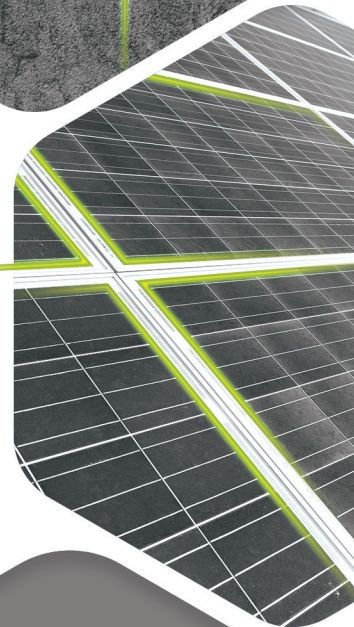


first graphene

# ANNUAL REPORT 2021



# HIGHLIGHTS



## OPPORTUNITY

With global demand for graphene promising to develop an extraordinary growth curve, now is the time to be involved with a well-managed and credentialed company that has a clear commercial focus to gain greater market share.



## GROWTH STRATEGY

The appetite for graphene among many of the world's most important markets continues to grow, while we apply a strategic focus to commercialise the business and ramp up our global sales initiatives, the opportunities for graphene are seemingly limitless.



## QUALITY AND PRODUCT DIVERSITY

Our focus is on unparalleled quality assurance, customer satisfaction and quality products independently verified. We are strategically positioned with a first mover advantage having already commercialised graphene into a diverse range of products relevant to many segments and applications including cement, composites and rubbers among others.



## CAPACITY

Our purpose built, large-scale production facility, has the capability to respond to growing demands and sales orders quickly and efficiently. We are the largest producer of commercial grade graphene – PureGRAPH® is a commercial grade, high volume and high quality/repeatable specifications adaptable to many products and industries.



## GLOBAL ESG STORY

Our graphene products make industries and clients significantly more eco-friendly. Graphene offers major benefits to all parts of everyday society and segments – from across the mining supply chain, to cement, composites and modern technological devices, renewables and energy storage.

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# CHAIRMAN'S REPORT

Every start-up company needs to go through a procession of changes as it goes from concept to production and along to commerciality. First Graphene is at the point where an influx of new blood and vision needs to take over, and it has. The new team is now charged with establishing commerciality of the business on a solid footing. It needs a different set of eyes and vision and it involves different skill sets. Different strategies and tactics are required.

The year to 30 June 2021 will be remembered as the year of the pandemic by the entire world. It has been the most significant global event that any of us alive today have experienced and we are not out of the woods yet. Everyone and every company has been affected to a lesser or greater extent, and I suppose every chairman's address will mention it as a matter of procedure.

The biggest impacts on First Graphene have been twofold. Firstly, a number of our prospective customers were significantly slower in moving to incorporate PureGRAPH® into the products due to lockdowns that restricted the availability of workers and inhibited regular production schedules. A level of heightened caution worked against any suggestion of accelerated innovation. Thus, we were not able to deliver the sales growth we had earlier anticipated. Secondly, there were many months during which our research and product development programs were interrupted by shutdowns of the University of Manchester, where we have operations in the Graphene Engineering Innovation Centre (GEIC).

Covid aside, 2021 was a year that involved a changing of the guard at First Graphene. We saw the retirement of both the CEO and CFO, who had

been with the Company since 2012. They comprised the key management team for approximately 10 years, initially as a mineral exploration company and for the last five years as a graphene visionary.

When First Graphene started out on the graphene journey there was no road map to follow. It was almost a case of the blind leading the blind. All we knew was how wonderful graphene was supposed to be and what a great future awaited those who were willing to embrace this wonderful 2D nanomaterial. It was a very steep learning curve.

First Graphene quickly realised that a major obstacle to the advancement of the segment was the availability of a reliable supply of graphene of consistent quality, irrespective of price. No manufacturing company would look to introduce graphene to their product lines if they could not see clear supply lines to make the change worthwhile. Many companies that experimented with graphene expressed frustration owing to the mixed results they achieved in test work, attributable to the lack of consistency from one batch to the next.

First Graphene set about addressing these concerns by taking a bench-scale graphene production methodology, pioneered by the University of Adelaide, and scaling it up firstly to a pilot plant size,

and then to a full commercial-scale manufacturing facility of Henderson, south of Fremantle in WA. In getting to this position, the Company had to grapple with another chicken and egg conundrum. Nothing could happen without a production facility, but no-one was going to buy the product and make changes to their production lines if they could not see tangible evidence that there was a real and reliable supply.

The fact that the Henderson facility has been constructed and successfully commissioned, and continuously optimised, is a credit to both Craig McGuckin and Peter Youd. Their vision and commitment has placed the Company in the perfect position at this juncture, but it is still only first base. First Graphene is still just an embryonic company staring at a very steep growth curve ahead, particularly when it comes to selling the product.

As they say, Rome wasn't built in a day. The pioneering of new technology, taking it from the point of invention to commercial, profitable scale involves many steps and requires many different skills to meet the ever-evolving challenges along the way. Having shown that we can make graphene, your Company has recognised that the next major challenge is to sell volume to the target markets. It is not just a matter of putting our For Sale sign on the door because there is no established market already operating that we can simply enter with a promise of better product than what industry is already buying. We have to play a leading role in developing the market by interfacing with industry to show how much better their products will be with the incorporation of graphene. At the same time, we have to show how individual companies will achieve

stronger sales growth, through increased market share, when producing superior products.

Every start-up company needs to go through a procession of changes as it goes from concept to production and along to commerciality. Just as with a mineral exploration company, that is staffed by geologists who have to stand aside to enable the engineers to do their job, First Graphene is at the point where an influx of new blood and vision needs to take over, and it has. The recently retired team was instrumental in delivering production capability. The new team is now charged with establishing commerciality of the business on a solid footing. It needs a different set of eyes and vision and it involves different skill sets. Different strategies and tactics are required.

We are confident that the changes instituted this year have placed First Graphene in the best possible position to maximise the graphene opportunity before us.

### Warwick Grigor Chairman



# CEO REPORT

## Clear, aligned commercial focus

Since commencing as CEO with First Graphene Limited, I have been charged with shifting and building the Company's commercial focus.

Prior to my appointment, the priority was to ramp up production to ensure First Graphene was manufacturing to a commercial scale.

That goal was achieved with robust and repeatable production processes, reaching a current capability to manufacture up to 100 tonnes of product per annum.

The focus now is on building strong, sustainable markets, leveraging First Graphene's first mover advantage, and world-class research and development, to establish the Company as the world's leading provider of commercial scale graphene solutions. In addition, our aim is to become a global leader in graphitic materials

technology for large-scale industrial applications.

I am pleased to say that since the beginning of the year, we have made significant inroads to achieving those goals.

That includes building capability at Board level with the appointment of non-executive director Michael Quinert. Mr Quinert brings additional value to the Board with his significant legal and ASX governance expertise.

Changes at the executive level have also provided an opportunity to restructure the team, building both technical and commercial capabilities in select verticals. That includes the appointment of commercial managers across our key market segments.

The appointments put the Company in a strong position to capitalise on the opportunities of bringing new materials and technologies to market.

## Strategic growth

First Graphene is introducing a new material to global markets, necessitating the development of clear growth strategies.

The Company's aggressive commercial focus started by identifying target material segments that meet one or more of the following criteria:

- » Face ongoing challenges or limitations such as rapid wear/degradation, poor strength to weight ratio, excessive carbon utilisation in manufacturing, utilisation or disposal
- » Likely to see compelling benefits from the incorporation of graphene
- » New or emerging technologies that stand to benefit from the inclusion of graphene and graphitic materials
- » Represent significant market opportunities due to volume and global reach

Based on this, five key verticals have been identified including:



Composites and plastics



Coatings and inks



Cement and concrete



Rubbers and elastomers



Energy storage

For each of these verticals, First Graphene is developing go-to-market strategies that include identifying options at every stage of the value chain. Rather than simply providing graphene to manufacturers, the Company's intention is to develop graphene product solutions and move towards becoming a materials technology company focused on a broader range of graphitic materials.

To date, First Graphene has expanded its product lines from the original PureGRAPH® powdered formats to include PureGRAPH® AQUA hydrogels and customisable PureGRAPH® Masterbatch solutions for use in rubbers and plastics.

The Company intends to continue developing PureGRAPH® formulations, both internally and with third-party formulators, suited to specific applications so that downstream manufacturers can easily incorporate graphene, at the correct dosage rates and platelet sizes, into existing or minimally modified production lines.

We will continue to identify strategic partners and clients committed to commercialising graphene-enhanced products. The Company will also continue providing comprehensive testing and validation services to ensure the right formulations are available to make adoption of graphene an easy choice.

## Improving financial position

**A primary focus of the Board and executive team has been to carefully manage the cash burn rate and align expenditure closely to First Graphene's commercial position.**

That includes revising remuneration structures, reducing third-party costs and ensuring R&D spend is directly related to key revenue opportunities.

With clear commercial objectives defined, staff remuneration packages are being restructured to include success-based incentives and stock options.

This not only preserves cash, but ensures employee buy-in to help drive the Company's success.

Third-party costs have been scrutinised and reduced wherever possible, including renegotiating several contract arrangements.

We have reviewed and reset our investment in R&D, identifying those areas with clear paths to revenue and aligning R&D costs and activities directly to market value propositions.

