Entitled to Attend	Meetings Attended	Entitled to Attend
Warwick Grigor	5	5	1	1
Craig McGuckin	5	5	-	-
Peter Youd	5	5	1	1
Chris Banasik	5	5	1	1

Indemnification and insurance of officers and auditors

During or since the end of the financial year, the Company has not given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums, against costs incurred in defending any writ, summons, application or other originating legal or arbitral proceedings, cross claim or counterclaim issued against or served upon any Director or Officer alleging any wrongful act; or any written or verbal demand alleging any wrongful act communicated to any Director or Officer under any circumstances and by whatever means.

In relation to the other activities of the Company, the Company has not, during or since the financial year, in respect of any person who is or has been an officer of the Company or a related body corporate paid any premiums in regards to indemnification and insurance of Directors and Officers.

No indemnity or insurance is in place in respect of the auditor.

Remuneration report (audited)

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2001.

This report outlines the remuneration arrangements in place for Directors of First Graphite Limited and Executives of the Group.

Key Management Personnel disclosed in this report

Mr Craig McGuckin
Mr Peter Youd
Mr Warwick Grigor
Mr Chris Banasik

Remuneration Policy

Emoluments of Directors and senior executives are set by reference to payments made by other companies of similar size and industry, and by reference to the skills and experience of the Directors and Executives. Details of the nature and amounts of emoluments of each Director of the Company are disclosed annually in the Company's annual report.

Directors and Senior Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

There has been no direct relationship between the Group's financial performance and remuneration of key management personnel over the previous 5 years.

Executive Director Remuneration

Executive pay and reward consists of a base fee and short term performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. The grant of options is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles.

Executives are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness.

The remuneration policy is designed to encourage superior performance and long-term commitment to FGR. At this stage of the Company's development there is no contractual performance based remuneration.

Executive Directors do not receive any fees for being Directors of FGR or for attending Board and Board Committee meetings.

All Executive Directors, Non-Executive Directors and responsible executives of FGR are entitled to an Indemnity and Access Agreement under which, inter alia, they are indemnified as far as possible under the law for their actions as Directors and officers of FGR.

Non-Executive Director Remuneration

The Company's policy is to remunerate non-executive Directors at a fixed fee for time, commitment and responsibilities. Remuneration for Non-Executive Directors is not linked to individual performance. Given the Company is at its early stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unlisted options to Non-Executive Directors, subject to obtaining the relevant approvals. This Policy is subject to annual review. All of the Directors' option holdings are fully disclosed. From time to time the Company may grant options to non-executive Directors. The grant of options is designed to recognise and reward efforts as well as to provide Non-Executive Directors with additional incentive to continue those efforts for the benefit of the Company.

Non-Executive Directors are remunerated for their services from the maximum aggregate amount (currently $300,000 per annum) approved by shareholders for this purpose. They receive a base fee, which is currently set at $25,000 per annum per non-executive Director and $30,000 per annum for the non-executive Chairman. There are no termination payments to Non-Executive Directors on their retirement from office.

The Company's policy for determining the nature and amounts of emoluments of Board members and Senior Executives of the Company is set out below:

Setting Remuneration Arrangements

The Company has established a separate Remuneration Committee. Members of the Remuneration Committee are Chris Banasik and Warwick Grigor. The Remuneration Committee complies with Recommendation 8.2 in that the committee consists of only non-executive directors.

Executive Officer Remuneration, including Executive Directors

The remuneration structure for Executive Officers, including Executive Directors, is based on a number of factors, including length of service, the particular experience of the individual concerned, and the overall performance of the Company. The contracts for service between the Company and specified Directors and Executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement Executive Directors and Executives are paid employee benefit entitlements accrued to the date of retirement.

As an incentive, the Company has adopted an employee share option plan. The purpose of the plan is to give employees, directors and officers of the Company an opportunity, in the form of options, to subscribe for shares. The Directors consider the plan will enable the Company to retain and attract skilled and experienced employees, board members and officers, and provide them with the motivation to make the Company more successful.

Details of remuneration for the year ended 30 June 2017

The remuneration for each director and key management executives of the Group during the year was as follows:

Short term incentives & other benefits						
	Base consulting fee	Vehicle allowance	Director's fees	Post-Employment Entitlements	Total	Value of remuneration which is performance related
30 June 2017	A$	A$	A$	A$		%
Executive Directors						
Craig McGuckin (i)	412,270	12,000	-	-	424,270	-
Peter Youd (i)	360,818	12,000	-	-	382,818	-
Non-Executive Directors						
Warwick Grigor	6,000	-	30,000	-	36,000	-
Chris Banasik	20,000	-	25,000	-	45,000	-
Total	**799,088**	**24,000**	**55,000**	**-**	**888,088**	

i. Mr Craig McGuckin and Mr Peter Youd do not receive director's fees however are compensated in accordance with their respective consultant agreement.

Details of remuneration for the year ended 30 June 2016

The remuneration for each director and key management executives of the Group during the year was as follows:

	Short term incentives & other benefits					Share Based Payments			
	Base consulting fee	Travel allowance	Vehicle allowance	Other allowances	Director's fees	Share options	Post-employment benefits	Total	Value of remuneration which is performance related
30 June 2016	**A$**	**A$**	**A$**	**A$**	**A$**	**A$**	**A$**	**A$**	**%**
Executive Directors									
Craig McGuckin (i)	500,000	65,330	15,000	43,750	-	126,587	-	750,667	-
Peter Youd (i)	280,000	42,888	12,000	26,600	-	126,587	-	488,075	-
Non-executive directors									
Warwick Grigor (ii)	24,000				7,500	126,587	-	158,087	-
Chris Banasik	48,000	-		-	25,000	25,317	-	98,317	-
Denis Geldard (iii)	-	-	-	-	25,000	-	-	25,000	-
Peter Hepburn-Brown (iv)	-	-	-	-	8,333	-	-	8,333	-
Total	**852,000**	**108,218**	**27,000**	**70,350**	**65,833**	**405,078**	**-**	**1,528,479**	

i. Mr Craig McGuckin and Mr Peter Youd do not receive director's fees however are compensated in accordance with their respective consultant agreement.
ii. Appointed 4 December 2015
iii. Resigned 30 June 2016
iv. Resigned 20 November 2015

Relationship between Remuneration and Company Performance

There is not a connection between the profitability of the Company and remuneration as the Company is not generating revenues.

Name	% Fixed remuneration	% Short Term Incentive	% Long Term Incentive
Craig McGuckin	100	-	-
Peter Youd	100	-	-
Warwick Grigor	100	-	-
Chris Banasik	100	-	-

Service Agreements

Remuneration and other terms of employment for the executives are formalised in service agreements. These agreements specify the components of remuneration benefits and notice periods. The material terms of service agreements with the Executive Directors are noted as follows:

Name	Term of agreement and notice period	Base fee	Termination payment (3)
Mr Craig McGuckin	No fixed term; 12 months(1)	(2) $449,412	None
Mr Peter Youd	No fixed term; 12 months(1)	(2) $392,280	None

1. *The twelve-month notice period applies only to the Company. The executive is required to give three months' notice.*
2. *Base fee quoted are for the period ended 30 June 2017 includes vehicle allowance and an additional allowance equal to 9.5% of the base fee.*
3. *Notice period of termination benefit in lieu of notice (on behalf of the Company), other than for gross misconduct.*

There are no other service agreements in place.

Shares-based compensation

Shares issued as part of remuneration for the year ended 30 June 2017

No shares were issued to directors and other key management personnel as part of compensation during the year.

Options issued as part of remuneration for the year ended 30 June 2017

No options were issued to directors and other key management personnel as part of compensation during the year.

Options and rights holdings held by key management personnel

Directors	Balance 01.07.16	Granted	Exercised	Other[1]	Balance 30.06.17	Total vested 30.06.17	Vested & exercisable 30.06.17	Vested & un-exercisable 30.06.17
C McGuckin	21,542,837		-	(16,542,837)	5,000,000	5,000,000	5,000,000	-
P Youd	19,733,746		-	(18,233,746)	1,500,000	1,500,000	1,500,000	-
W Grigor	15,295,000		(2,000,000)	(13,295,000)	-	-	-	-
C Banasik	1,636,364		(100,000)	(1,536,364)	-	-	-	-

1) *Option series expired 21 May 2017*

Shareholdings held by key management personnel

Directors	Balance 01.07.16	Granted	Acquired	Other	Balance 30.06.17
C McGuckin	7,631,240	-	-	-	7,631,240
P Youd	6,511,521	-	-	-	6,511,521
W Grigor	13,105,946	-	2,500,000	-	15,605,946
C Banasik	772,727	-	100,000	-	872,727

Transactions with other related parties

During the reporting period, placement fees were paid to Far East Capital Limited, a company of which Mr Grigor is a Director, for equity raisings during fiscal 2017 totalling $211,200 (2016: 279,248). There were no other payments to related parties.

There were no loans or other transactions with key management personnel.

No remuneration consultants were utilised as at this point in the Company's development as this would be a waste of shareholders' valuable funds.

Voting Rights

At the 2016 Annual General Meeting held on 21 November 2016 there were 9.14% of the votes against the adoption of the remuneration report.

End of audited Remuneration Report

Auditor's independence

The Directors received the independence declaration from the auditor of First Graphite Limited as stated on page 21.

Non-audit services

During the period BDO Corporate Tax (WA) Pty Ltd was paid $16,875 for the provision of taxation services (2016: $17,315). BDO Corporate Tax (WA) Pty Ltd is an affiliate member of BDO Audit (WA) Pty Ltd. Refer to Note 23 for further details

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied the provision of non-audit services by the auditor, as set out in Note 23, did not compromise the auditor independence requirements of the Corporations Act *2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants

Signed in accordance with a Resolution of the Directors.

Craig McGuckin
Managing Director
Dated at Perth this 29th day of September 2016

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Corporate Governance Statement

The Company's full Corporate Governance Statement is available on the Company's website, www.firstgraphite.com.au/corporate/corporate-governance.html.

A completed Appendix 4G and the full Corporate Governance Statement have been lodged with the Australian Securities Exchange as required under Listing Rules 4.7.3 and 4.7.4.

Auditor's Independence Declaration

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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

As lead auditor of First Graphite Limited for the year ended 30 June 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 29 September 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Note	2017 A$	2016 A$
Continuing operations			
Other revenue	3 (a)	**362,975**	-
Revenue		-	-
Administration expense	3(b)	**(1,360,376)**	(970,969)
Insurance		**(53,910)**	(81,070)
Legal fees		**(37,267)**	(49,167)
Employee benefits expense	3(c)	**(66,099)**	(37,638)
Occupancy costs		**(99,327)**	(221,639)
Communication costs		**(69,664)**	(60,577)
Project assessment expense		**(21,182)**	(51,933)
Development costs	8	**(2,696,197)**	(2,708,769)
Depreciation and amortisation		**(162,272)**	(77,711)
Options expense	3(e)	-	(431,896)
Share based payments expense	3(d)	**(38,500)**	-
Operating loss		**(4,241,819)**	(4,691,369)
Finance income	3(f)	**10,592**	16,321
Finance expense	3(f)	**(28,733)**	(2,176)
Loss from continuing operations before tax		**(4,259,960)**	(4,677,224)
Income tax (expense)/benefit	4	-	-
Loss after income tax attributable to the owners of First Graphite Limited		**(4,259,960)**	(4,677,224)
Other comprehensive income			
Items which may be reclassified to profit and loss			
Exchange differences arising on translation of foreign operations		**(115,440)**	(250,606)
Other comprehensive income for the year		**(115,440)**	(250,606)
Total comprehensive loss for the year attributable to the owners of First Graphite Limited		**(4,375,400)**	(4,927,830)
Loss per share for the year attributable to the owners of First Graphite Limited			
Basic (loss) per share (cents per share)	5	**(1.32)**	(1.86)
Diluted (loss) per share (cents per share)	5	**(1.32)**	(1.86)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction

Consolidated Statement of Financial Position

At 30 June 2017

	Note	2017 A$	2016 A$
Assets			
Current assets			
Cash and cash equivalents	6	**4,175,134**	3,101,282
Inventories	7	**328,295**	-
Trade and other receivables		**43,764**	20,471
Other current assets		**48,768**	71,962
Total current assets		**4,595,961**	3,193,715
Non-current assets			
Exploration and evaluation expenditure	8	**1,818,355**	1,848,446
Property, plant and equipment	9	**462,374**	421,890
Advance to third party		**285,000**	-
Total non-current assets		**2,565,729**	2,270,337
Total assets		**7,161,690**	5,464,052
Liabilities			
Current liabilities			
Trade and other payables	10	**977,299**	667,730
Lease liabilities		**48,202**	23,073
Total current liabilities		**1,025,501**	690,803
Non-current liabilities			
Lease liabilities		**48,831**	73,904
Total non-current liabilities		**48,831**	73,904
Total liabilities		**1,074,332**	764,706
Net assets		**6,087,358**	4,699,345
Equity			
Issued capital	12	**73,091,669**	67,328,257
Reserves	14	**3,228,908**	3,344,348
Accumulated losses		**(70,233,219)**	(65,973,260)
Total equity		**6,087,358**	4,699,345