## Operations maintain pursuit of excellence

It is well documented that First Graphene has created a world-class manufacturing facility in Western Australia, combining technologies and proprietary processes to provide us with capacity and quality that is unrivalled globally. Our focus on process excellence and quality control allows us to maintain our market advantage.

The Company received a grant earlier this year to expand manufacturing capacity and this will only be actioned as and when demand dictates.

Initially, the focus will be to secure recurring demand for our existing product lines before we create additional capacity. The technology is such that it can be scaled up simply and quickly as required.

We continue expanding product lines to ensure First Graphene can provide market-ready formulations of PureGRAPH® targeted to applications in the chosen market segments.

## Outlook

The Company has spent the past six months recruiting a commercial team focused on taking graphene products to global markets.

Pleasingly, we have completed the majority of our recruitment process and have secured industry experts with many years of experience, extensive networks and the technical expertise to help target large commercial opportunities.

We continue to develop and refine our go-to-market strategies and action them across the verticals in which commercial managers have been appointed. It is important to note that as one of the world's only producers of high-quality, commercially viable graphene, First Graphene is in an enviable position.

Most markets are yet to fully comprehend the benefits of graphene and the almost endless array of applications for which it can be used, meaning widespread understanding and adoption is still in its infancy.

However, as one of the very few graphene producers with products available at scale, regulatory approval and having proven the benefits of the material in multiple applications, First Graphene continues to

cement our position as the global market maker, identifying large scale commercial opportunities and working with industry to prove the efficacy and efficiency of graphene and the PureGRAPH® range of products.

While some companies are still investing significantly in proof-of-concept ideas, First Graphene is working actively with industry on commercially viable applications.

That includes further developments in verticals that have already seen commercial launches take place, such as composites and elastomers. We are developing liquid ad mixtures, thermally and electrically conductive coatings, solar heating components and applications to improve the mechanical properties of concrete.

We will also continue our focus on developing longer term opportunities in high-tech applications including the electric vehicle and energy storage markets.

First Graphene is well down the path with a versatile range of sales opportunities and expects to announce some exciting projects during the coming 12 months, foreshadowing what is undoubtedly set to be the most significant revenue growth period in the Company's history.



## COVID-19

The challenges thrown up by the COVID-19 pandemic have necessitated adaptations to the way we work, but also bring some beneficial side effects.

The COVID-19 pandemic created considerable challenges in running a globally focused company with distributed workforces and operations.

Fortunately, for the production side of the business, Western Australia has remained largely shielded from the sorts of outbreaks that have impacted other part of Australia and the world.

Nevertheless, in WA as in other parts of the world, First Graphene has adapted to new ways of working and remains vigilant to ensure the health and wellbeing of our staff and customers remains our highest priority.

A beneficial side effect of mandatory remote working is that the way of doing business has evolved and this facilitates easier engagement with clients and prospects across the globe.

We will continue to adapt as and when necessary, ensuring the safety of all involved but maintaining our focus on the ongoing growth and success of First Graphene.



“The Board and management thank you for your ongoing support. We look forward to sharing more of our growth story with you.”

**Michael Bell**  
Managing Director and CEO



# STRATEGY REPORT

Part of First Graphene's revised strategy is to shift the Company's mindset of being a graphene powder producer to focus on becoming a global materials technology company with graphene/graphitic products being our differentiator.

There are several components to the revised strategy, some building on existing areas of focus and others aimed at targeting new and sizeable return on investment opportunities.

## Strategic growth

First Graphene will continue to support our early adopter clients to help them achieve initial commitments.

This support and the resulting products are essential to the Company's success, providing a significant contribution on our journey to break-

even and helping promote the benefits of graphene to a broad range of industry segments. In time, this will help to reset the norm for other manufacturers and open the door to much larger opportunities.

The fourth quarter of FY2021 was the Company's most significant quarter in its history for graphene sales revenue and it is exciting to see this trend extend into Q1 of the new financial year.

## Revenue generation focus

While First Graphene's early adopter clients have helped the Company to prove the science of graphene at commercial scale, other segments are yet to understand and embrace the benefits.

While numerous laboratory proofs of concept have been reported over the past decade across a broad range of applications, and many companies

continue to deliver laboratory-scale testing, First Graphene's go-to-market strategies are focused on working with industry to provide large-scale, real-world, readily repeatable proof of the efficacy and efficiency of incorporating PureGRAPH® into products.

The Company's strategies across target materials segments are all aligned to identified opportunities that provide the best and most sustainable paths to significant revenue.

## Go-to-market strategies

In the **cement and concrete** segments, First Graphene has made significant progress towards the development of PureGRAPH® enhanced liquid admixtures. In addition, we are developing liquid grinding aids to disperse into cements. The Company is working with global admixture and additive formulators, cement manufacturers and concrete manufacturers which have been identified as the best targets to reach significant market share.

Likewise, in the **marine and renewables** segment of the composites and plastics verticals, the key targets include composite materials manufacturers, non-infusion boat builders, marine and water sports equipment manufacturers and other supporting industry suppliers. Considerable progress has been made in proving the concepts to some parts of the industry including the work completed with Ascent Shipwrights and a range of current projects that are in advanced stages. The Company is also working to develop innovative coatings for wind turbine blades.

Much of the go-to-market strategy in this space will extend to other **composites and plastics** segments, again where large-scale commercial opportunities are available and where current early adopter projects can be leveraged. These verticals represent extensive opportunities for large contracts.

A new Commercial Manager has been appointed to focus on **coatings and inks**, bringing significant international industry experience that will be leveraged to advance current projects and identify strategic opportunities. For the coatings and inks verticals particularly, First Graphene has identified opportunities to provide downstream solutions that leverage the strengths of PureGRAPH®, such as thermal and electrical conductivity, fire retardancy, corrosion protection, EMI shielding and low permeability. One likely focus will be building

a product line with third party developers and formulators, via which opportunities exist to engage with the largest available market share.

In the **rubbers and elastomers** segment, the primary focus is to identify strategic partners with critical known problems, and to utilise their motivations and resources to develop solutions that can then be pivoted to similar clients and products. The mining segment, which utilises a broad range of consumable rubber and elastomer products, is a key target. Part of the overall strategy is to help current early adopters to better access global markets.

In the **energy storage** segment, research-based work continues, however First Graphene aims to identify key industry partners to help fast-track commercialisation of new technologies. Recent examples include the hydrodynamic cavitation process to convert petroleum feedstocks to graphene and graphite products, used in battery anodes, as well as clean hydrogen to provide a renewable energy source. The process provides petroleum producers with a means to pivot to renewable energy markets by turning petroleum feedstocks into graphite battery anodes. The market size for the lithium-ion battery anode market is estimated at US\$8.4 billion and projected to reach US\$21 billion by 2026, growing at a CAGR of 19.9 per cent. The Company is working to engage fossil fuel producers as partners to take the technology to market.

Similarly, First Graphene's focus for its advanced research work in supercapacitor materials and hydrogen fuel cell materials is now transitioning to identifying industry partners to develop commercial-scale pilots. The Company is also exploring options to licence the technology or sell PureGRAPH® products to fuel cell materials manufacturers.

## Broadening product range

The Company has made significant progress in broadening its product range to enable easier dispersion in clients' applications, leading to a faster path to success.

The PureGRAPH® range now consists of powders, aqueous options and masterbatch products, with a range of liquid admixtures in advanced stages of

development. First Graphene intends to continue working with industry partners at all stages in the value chain to expand the range. Some of the other current development targets include cement grinding aids, composite liquid admixtures for polyester, vinylester and epoxy systems, liquid base formulations for anti-corrosion, thermal conductivity, electrical conductivity and fire retardancy, and broadening the masterbatch range to cover plastics, rubbers and other materials.

## Downstream focus

Where it makes sense, First Graphene is pursuing opportunities to expand overall reach up and down the value chain.

This includes developing, manufacturing and marketing certain end products, as described above in the coatings and inks space, thus allowing the company to own greater market share and accelerate the path to breakeven and profitability.



**Michael Bell**  
Managing Director and CEO

# OPERATIONS / QHSE REPORT

## Maintaining operational success

### Health and Safety

Workplace health and safety is paramount in everything we do at First Graphene.

Over the past financial year, the Company has continued to refine health and safety systems as part of a continual improvement process at the Henderson manufacturing plant.

The Company engaged a consultant to conduct a comprehensive risk assessment, adopted the recommendations provided and continued to see exceptional safety performance.

That included zero Lost Time Incidents, zero Medical Treatment Incidents and zero Environmental Incidents reported.

### Manufacturing

First Graphene introduced two new PureGRAPH® products to the market this financial year, namely PureGRAPH® 50 and the PureGRAPH® AQUA range.

The release of PureGRAPH® 50 has resulted in considerable interest from industry, in particular for enhancing the mechanical strength of concrete.

PureGRAPH® AQUA products are hydrogels that have graphene platelets pre-dispersed in water for ease of mixing into water and polar solvent-based formulations. Numerous potential opportunities are currently being explored with PureGRAPH® AQUA in various industries.

To coincide with the expansion of our product range and implementation of new automated processes

in the production plant, the Company promoted an internal resource to the role of Quality Manager, responsible for ensuring the ongoing integrity of our expanding product range.

At the end of 2020, we upgraded our power transformer to provide additional mains power capacity that caters for future expansion.

First Graphene also renegotiated its Electricity Sales Agreement with energy provider Synergy, resulting in reduced rates for both on-peak and off-peak periods.

In line with the Company's focus on reducing costs, hours of operation at the Henderson plant have been adjusted to take advantage of the significant savings achievable by working during off-peak energy consumption periods.