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Issued capital	Share based payments reserve	Translation reserve	Accumulated losses	Total
Consolidated Group					
As at 1 July 2016	**67,328,257**	**3,279,949**	**64,399**	**(65,973,259)**	**4,699,346**
Loss for the year	-	-	-	(4,259,960)	(4,259,960)
Foreign currency translation	-	-	(115,440)	-	(115,440)
Total comprehensive loss for the year Transactions with owners in their capacity as owners			(115,440)	(4,259,960)	(4,375,400)
Share placements during the year	3,588,500	-	-	-	3,588,500
Shares issued upon the conversion of options	2,459,393	-	-	-	2,459,393
Share issue costs	(284,481)	-	-	-	(284,481)
30 June 2017	**73,091,669**	**3,279,949**	**(51,041)**	**(70,233,219)**	**6,087,358**
As at 1 July 2015	**60,743,995**	**2,848,053**	**315,005**	**(61,296,035)**	**2,611,018**
Loss for the year	-	-	-	(4,677,224)	(4,677,224)
Foreign currency translation	-	-	(250,606)	-	(250,606)
Total comprehensive loss for the year Transactions with owners in their capacity as owners	-	-	(250,606)	(4,677,224)	(4,927,830)
Share placement during the year	7,009,691	-	-	-	7,009,691
Share issue costs	(425,429)	-	-	-	(425,429)
Issue of options	-	431,896	-	-	431,896
30 June 2016	**67,328,257**	**3,279,949**	**64,399**	**(65,973,259)**	**4,699,346**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017	2016
		A$	A$
Cash flows from operating activities			
Payments to suppliers and employees		**(4,799,434)**	(4,200,932)
Interest received		**10,592**	12,963
Interest paid		**(12,420)**	(2,176)
R&D credit received		**362,975**	
Net cash outflows from operating activities	15	**(4,438,287)**	(4,190,145)
Cash flows from investing activities			
Payments for property, plant and equipment		**(133,606)**	(347,982)
Net cash outflows from investing activities		**(133,606)**	(347,982)
Cash flow from financing activities			
Proceeds from rights issue/placement of shares		**3,520,000**	7,009,691
Proceeds from the exercise of options		**2,459,393**	-
Payment of share issue/capital raising costs		**(284,481)**	(425,429)
Finance lease payments		**(20,434)**	(3,305)
Net cash inflows from financing activities		**5,674,478**	6,580,957
Net increase/(decrease) in cash and cash equivalents		**1,102,585**	2,042,830
Cash and cash equivalents at beginning of the year		**3,101,282**	1,055,093
Effect of exchange rate fluctuations on cash held		**(28,733)**	3,359
Cash and cash equivalents at end of the year	6	**4,175,134**	3,101,282

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

Notes to the Consolidated Financial Statements

1. Basis of Preparation

First Graphite Limited ("FGR" or the "Company") is a for-profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange. Its registered office and principal place of business is:

First Graphite Limited
Suite 3
9 Hampden Road
Nedlands WA 6009

A description of the nature of operations and principal activities of FGR and its subsidiaries (collectively, the "Group") is included in the Directors' Report, which is not part of these financial statements.

The financial statements were authorised for issue in accordance with a resolution of the directors on 29 September 2017.

The financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on a historical cost basis except for assets and liabilities and share-based payments which are required to be measured at fair value. The basis of measurement is discussed further in the individual notes;
- is presented in Australian dollars;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2016.
- adopted AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to AASB 1010.'
- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective with the exception of AASB 9 Financial Instruments (2014) including consequential amendments to other standards which was adopted on 1 July 2016.

Notes to the Consolidated Financial Statements CONTINUED

1. Basis of Preparation (Continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by group
AASB 9 (issued February 2016) Financial Instruments	AASB 9 The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.	The Group is still assessing the potential impact of the adoption of this standard.	Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption Expected date of adoption by the group: 1 January 2018.
AASB 15 Revenue from Contracts with Customers	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.	The Group is still assessing the potential impact of the adoption of this standard.	Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption. Expected date of adoption by the group: 1 January 2018.
AASB 16 (issued February 2016) Leases	AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases into its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.	The Group is still assessing the potential impact of the adoption of this standard.	Mandatory for financial years commencing on or after 1 January 2019, but available for early adoption. Expected date of adoption by the group: 1 January 2019.

Going Concern

For the year ended 30 June 2017 the entity recorded a loss of $4,259,960 and had net cash outflows from operating activities of $4,438,287.

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.

Management believe there are sufficient funds to meet the entity's working capital requirements and as at the date of this report. Subsequent to year end the entity expects to receive additional funds via the sale of equity securities to either existing or new shareholders

Notes to the Consolidated Financial Statements

1. Basis of Preparation (Continued)

Going Concern (Continued)

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 reasons:

- 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.

Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has to, variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date when control ceases.

The acquisition method of account is used to account for business combinations by the Group.

Intercompany transactions, balance and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

Foreign currency translation

The financial report is presented in Australian dollars, which is First Graphite Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Notes to the Consolidated Financial Statements CONTINUED

1. Basis of Preparation (Continued)

Foreign currency translation (Continued)

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements. Where possible, wording has been simplified to provide clearer commentary on the financial report of the Group. Accounting policies determined non-significant are not included in the financial statements. There have been no changes to the Group's accounting policies that are no longer disclosed in the financial statements.

Key estimates and judgements

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the financial report are found in the following notes.

Note 2	Expenses	Page 32
Note 7	Inventories	Page 35
Note 8	Exploration and evaluation assets	Page 35
Note 8	Impairment	Page 36
Note 13	Share-based payments	Page 46

The notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations and the financial position and performance of the Group. Information is considered relevant and material if, for example:

- the amount is significant due to its size or nature;
- the amount is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business; or
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

- Performance for the year;
- Operating assets and liabilities;
- Capital structure and risk;
- Other disclosures.

A brief explanation is included under each section.

Notes to the Consolidated Financial Statements CONTINUED

PERFORMANCE FOR THE YEAR

This section focuses on the results and performance of the Group. This covers both profitability and the resultant return to shareholders via earnings per share combined with cash generation.

2. 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 manner in which 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 on a monthly basis.

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 verses 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.

	Mining and Exploration		Corporate Services		Total	
Business Segment	**2017 A$**	**2016 A$**	**2017 A$**	**2016 A$**	**2017 A$**	**2016 A$**
Revenue from external customers	**-**	-	**-**	-	**-**	-
Interest revenue	**2,459**	2,555	**8,133**	10,408	**10,592**	12,963
Operating loss	**(3,091,732)**	(1,770,688)	**(1,168,228)**	(2,906,536)	**(4,259,960)**	(4,677,224)
Depreciation expense	**74,396**	30,754	**59,502**	43,228	**133,898**	73,982
Amortisation expense	**28,374**	3,729	**-**	-	**28,374**	3,729
Segment assets	**2,755,458**	373,135	**4,406,232**	5,090,917	**7,161,690**	5,464,052
Segment liabilities	**124,596**	145,383	**949.736**	619,323	**1,074,332**	764,706

2. Segment reporting (Continued)

Geographical areas

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

	2017		2016	
Geographical segments	**Revenue**	**Total Assets**	**Revenue**	**Total Assets**
Australia	**(371,108)**	**4,207,041**	10,408	5,090,917
Sri Lanka	**(2,459)**	**486,077**	2,555	373,135
Total	**(373,567)**	**7,161,690**	12,963	5,464,052

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

Reconciliation of segment assets to the Statement of Financial Position

	2017	2016
Total segments assets	**12,815,248**	9,106,133
Inter-segment elimination	**(5,653,558)**	(3,642,081)
Total assets per statement of financial position	**7,161,690**	5,464,052

Reconciliation of segment liabilities to the Statement of Financial Position

	2017	2016
Total segments liabilities	**6,973,352**	4,881,623
Inter-segment elimination	**(5,719,020)**	(4,116,917)
Total liabilities per statement of financial position	**1,074,332**	764,706

3. Operating profit and finance income and expense

Accounting Policy

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

All revenue is stated net of the amount of goods and services tax (GST).

Other revenue includes R&D credits received from the Australian tax government.

3. Operating profit and finance income and expense (Continued)

Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group satisfies all attached conditions.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited against the asset and is released to the Statement of Profit or Loss and Other Comprehensive Income over the expected useful life of the relevant asset by equal annual instalments.

Where a grant is received in relation to the tax benefit of research and development costs, the grant shall be credited to income tax expense in the Statement of Profit or Loss and Other Comprehensive Income in the year of receipt.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment 3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Revenue and expenses from continuing operations

	Note	2017	2016
		A$	A$
(a) Other revenue – R&D grant		**362,975**	-
(b) Other administrative expenses includes:			
Financial administration and other consultancy		**109,232**	294,272
Directors fee and directors consulting fee		**878,088**	865,523
Audit and accounting fees		**35,218**	35,319
Other accounting services		**18,540**	22,614
ASX listing and share registry fees		**105,476**	163,301
Travel and accommodation		**58,905**	110,689
(c) Employee benefits expense			
As at 30 June 2017: 44 employees remained within the group (2016: 35)		**66,099**	37,638
(d) Share based payments expense	15	**38,500**	-
(e) Options expense	15	**-**	431,896
(f) Finance income and expense			
Interest income on bank deposits		**10,592**	12,963
Foreign exchange (loss)/gain		**(28,733)**	3,358
		(18,141)	16,321

4. Income tax

Accounting Policy

Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The major components of income tax expense are:

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	2017	2016
Total loss before income tax from all activities	**(4,259,960)**	(4,677,224)
Prima facie tax benefit on loss before income tax at 30% (2016: 30%)	**(1,277,988)**	(1,403,167)
Unrecognised temporary differences		
Unrecognised tax losses		
Income tax expense		
Income tax expense from continuing activities		
Total income tax expense		
Unused tax losses for which no deferred tax has been recognised	**(15,085,217)**	(10,825,257)
Potential tax benefit at 30%	**(4,522,565)**	(3,247,577)

The Group has Australian revenue losses from previous years for which no deferred tax assets have been recognised. The availability to utilise these losses in future periods is subject to review in the relevant jurisdictions.

5. Earnings per share

Accounting Policy

Earnings per share ("EPS") is the amount of post-tax profit attributable to each share. The group presents basic and diluted EPS data for ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS takes into account the dilutive effect of all potential ordinary shares, being unlisted employee share options on issue.

Diluted EPS takes into account the dilutive effect of all potential ordinary shares, being unlisted employee share options on issue.

5. Earnings per share (Continued)

Accounting Policy (Continued)

	2017	2016
Net loss used in calculating basic loss per share	**(4,259,960)**	(4,677,224)
Net loss used in calculating diluted loss per share	**(4,259,960)**	(4,677,224)

	Number of shares	Number of shares
Weighted average ordinary shares used in calculating basic earnings per share	**322,686,238**	251,700,071
Weighted average ordinary shares used in calculating diluted earnings per share	**322,686,238**	251,700,071
Basic loss per share - cents per share	**(1.32)**	(1.86)
Diluted loss per share - cents per share	**(1.32)**	(1.86)

There have been no transactions involving ordinary shares between the reporting date and the date of completion of these financial statements which would impact on the above EPS calculations.

6. Cash and cash equivalents

Accounting Policy

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand. Cash at bank earns interest at floating rates based on daily bank deposit rates.

For the purposes of the cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	2017	2016
	A$	A$
Cash at bank and in hand	**4,175,134**	3,101,282
	4,175,134	3,101,282

The Group's maximum exposure to financial risk is disclosed in note 11.

Notes to the Consolidated Financial Statements CONTINUED

OPERATING ASSETS AND LIABILITIES

This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in the capital structure and finance costs section on page 38.

7. Inventories

Ore stockpiles are physically measured or estimated and valued at the lower of cost and net realisable value. Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product, including royalties.

Inventories expected to be sold (or consumed in the case of stores) within 12 months after the balance sheet date are classified as current assets, all other inventories are classified as non-current.

	2017	2016
	A$	A$
Opening balance	-	-
Inventory purchased	328,295	-
Carrying amount	328,295	-

KEY ESTIMATES AND ASSUMPTIONS

Inventories

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product based on prevailing spot metals process at the reporting date, less estimated costs to complete production and bring the product to sale.

8. Exploration and evaluation assets

Accounting Policy

Exploration and evaluation expenditure is accumulated on an area of interest basis. Exploration and evaluation expenditure include the costs of acquiring licences and the effects of foreign exchange on these balances. Further expenditure incurred, including development costs, is carried through the profit and loss, until such a time that the activities have reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Once technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation expenditure attributable to that area of interest are first tested for impairment and then reclassified to mine properties under development. No amortisation is charged during the exploration and evaluation phase.

8. Exploration and evaluation assets (Continued)

Accounting Policy (Continued)

	2017	2016
	A$	A$
Opening balance	**1,848,446**	1,910,640
Foreign currency translation adjustment	**(30,091)**	(62,194)
Carrying amount	**1,818,355**	1,848,446

The recoverability of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

Impairment

Exploration and evaluation expenditure is assessed for impairment if (i) sufficient data exists to determine the technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation expenditure are allocated to cash-generating units ("CGUs") to which the exploration activity relates. The CGU is not larger than the area of interest.

Key Estimates and assumptions

Impairment of exploration and evaluation expenditure

The future recoverability of capitalise exploration and evaluation expenditure is dependent upon a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation expenditure though sale.

Factors that could impact future recoverability include the level of reserves and resources, future technological changes which could impact the cost of mining, future legal changes 0including changes to environmental restoration obligations) and changes to commodity prices. The Company does not have a JORC compliant resource and in line with AASB 6 has decided not to capitalise any expenditures to this point in its development process.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which the determination is made.

Accounting for exploration, evaluation and development costs

The Company has applied judgement in continuing to classify costs associated with its Aluketiya and Pandeniya projects as exploration, evaluation and development expenditure as it has determined it has not yet defined a JORC compliant resource and is therefore unable to clearly demonstrate the commercial and technical feasibility as at reporting date as outlined in AASB 6.