**David Bennett**

**General Manager Process Operations**

# R&D TECHNOLOGY REPORT

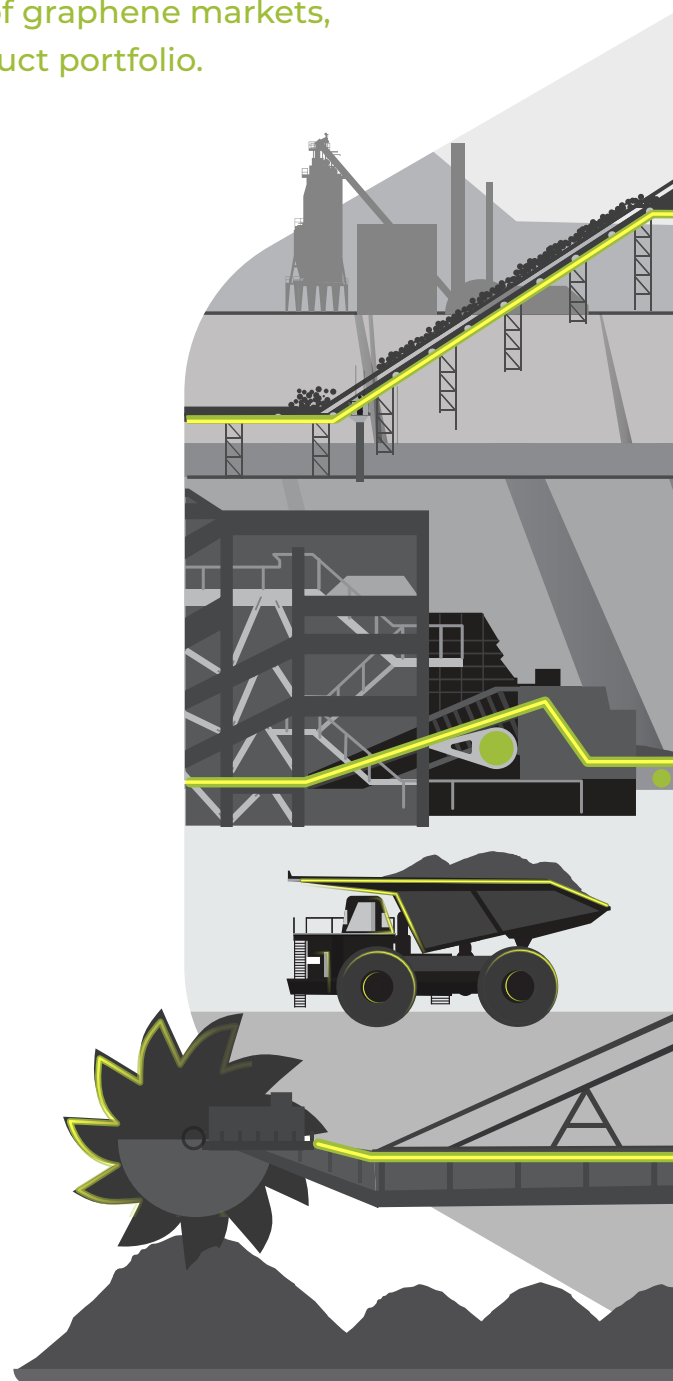
## Research and Development report

As we improve and evolve our understanding of graphene markets, we are able to optimise our PureGRAPH® product portfolio.

In addition to PureGRAPH®5, PureGRAPH®10 and PureGRAPH®20 powders, First Graphene now offers a product with larger lateral size - PureGRAPH®50. This jumbo platelet with high aspect ratio is designed specifically for concrete strengthening and polymer reinforcement. We have also seen advantages in improved thermal conductivity.

Graphene applications in formulated products such as coatings and composites require effective dispersion of the graphene platelets into polar media, including water. We have launched a range of PureGRAPH® AQUA products to address this issue. The ground-breaking products are pre-dispersed in water and supplied as pastes for easy formulation into water and polar solvent-based formulations, such as paints, latex and cement composites. PureGRAPH® AQUA products are available in lateral sizes ranging from 5 microns to 50 microns, providing flexible solutions for customer formulations. The larger platelet sizes are of particular use in the cement and rubber industries.

The company also now offers PureGRAPH® masterbatch products pre-dispersed in polymer and plastics resins, such as PureGRAPH® MB-LDPE, a graphene-loaded low-density polyethylene (LDPE) masterbatch. This LDPE masterbatch has been developed to provide customers with an off-the-shelf, pre-dispersed graphene/polymer carrier that is easy to mix with other polymer chips using standard equipment so it can readily fit into existing plastic processing lines.





## Product innovations

Researchers led by Prof. Dusan Losic at the Australian Research Council (ARC) Graphene Hub at the University of Adelaide have developed a scalable process for the functionalisation of graphene platelets.

Adding functional chemistry improves the performance of graphene additives with enhanced dispersibility and building strong bonds into polymer networks. The researchers concluded that the pristine, low-defect, few-layer PureGRAPH® graphene platelets with controlled edge oxygen are ideal materials for this chemistry. First Graphene is

currently evaluating the performance of these new materials in advanced composite applications.

In addition, researchers led by Prof. Tony McNally at WMG – part of the University of Warwick, UK - has demonstrated that PureGRAPH® graphene powders are excellent dispersants in a range of thermoplastics. With good graphene quality and optimised extrusion conditions, the researchers have demonstrated that well-dispersed plastic batches with graphene loadings as high as 30 per cent w/w can be achieved. These thermoplastics have enhanced mechanical and thermal properties with the potential for commercialisation across new industry segments.

## Product quality and standardisation

Additionally, ARC Graphene Hub researchers have developed a robust test method to characterise the quality of graphene nanoplatelets and identify the presence of “fake” graphene.

The test is based on thermogravimetric analysis (TGA) and the extensive research has been published in a scientific journal (Anal. Chem. 2021, 93, 34, 11859–11867). The study confirms that PureGRAPH® products are high-quality, pristine, low defect few-layer graphene platelets.

## Regulatory approach

First Graphene continues to work closely with AICIS Australia to consolidate its position as the only registered supplier of graphene in tonnage volumes within Australia.

Elsewhere, in December 2020, the company provided a detailed updated product characterisation dossier to ECHA confirming that all PureGRAPH® graphene products fit within the scope of the REACH Substance Identity Profile (SIP)

for real graphene materials. The submission was successful and PureGRAPH® was confirmed as graphene within the REACH SIP.

As a consequence of Brexit, the Company has extended permitted sales volumes in Europe. By gaining registration under UK REACH, this permits sales under Annex 7 registration at 10 tonnes/year in the EU plus 10 tonnes/year in the UK. First Graphene is actively monitoring the requirements to extend REACH registration to Annex 8 in order to move to 100 tonnes/year as European demand increases.



## Renewable energy programs

### First Graphene continues to explore opportunities for carbon materials in energy storage and the renewable energy segment.

The market for supercapacitors is forecast to grow to USD2.18 Billion by 2022, at a CAGR of 20.7 per cent. Unlike lithium-ion batteries, supercapacitors enable rapid charging and discharging and are forecast to be adopted in high power devices. However, supercapacitor – battery hybrid systems are also being adopted to aid the battery in charge and discharge cycles.

Under an exclusive worldwide licence from the University of Manchester, the Company has developed and scaled up manufacture of metal oxide decorated graphene that exhibits pseudocapacitance. Unlike carbon-based EDLC devices, these materials will enable high power density devices that also have high energy density. First Graphene researchers have made good progress against a commercial target of 200 Farads/gram. The current research is now focused on an optimised bill-of-materials (current collector, electrolyte, separator) to deliver a high-energy and high-power device.

The Company recently acquired worldwide rights to technology developed by Kainos Innovation Ltd, and supported by the UK Government's Sustainable Innovation Fund, for a novel technology based on a patented process that uses cavitation chemistry to convert petroleum feedstocks into high purity graphene, graphite and clean hydrogen. These products play an important role in low carbon energy generation. High purity graphite and graphene are critical minerals used in batteries for energy storage, including those used in the electric vehicle market. Hydrogen is a clean fuel that does not produce carbon dioxide emissions when used as an energy source. The government funding was used to prove the concept of the process, combining the scientific knowledge from Kainos Innovation with First Graphene's expertise in manufacturing operations, scale-up and commercial application development. Two US patents for the technology have been granted.

The technology offers petroleum producers an opportunity to utilise their current assets to enter renewable energy markets. The business emphasis is on carbon material manufacturer for batteries and supercapacitors with the hydrogen as a bonus by-product rather than a primary green hydrogen manufacturing business.



**Andy Goodwin**  
Senior Scientific Advisor



**Paul Ladislaus**  
R&D Manager

# CFO REPORT

Having joined First Graphene in March 2021, I have been highly impressed by the commitment and technical capability that the team possesses.

First Graphene's focus over the past few years has been on developing a world-class production facility and a pristine quality product, which it has delivered in spades, with a best-in-class PureGRAPH® product range available in tonnage quantities. This proprietary production technology represents a significant competitive advantage over most other manufacturers, who are unable to produce high quality graphene powder consistently and at a commercial scale.

Whilst its been a ground-breaking achievement, it has required the investment of manageable sums of development funds to get us to this point of commercial readiness.

Following the change in leadership of the company in the second half of the Financial Year 2021 there was marked change in the company's strategic direction. The Board and leadership team remain committed to maximising future shareholder value, but now with a focus on the following four pillars:

- » A robust and agile **commercial** strategy
- » Continued investment in innovation and leveraging technical capability
- » Accelerated sales growth
- » Prioritising improvements in operating cashflow

## Financial Year 2021

The reset in direction and leadership of company has generated some oneoff expenses valued at AUD1.2m, excluding which the underlying operating result for FY2021 is a loss of AUD5.1m.

This is a 6 per cent improvement over 2020. The one-off costs include contractual payments to retiring directors (AUD 0.9m) and a non-cash write down of the company's investment in its subsidiary 2D Fluidics (AUD 0.25m).

After extensive evaluation of the 2D Fluidics technology, the Company deemed that the likely path to revenue was not aligned to First Graphene's commercial strategy. The 2D Fluidics technology is certainly innovative but is still a way off commercial viability and seems better suited to a scientific research organisation than to an advanced industrial materials provider such as First Graphene.

This write-down further demonstrates FGR's commitment to its new commercially-focused strategy of prioritising projects with an accelerated return on investment (ROI).

Despite these one-off costs, FGR has ended the 2021 financial year in an impressive fashion. The majority of sales for the year occurred in the last quarter and the ongoing contracts related to technical consultants, financial systems and legal support have all been reset to reduce spend by more than 50 Per cent in these categories. This has set up a strong platform for growth into FY2022 and beyond..



### UNDERLYING OPERATING PROFIT\*

**FY21:** AUD -5.1m  
**FY20:** AUD -5.4m

\*Excluding one-off costs in FY21 of AUD 1.2m



### SALES REVENUE

**FY21:** AUD 0.34m  
**FY20:** AUD 0.29m



### INVENTORY

**FY21:** AUD 4.7m  
**FY20:** AUD 2.6m



### CAPITAL EXPENSE

**FY21:** AUD 1.0m  
**FY20:** AUD 1.5m

## Key areas of focus and outlook

- » Increasing sales with an aim for a significant multiple increase in 2022
- » Reducing inventory levels to be in line with sales activity and minimum safety stock levels
- » Reducing cash costs, with a targeted reduction of >15 per cent, despite the addition of four new commercial managers bringing significant additional expertise to the Company
- » Revised remuneration policy – lower executive salaries and no cash bonuses until the business is closer to an EBITDA positive position, plus greatly reduced employee salary and cash bonus structure – which the Company intends to partially replace with an employee share scheme intended to provide people with a sense of ownership and greater commitment to the business



**“The infinite potential of Graphene combined with the FGR’s acute commercial focus and strengthened financial fundamentals, have laid the foundations for Australia’s next big success story. I look forward to being part of First Graphene’s journey in 2022 and beyond”**

**Aditya Asthana**  
**CFO and Company Secretary**

# SUSTAINABILITY REPORT

## Targeting sustainability

### First Graphene is at the forefront of sustainability

Not only are we continuing to refine our own processes to make our operations greener, but we are also in an enviable position as our core business of manufacturing high grade, commercial scale graphene is becoming more relevant to almost every industry around the world.

We see this as a significant advantage. First Graphene is part of the global solution as industries move towards more renewable energy sources and smarter ways of manufacturing.

Practically every proposition for enhancing products with graphene is directly associated with improving impacts on the world. That is certainly the case in each of the key target verticals First Graphene has identified. Some of those benefits include:

- » Reducing landfill waste from improved wear life of products made from composites, plastics, rubbers and elastomers
- » Significantly reducing the concrete segment's reliance on volume and large water consumption by increasing the strength and reducing the overall weight of concrete; reduced production volumes also leads to lower CO2 emissions
- » Impermeable linings in storage vessels and pipelines, alleviating potential containment issues to reduce pollution risks
- » Fire retardancy in coatings, lowering the chances of carbon emissions from unplanned fires
- » Electrical and thermal conductivity in inks and coatings, making processes considerably more efficient
- » Graphene and graphitic products are also in high demand for uses in the battery and electric vehicle markets, as well as for a whole range of uses across renewable energy markets.



Graphene and graphitic products are also in high demand for uses in the battery and electric vehicle markets, as well as for a whole range of uses across renewable energy markets.

## Low-waste production process

First Graphene's manufacturing process achieves various positive outcomes.

Our process uses exceptionally high-purity graphite as feedstock, which is subject to far less processing or refinement than that required by lower grade ores.

Mining methods are also typically less destructive on the environment as high-grade ore veins can be accessed through targeted underground rather than open pit mining methods.

The conversion process utilises practically all the feedstock material, leading to negligible waste.

Then, the resulting product is sent to customers intent on making the world a better place.

## World-first R&D

Over the past six months First Graphene has announced ground-breaking research and development in a number of areas targeted directly or indirectly at reduced carbon emissions, including:

- » Converting petroleum feedstocks to graphite and clean hydrogen, providing a future revenue opportunity and far lower carbon footprint for fossil fuel producers
- » The use of graphene as a low-cost catalyst in hydrogen fuel cells, used as an alternative to combustion engines

The Company continues to work internally, with leading universities and research organisations, and with industry to develop new and sustainable applications.

## Continuous improvement

Not content to rest on the laurels of a wonder product, First Graphene is committed to doing more.

The Company seeks to continually improve its own sustainability performance through ongoing refinement and initiatives to do better.

The process for producing our PureGRAPH® product lines is energy intensive. That energy is sourced from the grid, which is largely fossil fuel generated.

The Company is investigating renewable options including solar to reduce our reliance on grid power.

We remain committed to improving our own performance, and in doing so, helping others around the world to achieve their sustainability goals.

**Michael Bell**  
Managing Director and CEO

# ANNUAL FINANCIAL REPORT



## Directors' Report

The directors present their report together with the financial report of First Graphene Limited ('First Graphene' or 'Company') and the entities it controlled ('Consolidated Entity' or 'Group') for the year ended 30 June 2021.

### 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** *B.Ec. 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 Sydney to become a mining analyst with institutional stockbrokers. Mr Grigor left County NatWest Securities 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 Limited 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 Limited.

#### **Former directorships in the last 3 years**

None.

#### **Interests in shares and options**

Ordinary shares	18,883,772
Options	11,854,951

#### **Dr Andy Goodwin** *Ph.D. (Polymer Chemistry)*

Non-Executive Director

Andy has a successful track record in innovation and technology development roles within the speciality chemicals industry.

Andy has extensive leadership experience with Sanofi, Dow Corning Corporation and Thomas Swan & Co. Ltd. He has a PhD in polymer chemistry and an MTE Diploma from the IMD Business School in Lausanne, Switzerland.

Andy has been actively involved in the development of the graphene materials industry since 2012. He joined First Graphene in 2017 and is based in Manchester, UK.

Appointed 1 July 2020

#### **Other Current Directorships**

None.

#### **Former directorships in the last 3 years**

None

#### **Interests in shares and options**

Ordinary shares	2,008,993
Options	3,108,993

#### **Michael Quinert**

Non-Executive Director

Mr Quinert is a founding partner of Quinert Rodda & Associates which was established in July 2009. He has over 30-years' experience as a commercial and corporate lawyer, including three years with ASX and over 20 years as a partner in a Melbourne law firms.

Mr Quinert has extensive experience assisting and advising companies on IPO's, capital raising, cross border transactions, regulatory compliance and has regularly advised publicly listed mining companies.

Michael is a Non-Executive Chairman of West Wits Mining Limited and Non-Executive Director of listed First Au Limited (ASX:FAU).

Appointed 1 March 2021

**Other Current Directorships**

West Wits Mining Limited  
First Au Limited

**Former directorships in the last 3 years**

Manalto Limited (ASX: MTL)  
Covata Limited (ASX: CVT)

**Interests in shares and options**

None

**Michael Bell****Managing Director and Chief Executive Officer**

Mr Bell has over 20 years' experience in engineering and business management and significant international experience driving business growth.

He was with ST Engineering Group where he served as Senior Vice-President.

Mike has also held roles as Director for Navman Wireless, a global Telematics company, and as General Manager with Singapore-based shipbuilder Strategic Marine.

Appointed Managing Director on 1 July 2021

**Other Current Directorships**

None

**Former directorships in the last 3 years**

None

**Interests in shares and options**

Options	5,000,000
---------	-----------

**Craig McGuckin, Dip. Minsurv Class 1, Dip Surfmin**

Managing Director

Mr McGuckin is a qualified mining professional with 34 years' experience in the mining, drilling, petroleum and graphene industries. He has held senior positions including Senior Planning Engineer, Mine Manager and Managing Director of private and publicly listed companies.

Retired 8 January 2021.

**Former directorships in the last 3 years**

None

**Peter Youd B Bus (Accounting), AICA**

Executive Director

Mr Youd is a Chartered Accountant and has extensive experience within the resources and oil and gas services, industries. For the last 31 years Mr Youd has held a number of senior management positions and directorships for publicly listed and private companies in Australia and overseas.

Retired 28 April 2021

**Other Current Directorships**

None.

**Former directorships in the last 3 years**

Non-Executive Director: Haranga Resources Limited

**Results and Dividends**

The Group result for the year was a loss of \$6,284,757 (2020: loss of \$5,366,149).

No final dividend has been declared or recommended as at 30 June 2021 or as at the date of this report (2020: \$ nil).

No interim dividends have been paid (2020: nil).

**Principal Activities**

During the financial year the principal continuing activities of the Consolidated Entity was as the leading supplier of high-performing graphene products with a robust manufacturing platform and an established 100 tonne/year graphene production capacity. PureGRAPH® graphene is easy to use and is enhancing the properties of customers' products and materials across industries and applications worldwide.