9. Property, plant and equipment

Accounting Policy

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure which is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment 3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity Gains and losses between the carrying amount and the disposal proceeds are taken to the profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Notes to the Consolidated Financial Statements CONTINUED

9. Property, plant and equipment (Continued)

Accounting Policy (Continued)

Reconciliations of the carrying value for each class of property, plant and equipment is set out below:

	2017 A$	2016 A$
Exploration equipment:		
Carrying amount at beginning of year	241,791	10,403
- Additions	-	270,293
- Transfer from Capital Work in Progress	-	25,907
- Depreciation	(71,434)	(57,557)
- Movement due to foreign exchange	(2,992)	(7,255)
Carrying amount at year end	(167,365)	241,791
Leasehold Improvement:		
Carrying amount at beginning of year	-	-
- Additions	110,413	-
- Depreciation	(15,309)	-
- Movement due to foreign exchange	(3,251)	-
Carrying amount at year end	91,853	-
Capital Work in Progress		
Carrying amount at beginning of year	-	25,907
Transfer to Exploration equipment	-	(25,907)
Carrying amount at year end	-	-
Plant & equipment:		
Carrying amount at beginning of year	15,680	21,449
- Additions	104,859	7,576
- Depreciation	(30,506)	(11,180)
- Movement due to foreign exchange	(2,844)	(2,165)
Carrying amount at year end	87,189	15,680
Office equipment:		
Carrying amount at beginning of year	24,081	2,250
- Additions	4,220	27,135
- Depreciation	(10,265)	(4,639)
- Movement due to foreign exchange	(1,243)	(665)
Carrying amount at year end	16,793	24,081
Motor vehicles:		
Carrying amount at beginning of year	808	1,547
- Additions		-
- Depreciation	(578)	(605)
- Movement due to foreign exchange	(37)	(133)
Carrying amount at year end	193	808
Leased Motor Vehicles		
Carrying amount at beginning of year	139,530	-
- Additions	-	142,305
- Amortisation	(34,180)	(3,729)
- Movement due to foreign exchange	(6,369)	954
Carrying amount at year end	98,981	139,530
Total carrying amount at year end	462,374	421,890

Notes to the Consolidated Financial Statements CONTINUED

10. Trade and other payables

Accounting Policy

Trade and other payables represent the liabilities for goods and services received by the entity which remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

	2017	2016
Current	A$	A$
Trade and other payables	**977,299**	667,730
	977,299	667,730

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS AND RISK

This section outlines how the Group manages its capital, related financing costs and its exposure to various financial risks. It explains how these risks affect the Group's financial position and performance and what the Group does to manage these risks.

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an efficient capital structure to reduce the cost of capital.

The Board's policy in relation to capital management is to regularly and consistently monitor future cash flows against expected expenditures for a rolling period of up to 12 months in advance. The Board determines the Group's need for additional funding by way of either share issues or loan funds depending on market conditions at the time. The Board defines working capital in such circumstances as its excess liquid funds over liabilities, and defines capital as being the ordinary share capital of the Company, plus retained earnings, reserves and net debt. In order to maintain or adjust the capital structure, the Board may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or reduce debt.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

11. Financial Risk Management

(a) Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (currency risk and interest rate risk). The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade and other receivables, deposits with banks, local money market instruments and short-term investments. The accounting policy with respect to these financial instruments is described in note 1.

Financial risk management structure:

Board of Directors

The Board is ultimately responsible for ensuring there are adequate policies in relation to risk oversight and management and internal control systems. The Group's policies are designed to ensure financial risks are identified, assessed, addressed and monitored to enable achievement of the Group's business objectives.

(b) Financial risks

Credit risk

Credit risk refers to the risk a counterparty will default on its contractual obligation resulting in financial loss to the Group. Credit risk is managed on a group basis and structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or group of counterparties. The Group has no significant concentrations of credit risk.

It is the Group's policy to place funds generated internally and from deposits with clients with high quality fi institutions. The Group does not employ a formalised internal ratings system for the assessment

of credit exposures. Amounts due from and to clients and dealers represents receivables sold and payables for securities purchased which have been contracted for but not yet settled on the reporting date, respectively. The majority of these transactions are carried out on a delivery versus payment basis, which results in securities and cash being exchanged within a very close timeframe. Settlement balances outside standard terms are monitored on a daily basis.

Exposure to credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the reporting date to recognised financial assets, is the carrying amount, net of any provision for impairment of those assets, as disclosed in the statement of financial position and the notes to the financial statements. The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

The Group's maximum exposure to credit risk without taking account of any collateral or other credit enhancements at the reporting date was $4,175,134 (2016: $3,101,282).

The Company banks with Westpac Banking Corporation (Westpac). S&P has affirmed Westpac Banking Corporation's current issuer credit rating of AA- long term and A-1+ short term but the outlook has been revised to "negative".

	Group	
	2017	2016
Cash and cash equivalents	**4,175,134**	3,101,282
	4,175,134	3,101,282

11. Financial Risk Management (Continued)

(b) Financial risks (Continued)

Impairment and provisioning policies

Impairment provisions are recognised for financial reporting purposes only for losses which have been incurred at the reporting date, based on objective evidence of impairment. All credit exposures are reviewed at least annually. Impairment allowances on credit exposures are determined by an evaluation of the incurred loss at the reporting date. For the purposes of the Group's disclosures regarding credit quality, its financial assets have been analysed as follows:

	Neither Past Due nor individually impaired	Past due but not individually impaired	Individually impaired	Total	Impairment allowance	Total carrying amount
Consolidated 30 June 2017	**$**	**$**	**$**	**$**	**$**	**$**
Cash and cash equivalents	4,175,134	-	-	4,175,134	-	4,175,134
	4,175,134	**-**	**-**	**4,175,134**	**-**	**4,175,134**

Consolidated 30 June 2016	**$**	**$**	**$**	**$**	**$**	**$**
Cash and cash equivalents	3,101,282	-	-	3,101,282	-	3,101,282
	3,101,282	**-**	**-**	**3,101,282**	**-**	**3,101,282**

Financial assets past due but not individually impaired

For the purpose of this analysis an asset is considered past due when any payment due under the contractual terms is received one day past the contractual due date. The majority of these transactions are carried out on a delivery versus payment basis, which results in securities and cash being exchanged within a very close timeframe. Settlement balances outside standard terms are monitored on a daily basis. Credit risk is also mitigated as securities held for the counterparty by the Group can ultimately be sold should the counterparty default. There were no renegotiated financial assets during the year.

Collateral pledged or held

There is no collateral held as security by the Group or its controlled entities.

Notes to the Consolidated Financial Statements CONTINUED

11. Financial Risk Management (Continued)

(b) Financial risks (Continued)

Liquidity risk

Liquidity risk is the risk the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by monitoring forecast cash requirements and cash flows.

The primary objective of the Group is to manage short-term liquidity requirements in such a way as to minimise financial risk. The Group maintains sufficient cash resources to meet its obligations, cash deposits are repayable on demand.

The tables below present the cash flows receivable and payable by the Group under financial assets and liabilities by remaining contractual maturities at the reporting date. The amounts disclosed are the contractual, undiscounted cash flows.