First Graphene Limited has a primary manufacturing base in Henderson, near Perth, WA. The Company is incorporated in the UK as First Graphene (UK) Ltd. and is a Tier 1 partner at the Graphene Engineering and Innovation Centre (GEIC), Manchester, UK.

**Events Since the End of the Financial Year**

From the 1<sup>st</sup> of July 2021 to the 9<sup>th</sup> of August 2021, 6.7 million options were exercised by



option-holders resulting in approximately \$1.68 million of cash influx for First Graphene.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

### **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 nascent nature of the graphene market makes it impractical to forecast future profitability and other material financial events.

### **Directors' and other officers' emoluments**

Details of the remuneration policy for Directors and other officers are included in the Remuneration Report (page 27) and the Corporate Governance Report lodged separately on ASX on the same day as this report is lodged.

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 graphene production and sales operations are subject to regulation in Australia by the Australian Industrial Chemicals Introduction Scheme (AICIS) and by the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) in the European Union and United Kingdom.

The Company's Commercial Graphene Production facility has been approved as meeting the environmental standards set down by the Government of Western Australia's Department of Environment Regulation.

### **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 Graphene Limited has the following options exercisable into ordinary shares in First Graphene Limited.

Unlisted	Grant Date	Date of Expiry	Exercise Price	Number under option
Share option	6 February 2019	26 February 2022	\$0.18 each, if exercised on or before 26 February 2022	1,000,000
Share option	8 November 2019	8 November 2023	\$0.25 each, if exercised on or before 8 November 2023	14,300,000

## Directors' meetings

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

	Directors' Meetings	
	Meetings Attended	Entitled to Attend
Warwick Grigor	8	8
Dr Andy Goodwin	7	8
Michael Quinert	3	3
Craig McGuckin	4	4
Peter Youd	6	6

## Indemnification and insurance of officers and auditors

Under the Company's constitution and subject to section 199A of the Corporations Act 2001, the Company indemnifies each of the directors, the company secretary and every other person who is an officer of the Company and its wholly-owned subsidiaries. The above indemnity is a continuing indemnity and applies in respect of all acts done by a person while an officer of the Company or its wholly-owned subsidiaries even though the person is not an officer at the time the claim is made.

The Company has entered into a Deed of Indemnity, Access and Insurance ("Deed") with each current and former officer of the Company and its subsidiaries, including each director and company secretary and persons who previously held those roles.

During the financial year, the Company has paid a premium in respect of insuring the directors and officers of the Company and the Group. The insurance contract prohibits disclosure of the premium or the nature of liabilities insured against under the policy.

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 Graphene Limited and Executives of the Group.

Key Management Personnel ('KMP') disclosed in this report:

Mr Warwick Grigor

Dr Andy Goodwin (Appointed 1 July 2020)

Mr Michael Bell (Appointed 11 January 2021)

Mr Aditya Asthana (Appointed 22 March 2021)

Mr Michael Quinert (Appointed 1 March 2021)

Mr Craig McGuckin (Retired 8 January 2021)

Mr Peter Youd (Retired 28 April 2021)

### 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 consist 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 First Graphene. 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 First Graphene or for attending Board meetings.

All Executive Directors, Non-Executive Directors and responsible executives of First Graphene 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 First Graphene.

### 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 does not have a separate Remuneration Committee. Given the current size and composition of the Board, the Board believes there would be no efficiencies gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of the Remuneration Committee. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated to it in the Company's Remuneration Committee Charter.

### **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 2021**

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	Salary	Bonus payment as per contracts (vii)	Post-Employment Entitlements	Termination Payment	Share based payments	Total	Value of remuneration in which is performance related
30 June 2021	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$	%
<b>Executive Directors</b>										-
Craig McCuckin (i)(ii)	315,472	7,290	-	-	100,000	-	392,887	-	815,649	-
Peter Youd (i)(iii)	407,311	10,843	-	-	100,000	-	274,919	-	793,073	-
<b>Non-Executive Directors</b>										
Warwick Grigor (i)	-	-	30,000	90,000	100,000	11,450	-	-	231,450	-
Dr Andy Goodwin (i), (iv)	-	-	25,000	122,142	-	-	-	-	147,142	-
Michael Quinert (v)	-	-	11,664	-	-	-	-	-	11,664	-
<b>Other Key Management Personnel</b>										
Michael Bell (vi)(ix)	-	-	-	151,563	-	2,375	-	216,556	370,494	58%
Aditya Asthana (vi)	-	-	-	61,111	-	6,111	-	3,150	70,372	4%
<b>Total</b>	<b>722,783</b>	<b>18,133</b>	<b>66,664</b>	<b>424,816</b>	<b>300,000</b>	<b>19,936</b>	<b>667,806</b>	<b>219,706</b>	<b>2,439,844</b>	

- i. Mr Craig McCuckin and Mr Peter Youd do not receive director's fees however are compensated in accordance with their respective consultant agreement. Mr Warwick Grigor and Mr Andy Goodwin receive a salary for their director services.
- ii. Mr McCuckin retired on 8 January 2021
- iii. Mr Peter Youd retired on 28 April 2021
- iv. Dr Andy Goodwin was appointed a Non-Executive Director on 1 July 2020
- v. Mr Michael Quinert was appointed a Non-Executive Director on 1 March 2021
- vi. Mr Michel Bell commenced as Chief Executive Officer on 11 January 2021
- vii. Mr Aditya Asthana commenced as Chief Financial Officer & Company Secretary on 22 March 2021
- viii. Bonus payments reflects entitlements due under appointment contracts for performance in 2020.
- ix. The share based payment represents the fair value of the 5,000,000 options granted to Michael Bell upto June 2021, which he can choose to exercise by paying \$0.25 per share to the company. Refer Page 32 for details

### Details of remuneration for the year ended 30 June 2020

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	Salary	Bonus payment as per contracts <sup>(iii)</sup>	Post-Employment Entitlements	Share based payments	Total	Value of remuneration which is performance related	%
<b>30 June 2020</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>%</b>
<b>Executive Directors</b>										
Craig McGuckin <sup>(i)</sup>	498,425	12,000	-	-	50,000	-	216,352	776,777	-	-
Peter Youd <sup>(i)</sup>	389,758	12,000	-	-	50,000	-	216,352	668,110	-	-
<b>Non-Executive Directors</b>										
Warwick Grigor	-	-	30,000	90,000	50,000	11,400	216,352	397,752	-	-
<b>Other Key Management Personnel</b>										
Dr Andy Goodwin <sup>(ii)</sup>	-	-	-	395,755	-	-	63,707	459,462	-	-
<b>Total</b>	<b>888,183</b>	<b>24,000</b>	<b>30,000</b>	<b>485,755</b>	<b>150,000</b>	<b>11,400</b>	<b>712,763</b>	<b>2,302,101</b>		

- 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. The above remuneration reflects Dr Goodwin's remuneration as Chief Technology Officer during the 2020 fiscal year. Dr Goodwin resigned from his full-time position at the end of June 2020. Dr Goodwin was appointed as a non-executive director on 1 July 2020.
- iii. Bonus payments reflects entitlements due under appointment contracts for performance in 2020.

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. The Group is in the early development phase of its operations, and due consideration is made of developing long term shareholder value. The Board has regard to the following indices in respect of the current financial year to facilitate the long-term growth of the Consolidated Group:

Item	2021	2020	2019	2018	2107
Sales revenue \$	<b>341,869</b>	289,773	22,771	7,180	-
Loss before tax \$	<b>(6,284,757)</b>	(5,366,149)	(6,986,738)	(7,024,612)	(4,259,960)
Basic loss per shares (cents)	<b>(1.19)</b>	(1.11)	(1.78)	(1.65)	(1.32)
Increase/(decrease) in share price %	<b>133.1</b>	(45.1)	134.2	275.3	(57.5)

### 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
Warwick Grigor	57%	43%	
Dr Andy Goodwin	100%		
Michael Quinert	100%		
Michael Bell	42%		58%
Aditya Asthana	96%	4%	
Craig McGuckin	40%	12%	48%
Peter Youd	53%	13%	35%

### Contractual Arrangements with KMP

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

Name	Base Salary	Duration of Service Agreement	Notice Period		Severance Payment Entitlement
			By Executive	By Company	
Michael Bell	350,000	Ongoing	3 months	3 months	No entitlement
Aditya Asthana	220,000	Ongoing	3 months	3 months	No entitlement

There are no other service agreements in place.

## Share-based compensation

### Shares issued as part of remuneration for the year ended 30 June 2021

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 2021

Options were issued to key management personnel as part of compensation during the year.

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

#### Assumptions:

Valuation date	17 December 2020
Market price of shares	\$0.245
Exercise price	\$0.250
Expiry date (length of time from issue)	8 November 2023 – 2.89 years
Risk free interest rate	0.25%
Volatility	75%
<b>Indicative Value of CEO Option (cents)</b>	<b>0.1158</b>
<b>Total Value of CEO Options</b>	<b>\$579,069</b>

#### Options holdings held by key management personnel

Directors	Balance 01.07.20	Granted	Exercised	Other (i)	Balance 30.06.21	Total vested 30.06.21	Vested & exercisable 30.06.21	Vested & un- exercisable 30.06.21
Warwick Grigor	11,854,951	-	-	-	11,854,951	-	11,854,951	-
Dr Andy Goodwin	3,108,993	-	-	-	3,108,993	3,108,993	3,108,993	-
Michael Quinert	-	-	-	-	-	-	-	-
Michael Bell	-	5,000,000	-	-	5,000,000	-	-	-
Aditya Asthana	-	-	-	-	-	-	-	-
Craig McGuckin	3,715,852	-	-	(715,852)	-	3,000,000	3,000,000	-
Peter Youd	3,703,244	-	-	(703,244)	-	3,000,000	3,000,000	-

(i) Comprise amounts held at date of appointment and date of resignation



### Performance rights issued as part of remuneration for the year ended 30 June 2021

Performance rights were issued to key management personnel as part of compensation during the year. The performance rights were valued at the share price on the date of grant and will vest over the term of 12 months. Please refer Note 17 for full details of the Performance Rights.

#### *Performance rights holdings held by key management personnel*

Directors	Balance 01.07.20	Granted	Exercised	Other	Balance 30.06.21	Total vested 30.06.21	Vested & exercisable 30.06.21	Vested & un-exercisable 30.06.21
Warwick Grigor	-	-	-	-	-	-	-	-
Dr Andy Goodwin	-	-	-	-	-	-	-	-
Michael Quinert	-	-	-	-	-	-	-	-
Michael Bell	-	-	-	-	-	-	-	-
Aditya Asthana	-	60,000	-	-	60,000	-	-	-
Craig McGuckin	-	-	-	-	-	-	-	-
Peter Youd	-	-	-	-	-	-	-	-

#### *Shareholdings held by key management personnel*

Directors	Balance 01.07.20	Granted	Exercise of options	Acquired	Other	Balance 30.06.21
Warwick Grigor	18,883,772	-	-	-	-	18,883,772
Dr Andy Goodwin	2,008,993	-	-	-	-	2,008,993
Michael Quinert	-	-	-	-	-	-
Michael Bell	-	-	-	-	-	-
Aditya Asthana	-	-	-	-	-	-
Craig McGuckin	8,597,092	-	-	-	(1,600,000)	6,997,092
Peter Youd	7,162,674	-	-	-	(49,000)	7,113,674

### Transactions with other related parties

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

No remuneration consultants were utilised at this point in the Company's development.

### Voting Rights

At the 2020 Annual General Meeting held on 9 October 2020 there were 18.75% 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 Graphene Limited as stated on page 35.

### Non-audit services

During the period BDO Corporate Tax (WA) Pty Ltd was paid \$50,454 for the provision of taxation services (2020: \$33,794). BDO Corporate Tax (WA) Pty Ltd is an affiliate member of BDO Audit (WA) Pty Ltd. Refer to Note 24 for further details

The board of directors has considered the position and 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 24, 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 board 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.



**Michael Bell**  
Managing Director

Dated at Perth this 30<sup>th</sup> day of August 2021

### Corporate Governance Statement

The Company's full Corporate Governance Statement is available on the Company's website, [www.firstgraphene.net/corporate/corporate-governance.html](http://www.firstgraphene.net/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.

### Annual General Meeting

The Company's Annual General Meeting will be held in November 2021.

Details will be included in the Annual report and the Notice of Meeting, which will be issued in due course.



Tel: +61 8 6382 4600  
Fax: +61 8 6382 4601  
[www.bdo.com.au](http://www.bdo.com.au)

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

## DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF FIRST GRAPHENE LIMITED

As lead auditor of First Graphene Limited for the year ended 30 June 2021, 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 Graphene Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'J Prue', is written over a light blue horizontal line.

**Jarrad Prue**  
**Director**

**BDO Audit (WA) Pty Ltd**  
Perth, 30 August 2021

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Note	2021 \$	2020 \$
<b>Continuing operations</b>			
Revenue from contracts with customers	3	341,869	289,773
Cost of goods sold		(266,236)	(262,896)
<b>Gross profit/(loss)</b>		<b>75,633</b>	<b>26,877</b>
Other income	4(a)	962,301	1,444,990
Research & development	4(b)	(2,614,609)	(3,229,900)
Selling & marketing	4(c)	(486,502)	(290,548)
Mineral lease maintenance	4(d)	(272,278)	(252,562)
General & administrative	4(e)	(3,920,375)	(3,048,724)
<b>Operating loss</b>		<b>(6,255,830)</b>	<b>(5,349,867)</b>
Finance income	5(a)	1,892	7,337
Finance expense	5(b)	(30,819)	(23,619)
<b>Loss from continuing operations before tax</b>		<b>(6,284,757)</b>	<b>(5,366,149)</b>
Income tax (expense)/benefit	6	-	-
<b>Loss for the year</b>		<b>(6,284,757)</b>	<b>(5,366,149)</b>
<b>Other comprehensive income</b>			
<i>Items which may be reclassified to profit or loss</i>			
Exchange differences arising on translation of foreign operations		9,488	26,609
Other comprehensive income for the year		9,488	26,609
<b>Total comprehensive loss for the year</b>		<b>(6,275,269)</b>	<b>(5,339,540)</b>

## Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the year ended 30 June 2021

### Loss for the year attributable to:

Owners of First Graphene Limited	<b>(6,297,424)</b>	(5,239,650)
Non-Controlling interests	<b>12,667</b>	(126,499)
	<b>(6,284,757)</b>	(5,366,149)

### Total comprehensive loss for the year attributable to:

Owners of First Graphene Limited	<b>(6,287,936)</b>	(5,213,041)
Non-Controlling interests	<b>12,667</b>	(126,499)
	<b>(6,275,269)</b>	(5,339,540)

### Loss per share for the year attributable to the owners of First Graphene Limited

Basic (loss) per share (cents per share)	7	<b>(1.19)</b>	(1.11)
Diluted (loss) per share (cents per share)	7	<b>(1.19)</b>	(1.11)

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

## Consolidated Statement of Financial Position

At 30 June 2021

	Note	2021 \$	2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	7,076,580	8,053,134
Inventories	9	1,152,872	1,601,522
Trade and other receivables		86,015	65,568
Other current assets	10	817,234	332,495
<b>Total current assets</b>		<b>9,132,701</b>	10,052,719
<b>Non-current assets</b>			
Property, plant and equipment	11	2,666,643	2,314,167
Right of use asset	12	342,590	219,067
Inventories	9	3,528,896	1,009,200
Intangible assets		101,652	294,811
Other assets		220,805	215,102
<b>Total non-current assets</b>		<b>4,681,768</b>	4,052,347
<b>Total assets</b>		<b>15,993,287</b>	14,105,066
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	1,321,261	1,569,670
Employee liabilities		154,117	63,221
Financial liabilities	14	4,934,817	-
Lease liabilities	12	359,297	72,791
<b>Total current liabilities</b>		<b>6,769,492</b>	1,705,682
<b>Non-current liabilities</b>			
Lease liabilities		-	152,999
<b>Total non-current liabilities</b>		<b>-</b>	152,999
<b>Total liabilities</b>		<b>6,769,492</b>	1,858,681
<b>Net assets</b>		<b>9,223,795</b>	12,246,385
<b>Equity</b>			
Issued capital	16	98,808,042	95,778,819
Reserves	18	5,607,362	5,887,471
Accumulated losses		(95,361,902)	(89,531,680)
<b>Capital and reserves attributable to owners of First Graphene Limited</b>		<b>9,053,502</b>	12,134,610
Non-controlling interest		170,293	111,775
<b>Total equity</b>		<b>9,223,795</b>	12,246,385

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

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Issued Capital	Share based payments reserve	Option reserve	Translation reserve	Other Reserve	Accumulated losses	Non-controlling interests	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>As at 1 July 2020</b>	<b>95,778,819</b>	<b>5,416,167</b>	<b>467,202</b>	<b>4,102</b>	<b>(71,057)</b>	<b>(89,531,680)</b>	<b>182,832</b>	<b>12,246,385</b>
Loss for the year	-	-	-	9,488	-	(6,297,424)	12,667	(6,284,757)
Foreign currency translation	-	-	-	-	-	-	-	9,488
<b>Total comprehensive loss for the year</b>	-	-	-	9,488	-	(6,297,424)	12,667	(6,275,269)
<b>Transactions with owners in their capacity as owners</b>								
Share placements during the year	898,000	-	-	-	-	-	-	898,000
Shares issued	2,197,825	-	-	-	-	-	-	2,197,825
Transactions with non-controlling interest	(262,977)	-	-	-	25,206	-	(25,206)	-
Share issue costs	-	-	-	-	-	-	-	(262,977)
Share based payment transactions	196,375	223,456	-	-	-	-	-	419,831
Transfer to accumulated losses	-	-	(467,202)	-	-	467,202	-	-
<b>30 June 2021</b>	<b>98,808,042</b>	<b>5,639,623</b>	-	<b>13,590</b>	<b>(45,851)</b>	<b>(95,361,902)</b>	<b>170,293</b>	<b>9,223,795</b>
<b>As at 1 July 2019</b>	<b>85,068,406</b>	<b>4,703,404</b>	<b>467,202</b>	<b>(22,507)</b>	-	<b>(84,292,030)</b>	<b>163,274</b>	<b>6,087,749</b>
Loss for the year	-	-	-	-	-	(5,239,650)	(126,499)	(5,366,149)
Foreign currency translation	-	-	-	26,609	-	-	-	26,609
<b>Total comprehensive loss for the year</b>	-	-	-	26,609	-	(5,239,650)	(126,499)	(5,339,540)
<b>Transactions with owners in their capacity as owners</b>								
Share placements during the year	6,628,696	-	-	-	-	-	-	6,628,696
Shares issued	4,340,997	-	-	-	-	-	-	4,340,997
Change in non-controlling interest holding	-	-	-	-	(71,057)	-	146,057	75,000
Share issue costs	(259,280)	-	-	-	-	-	-	(259,280)
Share based payment transactions	-	712,763	-	-	-	-	-	712,763
<b>30 June 2020</b>	<b>95,778,819</b>	<b>5,416,167</b>	<b>467,202</b>	<b>4,102</b>	-	<b>(89,531,680)</b>	<b>111,775</b>	<b>12,246,385</b>