	Weighted average effective interest rate	Floating interest rate	Fixed interest		Non-interest bearing		
		Within one year	Within one year	1-5 years	Within one year	1-5 years	Total
30 June 2017	**%**	**$**	**$**	**$**	**$**	**$**	**$**
Financial assets							
Cash and cash equivalents	**0.49**	**4,175,134**	-	-	-	-	**4,175,134**
Total Financial assets at 30 June 2017		**4,175,134**	-	-	-	-	**4,175,134**
Financial liabilities							
Trade and other payables		-	-	-	**977,299**	-	**977,299**
Total financial liabilities at 30 June 2017		-	-	-	**977,299**	-	**977,299**
30 June 2016	**%**	**$**	**$**	**$**	**$**	**$**	**$**
Financial assets							
Cash and cash equivalents	0.31	3,101,282	-	-	-	-	3,101,282
Total Financial assets at 30 June 2016		3,101,282	-	-	-	-	3,101,282
Financial liabilities							
Trade and other payables	n/a	-	-	-	667,730	-	667,730
Total financial liabilities at 30 June 2016		-	-	-	667,730	-	667,730

11. Financial Risk Management (Continued)

(b) Financial risks (Continued)

Liquidity risk (Continued)

Trade and other payables and loans to related parties and shareholders are expected to be paid as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
30 June 2017				
Trade and other payables (refer note 10)	**977,299**	**-**	-	-
	977,299	**-**	-	-
30 June 2016				
Trade and other payables (refer note 10)	**667,730**	**-**	-	-
	667,730	-	-	-

Market Risk

Market risk is the risk the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

(i) Foreign exchange risk

The consolidated entity undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency which is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group's profitability can be significantly affected by movements in the $US/$A exchange rates, and to a lesser degree, though movements in the Sri Lankan Rupee verses the Australian dollar. Through reference to industry standard practices, and open market foreign currency trading patterns within the past 12 months, the group set the level of acceptable foreign exchange risk.

The Group seeks to manage this risk by holding foreign currency in $US and Sri Lankan Rupee.

Sensitivity analysis

The following table does not include intra group financial assets and liabilities. It summaries the sensitivity of the Group's financial assets and liabilities to external parties at 30 June 2017 to foreign exchange risk, based on foreign exchange rates as at 30 June 2017 and sensitivity of +/-10%:

	30 June 2017 rate (cents
US$/A$	0.7685
LKR/A$	116.30

11. Financial Risk Management (Continued)

(b) Financial risks (Continued)

Market Risk

	Foreign exchange risk	
	2017	**2016**
Current	**A$**	**A$**
Improvement in AUD by 5%	**(85,727)**	(84,318)
Decline in AUD by 5%	**85,727**	84,318
Change in equity due to:		
Improvement in AUD by 5%	**(85,727)**	(84,318)
Decline in AUD by 5%	**85,727**	84,318

(ii) Interest rate risk

Group

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash position. A change of 10 basis points in interest rates at the reporting date would result in a change of profit or loss by the amounts shown below. This analysis assumes all other factors remain constant.

Profile

At reporting date the interest rate profile of the Group's financial instruments was:

		Interest rate risk			
		-10bps		+10bps	
	2017 A$	**Profit**	**Equity**	**Profit**	**Equity**
Floating rate instruments					
Cash at bank	**4,175,134**	**(2,021)**	-	**2,021**	-
	4,175,134	**(2,021)**	-	**2,021**	-

	2016 A$				
Floating rate instruments					
Cash at bank	3,101,282	(998)	-	998	-
	3,101,282	(998)	-	998	-

11. Financial Risk Management (Continued)

(c) Net fair values

Fair value versus carrying amount

Fair value of financial instruments

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments which are carried in the financial statements.

Methodologies and assumptions

For financial assets and liabilities which are liquid or have short term maturities it is assumed the carrying amounts approximate to their fair value.

		30 June 2017		30 June 2016	
		Carrying amount	Net fair value	Carrying amount	Net fair value
Assets carried at amortised cost		A$	A$	A$	A$
Trade and other receivables		43,763	43,763	20,471	20,471
Total financial assets		43,763	43,763	20,471	20,471
Liabilities carried at amortised cost					
Trade and other payables	11	977,299	977,299	667,730	667,730
Total Financial Liabilities		977,299	977,299	667,730	667,730

Notes to the Consolidated Financial Statements CONTINUED

12. Issued capital

Accounting Policy

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of shares or options are recognised as a deduction from equity, net of any related income tax effects.

(a) Ordinary shares	2017 $	2016 $	2017 Number	2016 Number
Issued and fully paid	**73,091,669**	67,328,257	**364,261,237**	306,977,307
Movements in shares on issue				
At the beginning of the period	**67,328,257**	60,743,995	**306,977,307**	196,716,587
Share purchase plan September 2015	-	563,791	-	10,250,714
Tranche 1 of placement to investors October 2015	-	1,611,756	-	29,304,658
Tranche 2 of placement to investors November 2015	-	2,403,244	-	43,695,342
Placement to investors May 2016	-	2,430,900	-	27,010,006
Share issue costs	-	(425,429)	-	-
Exercise of options – July & August 2016	**25,910**	-	**259,100**	-
Issue to supplier [1]	**30,000**	-	**220,000**	-
Exercise of options – December 2016	**1,818**	-	**18,182**	-
Placement to investors February 2017	**3,520,000**	-	**32,000,000**	-
Share issue costs	**(232,320)**	-	-	-
Shares issued to senior employee & consultants	**38,500**	-	**350,000**	-
Exercise of options – February 2017	**1,818**	-	**18,181**	-
Exercise of options - March 2017	**138,000**	-	**1,500,000**	-
Exercise of options – May 2017	**2,291,847**	-	**22,918,467**	-
Share issue costs	**(52,161)**	-	-	-
At the end of the period	**73,091,669**	67,328,257	**364,261,237**	306,977,307

[1] *Issued to supplier at agreed value*

(b) Share options	2017 $	2016 $
Listed share options		
At the beginning of the period	**174,528,914**	49,398,551
Options issued	-	13,505,000
Options exercised	-	6
Options changed from unlisted to listed series	-	
111,625,357		
Options lapsed 17 October 2016	**(49,398,551)**	-
Options exercised during the year	**(23,213,930)**	-
Options lapsed 21 May 2017	**(101,657,355)**	-
At the end of the period	-	174,528,914

12. Issued capital (Continued)

Accounting Policy (Continued)

(c) Share options	2017 $	2016 $
Unlisted share options		
At the beginning of the period	**13,000,000**	66,000,000
Options issued	-	36,500,000
Options issued [3]	-	16,000,000
Options issued [4]	-	5,125,357
Options issued [5]	-	1,000,000
Options changed from unlisted to listed series	-	(111,625,357)
Lapsed on termination of employment	**(500,000)**	-
Exercised March 2017	**(1,500,000)**	-
At the end of the period	**11,000,000**	13,000,000

[2] *36,500,000 options issued to placement participants, exercisable at $0.10 cents on or before 21 May 2017.*
[3] *16,000,000 options issued to directors and corporate adviser, exercisable at $0.10 cents on or before 21 May 2017.*
[4] *5,125,357 options issued under Share Placement Plan, exercisable at $0.10 cents on or before 21 May 2017.*
[5] *1,000,000 options were granted to the Sri Lankan Country Manager on 11 January 2016, with exercise prices of $0.10 for 500,000 options and $0.15 for 500,000 options, in accordance with the Employee Share Options Plan. The options expire on 11 January 2019*

13. Share based payments

Accounting Policy

The value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options (the vesting period), ending on the date on which the relevant employees become fully entitled to the option (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

- The grant date fair value of the option;
- The current best estimate of the number of options that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- The expired portion of the vesting period.