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

## Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Revenue from sales		334,087	448,161
Payments to suppliers and employees		(8,337,427)	(6,758,025)
Interest received		1,892	7,337
Interest paid		(20,052)	(13,460)
R&D and grant funding received		593,316	1,397,112
Other income		353,226	179,521
<b>Net cash outflows from operating activities</b>	19	<b>(7,074,958)</b>	<b>(4,739,354)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(1,468,502)	(1,122,133)
Proceeds from sale of property, plant and equipment		15,759	1,864
Payments for intellectual property		(71,741)	(49,850)
Payments for investment in third party		-	(215,102)
<b>Net cash outflows from investing activities</b>		<b>(1,524,484)</b>	<b>(1,385,221)</b>
<b>Cash flow from financing activities</b>			
Proceeds from placement of shares		898,000	6,424,171
Proceeds from the exercise of options		2,790,642	4,333,967
Payment of share issue/capital raising costs		(19,133)	(259,280)
Proceeds from non-controlling interest		-	75,000
Proceeds from convertible note		4,102,000	-
Finance lease payments		(151,487)	(68,385)
<b>Net cash inflows from financing activities</b>		<b>7,620,022</b>	<b>10,505,473</b>
Net (decrease)/increase in cash and cash equivalents		<b>(979,420)</b>	4,380,898
Cash and cash equivalents at beginning of the year		8,053,134	3,664,137
Effect of exchange rate fluctuations on cash held		2,866	8,099
<b>Cash and cash equivalents at end of the year</b>	8	<b>7,076,580</b>	<b>8,053,134</b>

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



## Notes to the Consolidated Financial Statements

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### 1. Basis of Preparation

First Graphene Limited (“First Graphene” 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 Graphene Limited  
1 Sepia Close  
Henderson WA 6166

A description of the nature of operations and principal activities of FGR and its subsidiaries (collectively, the “Group”) is included in the Chief Executive Officer’s 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 30 August 2021.

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;

### Accounting policies

#### New standards, interpretation and amendments adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 30 June 2020, except for the adoption of new accounting standards and interpretations effective for annual periods beginning 1 July 2020. The effect of the adoption of these new accounting standards and interpretations did not have a material impact on the annual consolidated financial statements of the Group, the nature and effect of which is discussed below.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## Notes to the Consolidated Financial Statements

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### Going Concern

The financial report is a general purpose financial report which has been prepared on a going concern basis and in accordance with Australian Accounting Standards, the *Corporations Act 2001* and other authoritative pronouncements of the Australian Accounting Standards Board.

### Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board. The financial report also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The following Standards and Interpretations have been issued by the AASB, are relevant to the Group, but are not yet effective and have not been adopted by the Group for the period ending 30 June 2021. Unless otherwise stated, the Group has yet to fully assess the impact of these Standards and Interpretations when applied in future periods.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of First Graphene Limited and its subsidiaries as at 30 June 2021 (the **Group**).

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other voting holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## Notes to the Consolidated Financial Statements

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained'
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

### Foreign currency translation

The financial report is presented in Australian dollars, which is First Graphene 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.

#### *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.

### 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;

## Notes to the Consolidated Financial Statements

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- 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.

### 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.

### 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.

#### COVID Impact

Judgement has been exercised in considering the impacts the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain and staffing. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

#### Share Based Payments Estimates

Judgement has been exercised in calculating the value of share based payments. The closing price of share sales on the day of the award of the share based payment is used for calculating the fair value of the payment.

#### Convertible notes carried at fair value

On initial recognition, the value of the convertible notes was calculated based on the proceeds received. At the reporting date, the fair value of the conversion options within the convertible loan has been assessed to be nil and credit risk has not changed from inception of the loan.

#### 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.

## Notes to the Consolidated Financial Statements

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Inventory held at 30 June 2021 relates to raw material, work in progress and finished goods and is held at net realisable value.

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of any provision is assessed by considering recent sales experience, the ageing of inventories, damaged, obsolete, slow moving inventories and other factors that affect inventory obsolescence.

### 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 way the Group's operations were carried out during the financial year. Discrete financial information about each of these operating businesses is reported to the Board 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:

#### *Graphene production*

As the Company expands its graphene production and inventory, the Board monitors the Company based on actual verses budgeted expenditure incurred.

#### *Research and development*

As the Company expands its research inhouse and in conjunction with third parties, the Board monitors the Company based on actual verses budgeted expenditure incurred.

#### *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 Asset Maintenance*

Although the Company has suspended its mineral exploration and development in Sri Lanka the Board monitors the Company based on actual verses budgeted expenditure incurred.

## Notes to the Consolidated Financial Statements

Business Segment	Graphene Production \$		Research & Development \$		Corporate Services \$		Mining Asset Maintenance \$		Total \$	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenue from external customers	341,869	289,773	-	-	-	-	-	-	341,869	289,773
Point in time Interest revenue	341,869	289,773	-	-	-	-	-	-	341,869	289,773
Operating loss	39,929	(2,487)	(2,572,559)	(1,793,438)	1,892	7,337	-	-	1,892	7,337
Depreciation expense	667,421	556,869	80,319	198,047	(3,513,898)	(3,317,662)	(238,229)	(252,562)	(6,284,757)	(5,366,149)
Amortisation expense	-	-	18,075	-	41,073	29,842	-	58,414	788,813	843,172
Segment assets	4,738,136	2,666,111	3,406,311	3,043,192	7,816,571	8,377,078	32,269	18,685	15,993,287	14,105,066
Segment liabilities	179,708	196,990	239,557	166,308	6,342,001	1,489,067	8,225	6,316	6,769,491	1,858,681

The Group recognises revenue under IFRS 15, using the point in time criteria. This is because the customer obtains control of a promised asset and the entity satisfies a performance obligation. Considerations include, but are not limited to:

- The entity has a present right to payment for the asset
- The customer has legal title to the asset
- The entity has transferred physical possession of the asset to the customer
- The customer has the significant risks and rewards of ownership of the asset
- The customer has accepted the asset.

## Notes to the Consolidated Financial Statements

### 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.

	2021		2020	
	\$		\$	
Geographical segments	Revenue	Total Assets	Revenue	Total Assets
Australia	341,869	9,252,761	285,784	13,974,972
United Kingdom	-	482,374	3,989	113,112
Sri Lanka	-	6,258,152	-	16,982
Total	341,869	15,993,287	289,773	14,105,066

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

#### *Reconciliation of segment assets to the Statement of Financial Position*

	2021	2020
	\$	\$
Total segments assets	23,160,997	21,832,721
Inter-segment elimination	(7,167,710)	(7,727,655)
Total assets per statement of financial position	15,993,287	14,105,066

#### *Reconciliation of segment liabilities to the Statement of Financial Position*

	2021	2020
	\$	\$
Total segments liabilities	23,255,662	17,421,874
Inter-segment elimination	(16,486,171)	(15,563,193)
Total liabilities per statement of financial position	6,769,491	1,858,681

## Notes to the Consolidated Financial Statements

### 3. Revenue from contracts with customers

#### Accounting Policy

The Group accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of the consideration is probable.

Revenues from product sales are recognised when an identified performance obligation is satisfied, and the customer obtains and accepts control of the Company's product. Sales of product generally occur at a point in time, typically upon delivery to the customer.

Taxes collected from customers relating to product and service sales and remitted to governmental authorities are excluded from revenues. The Company expenses incremental costs of obtaining a contract as and when incurred because the expected amortisation period of the asset that the Company would have recognised is one year or less.

	Notes	2021 \$	2020 \$
Types of goods			
Sale of graphene		<b>341,869</b>	289,773
Total revenue from contracts with customers		<b>341,869</b>	289,773

### 4. Operating expenses and other income

#### Accounting Policy

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.

#### 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 other income in the Statement of Profit or Loss and Other Comprehensive Income in the year of receipt.