Until an option has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so.

[2] *36,500,000 options issued to placement participants, exercisable at $0.10 cents on or before 21 May 2017.*
[3] *16,000,000 options issued to directors and corporate adviser, exercisable at $0.10 cents on or before 21 May 2017.*
[4] *5,125,357 options issued under Share Placement Plan, exercisable at $0.10 cents on or before 21 May 2017.*
[5] *1,000,000 options were granted to the Sri Lankan Country Manager on 11 January 2016, with exercise prices of $0.10 for 500,000 options and $0.15 for 500,000 options, in accordance with the Employee Share Options Plan. The options expire on 11 January 2019*

13. Share based payments (Continued)

Employee Share Option Plan

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.

	2017		2016	
	Number of Options	Weighted average exercise price (cents)	Number of Options	Weighted average exercise price (cents)
Outstanding 1 July	**65,198,551**	**14.6**	48,198,551	14.6
Issued	**-**		17,000,000	12.5
Forfeited	**(500,000)**	**15.0**	-	-
Exercised	**(1,500,000)**	**9.2**	-	-
Lapsed	**(52,198,551)**	**16.7**	-	-
Outstanding 30 June	**11,000,000**	**9.4**	65,198,551	14.6

The Group recognised total expenses of $Nil (2016: $431,896) 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 year Number	Granted during the year Number	Exercised during the year Number	Expired/ lapsed during the year Number	Balance during the year Number	Vested and exercisable during the year Number
11 Jan 2016	11 Jan 2019	$0.15	500,000	-	-	250,000	250,000	-
11 Jan 2016	11 Jan 2019	$0.10	500,000	-	-	250,000	250,000	-
27 Nov 2015	21 May 2017	$0.10	16,000,000	-	-	(16,000,000)	-	-
31 Oct 2014	31 Oct 2017	$0.092	12,000,000		1,500,000	-	10,500,000	10,500,000
28 Apr 2014	21 May 2017	$0.10	13,000,000	-	-	(13,000,000)	-	-
9 Jan 2013	17 Oct 2016	$0.20	13,000,000	-	-	(13,000,000)	-	-

The weighted average remaining contractual life of the options is 0.39 years (2016: 0.79years).

	2017	2016
Share based payments expense – options issued to directors	**-**	405,079
Share based payments expense – options issued to a senior employee	**-**	26,817
Share based payments expense – shares issued to a senior employee and consultant	**38,500**	-
Total	**38,500**	431,896

Notes to the Consolidated Financial Statements CONTINUED

14. Reserves and accumulated losses

Accounting Policy

The share based payments reserve holds the directly attributable cost of services provided pursuant to the options issued to corporate advisors, directors, employees and past directors of the Group.

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

15. Statement of cash flow reconciliation

(a) Reconciliation of net loss after tax to net cash flows from operations	2017 $	2016 $
Net Loss	**(4,259,960)**	(4,677,224)
Adjusted for:		
Depreciation	**128,092**	73,982
Amortisation	**34,180**	3,729
Share based payments expensed	**38,500**	431,896
Options expensed	**-**	-
Shares issued as payment for operating expense	**30,000**	-
Foreign exchange gains	**(44,306)**	(181,553)
Changes in assets/liabilities		
(Increase)/decrease in trade and other receivables	**(11,990)**	15,701
(Increase)/decrease in prepayments	**(328,295)**	-
(Increase)/decrease in prepayments	**(3,211)**	(39,623)
Decrease in trade and other payables	**(19,826)**	182,946
Decrease in finance liabilities	**(1,471)**	-
Net cash (used in) operating activities	**(4,438,287)**	(4,190,145)

(b) Non-cash investing and financing activities		

There were no non-cash investing and financing activities during the reporting period.

16. Commitments

Operating lease commitments – Group as lessee

The Group leases office premises in Nedlands and the Commercial Graphene Facility at Henderson, WA under normal commercial lease arrangements. The Nedlands office lease was entered into for an initial period of 1 year beginning April 2017. The Group is under no legal obligation to renew the lease once the lease term expires. The Henderson lease is for a period of 2 years beginning 1 June 2017.

Future minimum rentals payable under non-cancellable operating leases at 30 June are as follows:

	2017 $	2016 $
Lease expenditure commitments		
Operating leases (non-cancellable)		
- Within one year	**119,456**	19,239
- Later than one year and not later than five years	**91,865**	-
Total operating leases (non-cancellable)	**211,321**	19,239

There were no non-cash investing and financing activities during the reporting period.

Finance lease commitments – Group as lessee

The Group has entered into lease contracts for the purchase of two Toyota Hi-lux utilities in Sri Lanka and a hire purchase contract for a forklift for use at the Henderson Commercial Graphene Facility. The lease contracts expire on 29 May 2018 and the hire purchase on 27 April 2020 and ownership of the respective equipment passes to the Group once all contractual payments have been made.

	2017 $	2016 $
- Within one year	**41,097**	32,884
- Later than one year and not later than five years	**72,728**	90,431
Total minimum lease payments	**113,825**	123,315
Less amounts representing finance charges	**(16,972)**	(26,338)
Present value of minimum lease payments	**97,033**	96,977
Included in the financial statements as:		
Current interest-bearing liabilities	**48,202**	23,073
Non-current interest-bearing liabilities	**48,831**	73,904
	97,033	96,977

Notes to the Consolidated Financial Statements CONTINUED

17. Contingent liabilities

On 9 April 2013 the Company announced it had reached agreed terms with The Supreme Group of Sri Lanka for the acquisition of 45km2 of graphite exploration licences representing 45 Grids. The remaining terms of the acquisition are;

1. Payment of US$500,000 at the time of commencement of commercial mining activities.

The Directors do not believe there are any grounds for any other claims of a material nature as at the date of this report and as at the reporting date.

18. Results of the parent company

	2017 $	2016 $
Current Assets		
Cash and cash equivalents	**4,012,999**	3,037,861
Trade and other receivables	**56,322**	20,471
Inventory	**328,295**	-
Other current assets	**7,040**	7,040
Total current assets	**4,404,656**	3,065,372
Non-current assets		
Property, plant and equipment	**166,902**	177,099
Intercompany loans receivable	**-**	4,097,496
	166,902	4,274,595
Total assets	**4,571,558**	7,339,967
Liabilities		
Current liabilities		
Trade and other payables	**974,654**	619,323
Total current liabilities	**974,654**	619,323
Total liabilities	**974,654**	619,323
Net Assets	**3,596,904**	6,720,644
Equity		
Issued capital	**73,091,669**	67,328,257
Share based payments reserve	**3,279,949**	3,279,949
Accumulated losses	**(72,774,714)**	(63,887,562)
Total equity	**3,596,904**	6,720,644
Results of the parent entity:		
Loss for the period	**(8,887,151)**	(2,906,536)
	(8,887,151)	(2,906,536)

19. Events since the end of the financial year

There are no known subsequent events of a material nature.

20. Related party transactions

Compensation for key management personnel

The key management personnel compensation included in employee benefits expense (note 2) and share-based payments (note 15), is as follows:

	2017 $	2016 $
Short term employee benefits	**878,088**	1,123,401
Share based payments	-	405,078
	878,088	1,528,479

Transactions with other related parties

During the reporting period, placement fees were paid to Far East Capital Limited, a company of which Mr Grigor is a Director, for equity raisings during fiscal 2017 totalling $211,200 (2016: 279,248). There were no other payments to related parties.

There were no loans to/from related parties in 2017 (2016: Nil)

Subsidiaries

The consolidated financial statements include the financial statements of Regis Resources Limited and the subsidiaries listed in the following table:

	Principal activity in the year	Proportion of voting rights and shares held		Class of shares held	Place of Incorporation
		2017	2016		
MRL Investments (Pvt) Ltd	Holding company	100%	100%	Ordinary	Sri Lanka
MRL Graphite (Pvt) Ltd	Graphite Mining and exploration	100%	100%	Ordinary	Sri Lanka

21. Auditors' remuneration

Services provided by the Group's auditor (in tenure as auditor) and associated firms

During the year, the Group (including its overseas subsidiaries) obtained the following services from BDO Audit (W.A.) Pty Ltd as detailed below:

Auditors' remuneration	2017 $	2016 $
Remuneration of the auditor of the Group for:		
- Audit services – BDO Audit (WA) Pty Ltd	**31,946**	45,031
- Taxation services – BDO Corporate Tax (WA) Pty Ltd	**16,875**	17,315
	48,821	62,346

Directors' Declaration

The Directors declare:

1. the financial statements and notes, as set out on pages 22 to 51 are in accordance with the Corporations Act 2001 and:
    a. comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
    b. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on this date of the consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have each declared:
    a. the financial records of the consolidated group for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
    b. the financial statements, and the notes for the financial year comply with the accounting standards; and
    c. the financial statements and notes for the financial year give a true and fair view; and
3. in the directors' opinion, there are reasonable grounds to believe the consolidated group will be able to pay its debts as and when they become due and payable.
4. the consolidated group has included in the notes to the financial statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards
5. the remuneration disclosures set out in the Directors' Report on pages 15 to 19 (as the audited Remuneration Report) comply with section 300A of the Corporations Act 2001;

Signed in accordance with a resolution of the directors made pursuant to S295 (5) of the Corporations Act 2001. On behalf of the Directors

Craig McGuckin
Managing Director
29 September 2017

Independent Auditor's Report

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of First Graphite Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of First Graphite Limited(the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related 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 opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Classification of Exploration and Evaluation Assets

Key audit matter	*How the matter was addressed in our audit*
At 30 June 2017 the carrying value of exploration and evaluation assets was $1,818,355 (30 June 2016: $1,848,446) as disclosed in Note 8 of the financial report. The company has continued to classify costs associated with its Aluketiya and Pandeniya project as exploration and evaluation expenditure as, even though ore extraction commenced during the year, it has determined it has not yet defined a JORC compliant resource and therefore is unable to clearly demonstrate the technical feasibility and commercial viability as at reporting date. The area is a key audit matter due to the extent of judgement to be applied in determining the appropriate classification in accordance with Australian Accounting Standards under either AASB 6 *Exploration for and Evaluation of Mineral Resources* or AASB116 *Property, Plant and Equipment*.	Our procedures included, but were not limited to the following: • Assessing management's determination that exploration activities have not yet progressed to the stage where the technical feasibility and commercial viability of extracting the mineral reserve can be demonstrated through discussions with the Group's Directors, and review of the Group's ASX announcements and other relevant documentation; and • Assessing the adequacy of the related disclosures in Note 8 to the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 19 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of First Graphite Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 29 September 2017

Additional Securities Exchange Information

(note, this information does not form part of the audited financial statements)

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. This information is complete as at 24 September 2017.

a) Distribution of Shareholdings – Fully Paid Ordinary Shares:

Size of Holding	Number of Shareholders	Number of Share
1 – 1,000	93	13,864
1,001 – 5,000	97	376,425
5,001 – 10,000	263	2,227,586
10,001 – 100,000	950	40,082,023
100,001 and over	452	323,561,357
	1,855	366,261,237

Equity Security	Quoted	Unquoted
Fully Paid ordinary shares	364,994,572	1,266,665
Options	-	7,500,000

Additional Securities Exchange Information CONTINUED

b) Top 20 Security Holders – Fully Paid Ordinary Shares (FGR) at 24 September 2017

	Name of Holder	Number of Shares	%
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	24,711,242	6.75%
2	IPS NOMINEES LIMITED	16,781,465	4.58%
3	GREGORACH PTY LTD	14,905,946	4.07%
4	WILLIAM TAYLOR NOMINEES PTY LTD	7,000,000	1.91%
5	MR CRAIG ROBERT MCGUCKIN & MRS LEE ANN MCGUCKIN <MCGUCKIN FAMILY A/C>	6,908,513	1.89%
6	DEBT MANAGEMENT ASIA CORPORATION	6,883,124	1.88%
7	CITICORP NOMINEES PTY LIMITED	6,434,062	1.76%
8	KHAKI INVESTMENTS PTY LTD	6,250,000	1.71%
8	EMERPUS ASIA LTD	6,250,000	1.71%
9	HALLIDAF MANAGEMENT LTD	6,094,794	1.66%
10	SPICEME CAPITAL PTY LTD	6,000,000	1.64%
11	SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	5,700,000	1.56%
12	GINGA PTY LTD	5,427,811	1.48%
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,259,534	1.44%
14	MR RYAN JEHAN ROCKWOOD	4,500,000	1.23%
15	MR STEVEN DAN TUONG	3,600,000	0.98%
16	BISSAPP SOFTWARE PTY LTD <SUPER FUND ACCOUNT>	3,540,700	0.97%
17	MRS VICTORIA MARIE HARDING	3,300,000	0.90%
18	PAVARAI PTY LTD <THE SAYERS SUPER FUND A/C>	3,150,000	0.86%
19	SDG NOMINEES PTY LTD <T J STRAPP SUPER FUND A/C>	3,000,000	0.82%
20	BNP PARIBAS NOMS PTY LTD <DRP>	2,656,875	0.73%
	Total	148,354,066	40.50%
	Total issued capital	366,261,237	100.00%

Shareholders with less than a marketable parcel

Based on the Company's closing share price of $0.078 on 22 September 2017 there are 236 shareholders with a total of 653,546 shares or 0.18% of the issued capital.

Additional Securities Exchange Information CONTINUED

c) Licence Position as at 24 September 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/LR/1	100	Granted	Central
IML/A/HO/8416/R3	100	Granted	Western
EL/225/R/2	100	Granted	Central
EL/226/R/2	100	Granted	Central
EL/228/R/2	100	Granted	Central
EL/243/R/2	100	Granted	Central
EL/318	100	Granted	Central
EL/321	100	Granted	Central
EL/227/R/2	100	Granted	South Central
EL/322	100	Granted	South Central
EL/231/R/2	100	Granted	South West
EL/244/R/2	100	Granted	South West
EL/262/R/2	100	Granted	Central
EL/325	100	Granted	Central
EL/326	100	Granted	Central