This includes JobKeeper income received due to COVID-19 during the year which has been presented as other income



## Notes to the Consolidated Financial Statements

### Depreciation

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 3-10 years

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

Other revenue and expenses from continuing operations:

	Notes	2021 \$	2020 \$
<b>(a) Other income</b>			
R&D and grant income		684,186	1,263,583
Government grants related to COVID19		262,356	179,521
Profit on sale of property, plant & equipment		15,759	1,886
		<b>962,301</b>	<b>1,444,990</b>
<b>(b) Research &amp; development</b>			
Employee expenses		938,419	1,013,331
Consultant and research programs		933,307	1,338,571
Legal and taxation expenses		67,286	154,444
Depreciation		64,148	178,050
Amortisation		18,075	19,997
Impairment of intangible assets		250,000	-
Impairment of inventory		(4,680)	46,800
Other		348,054	478,707
		<b>2,614,609</b>	<b>3,229,900</b>
<b>(c) Selling &amp; marketing</b>			
Employee expenses		182,125	115,642
Advertising & promotion		202,074	174,906
Depreciation		1,101	-
Other		101,203	-
		<b>486,502</b>	<b>290,548</b>
<b>(d) Mining lease maintenance</b>			
Employee expenses		63,118	40,473
Depreciation		-	44,900
Rent of premises		57,919	50,785
Other		151,241	116,404
		<b>272,278</b>	<b>252,562</b>
<b>(e) General &amp; administrative</b>			
Employee expenses		1,362,164	299,193
Director, finance & company secretarial fees		573,168	576,107
Legal & other professional fees		863,860	571,446
ASX listing, share registry and other corporate costs		153,011	145,592
Depreciation		39,972	22,215
Amortisation		-	7,627
Share based payment expense		419,831	52,500
Option expenses		-	712,763
Rent of premises		15,740	62,942
Insurances		71,269	105,613
Other		421,360	492,724
		<b>3,920,375</b>	<b>3,048,724</b>

## Notes to the Consolidated Financial Statements

### 5. 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.

	Notes	2021 \$	2020 \$
<b>(a) Finance income</b>			
Interest income on bank deposits		1,892	7,337
		<b>1,892</b>	<b>7,337</b>
<b>(b) Finance expense</b>			
Interest expense		(20,052)	(13,460)
Foreign exchange (loss)/gain - unrealised		(10,767)	(10,159)
		<b>(30,819)</b>	<b>(23,619)</b>

## Notes to the Consolidated Financial Statements

### 6. Income tax

#### Accounting Policy

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:

Income tax expense	2021 \$	2020 \$
<b>(a) Income tax expense/(benefit)</b>	-	-
Current tax	-	-
Deferred tax	-	-
Under/(over) provision in prior years	-	-
<b>Total income tax expense</b>	<b>-</b>	<b>-</b>
<b>(b) Amounts recognised directly in equity</b>		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited in equity		
Current tax	-	-
Deferred tax	-	(155,601)
	<b>-</b>	<b>(155,601)</b>
<b>(c) Reconciliation of income tax expense to prima facie tax payable</b>		
- Loss before income tax from all activities	<b>(8,379,866)</b>	(5,366,254)
- Prima facie income tax benefit on loss before income tax at 30% (2020:30%)	<b>(2,513,960)</b>	(1,609,876)
- Entertainment	<b>3,935</b>	1,972
- Share based payments	<b>125,949</b>	229,579
- Non-assessable income	<b>(139,196)</b>	(220,832)
- Other permanent differences	<b>761,472</b>	190,825
- Deferred tax assets not brought to account	<b>130,016</b>	1,408,332
<b>Income tax expense/(benefit)</b>	<b>-</b>	<b>-</b>
The applicable weighted average effective tax rates	<b>0%</b>	<b>0%</b>
<b>(d) Deferred tax liability</b>		
Prepaid expenditure	-	94,110
PPE	-	-
Other temporary differences	-	31,206
	<b>-</b>	<b>125,136</b>
Off-set of deferred tax assets	-	(125,136)
<b>Net deferred tax liability recognised</b>	<b>-</b>	<b>-</b>

## Notes to the Consolidated Financial Statements

Income tax expense	2021 \$	2020 \$
<b>(e) Unrecognised deferred tax asset</b>		
Tax losses	6,335,089	5,962,227
Capital losses	8,772,623	8,772,623
PPE & Leases	5,012	14,520
Other temporary differences	1,068,198	388,722
	<b>16,180,921</b>	15,138,092
Off-set of deferred tax liabilities	-	(125,136)
<b>Net deferred tax assets unrecognised</b>	<b>16,180,921</b>	15,012,956

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.

### 7. Loss per share

#### Accounting Policy

Loss per share ("LPS") is the amount of post-tax profit attributable to each share. The group presents basic and diluted LPS data for ordinary shares. Basic LPS 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 LPS takes into account the dilutive effect of all potential ordinary shares, being unlisted employee share options on issue.

	Number of shares 2021	Number of shares 2020
Weighted average ordinary shares used in calculating basic earnings per share	530,130,203	474,147,509
Weighted average ordinary shares used in calculating diluted earnings per share	530,130,203	474,147,509
Basic loss per share - cents per share	(1.19)	(1.11)
Diluted loss per share - cents per share	(1.19)	(1.11)

	2021 \$	2020 \$
Loss attributable to the owners of First Graphene used in calculating basic loss per share	(6,297,424)	(5,239,650)
Loss attributable to the owners of First Graphene used in calculating diluted loss per share	(6,297,424)	(5,239,650)

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.

## Notes to the Consolidated Financial Statements

### 8. Cash and cash equivalents

#### Accounting Policy

Cash and cash equivalents in the Statement of Financial Position 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 Statement of Cash Flows, cash and cash equivalents comprise the following at the end of the reporting period:

	2021	2020
	\$	\$
Cash at bank and in hand	<b>7,076,580</b>	8,053,134
	<b>7,076,580</b>	8,053,134

The Group's maximum exposure to financial risk is disclosed in note 15.

### 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 58.

### 9. Inventories

#### Accounting Policy

Raw material, work in progress, finished goods and consumables are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

## Notes to the Consolidated Financial Statements

### Inventories (continued)

<b>Total Inventories</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Raw materials	<b>1,859,988</b>	1,328,904
Work in progress	<b>350,689</b>	272,618
Finished goods	<b>2,513,211</b>	1,056,000
<b>Inventories Gross</b>	<b>4,723,887</b>	2,657,522
Less: Provision for impairment	<b>(42,120)</b>	(46,800)
<b>Carrying amount</b>	<b>4,681,768</b>	2,610,722
<i>Disclosed as:</i>		
Current	<b>1,152,872</b>	1,601,522
Non-current	<b>3,528,896</b>	1,009,200
Total inventory	<b>4,681,768</b>	2,610,722

### 10. Other assets

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Prepayments	<b>817,234</b>	325,455
Security Deposits	-	7040
<b>Total other assets</b>	<b>817,234</b>	332,495

### 11. 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

### Property, plant and equipment (continued)

#### Key estimates and assumptions

#### USEFUL LIFE OF ASSETS

The estimation of useful lives, residual values and depreciation methods require significant management judgements and are regularly reviewed. If they need to be modified, the depreciation and amortisation expense is accounted for prospectively from the date of the assessment until the end of the revised useful life (for both the current and future years).

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

	30 June 2021				
	Exploration equipment	Plant and equipment	Office equipment	Motor vehicles	Total
<b>Carrying amount at beginning of year</b>	-	<b>2,293,523</b>	<b>8,703</b>	<b>11,941</b>	<b>2,314,167</b>
Additions	-	921,996	56,808	-	978,804
Depreciation	-	(615,689)	(9,081)	(2,572)	(627,342)
Movement due to foreign exchange	-	1,002	12	-	1,014
<b>Carrying amount at end of year</b>	-	<b>2,600,832</b>	<b>56,442</b>	<b>9,369</b>	<b>2,666,643</b>

	30 June 2020				
	Exploration equipment	Plant and equipment	Office equipment	Motor vehicles	Total
<b>Carrying amount at beginning of year</b>	<b>30,042</b>	<b>1,326,534</b>	<b>239,464</b>	<b>31,462</b>	<b>1,627,502</b>
Additions	-	1,448,574	5,697	-	1,454,271
Transfers	-	233,091	(233,091)	-	-
Depreciation	(30,290)	(714,665)	(3,369)	(19,739)	(768,063)
Movement due to foreign exchange	248	(11)	2	218	457
<b>Carrying amount at end of year</b>	-	<b>2,293,523</b>	<b>8,703</b>	<b>11,941</b>	<b>2,314,167</b>

## Notes to the Consolidated Financial Statements

### 12. Right of use assets and liabilities

#### Accounting Policy

The Company, as a lessee, will assess whether a contract is, or contains, a lease under AASB 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the contract is assessed to be, or contains, a lease, the Company will recognise a right-of-use asset (Note 1(r)) and a lease liability at the lease commencement date.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

	2021	2020
	\$	\$
<b>Right of Use Assets:</b>		
Cost	579,170	294,175
Accumulated depreciation	(236,580)	(75,108)
Net carrying amount	<u>342,590</u>	<u>219,067</u>
 Movement in Right of use asset:		
Opening balance	219,067	-
Addition	284,994	294,175
Depreciation	(161,471)	(75,109)
Closing balance	<u>342,590</u>	<u>219,067</u>
 <b>Lease Liabilities:</b>		
Current	196,213	72,791
Non-current	163,084	152,999
Total	<u>359,297</u>	<u>225,790</u>
 Movement in Lease liabilities:		
Opening balance	225,790	-
Addition	284,994	294,175
Reduction in lease liabilities	(151,487)	(68,385)
Closing balance	<u>359,297</u>	<u>225,790</u>



## Notes to the Consolidated Financial Statements

### 13. 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.

	2021 \$	2020 \$
<b>Current</b>		
Trade and other payables	<b>1,141,853</b>	1,372,680
Customer deposits	<b>179,508</b>	196,990
	<b>1,321,361</b>	1,569,670

### 14. Financial liabilities

#### Accounting Policy

Convertible notes were issued by the Group which include embedded derivatives. Convertible notes are initially recognised as financial liabilities at fair value.

On initial recognition the fair value of the convertible notes equated to the proceeds received and subsequently the convertible note is measured at fair value. The movements are recognised in profit and loss as finance costs except to the extent the movement is attributed to changes in the group's own credit risk status in which case, it is recognised in Other Comprehensive Income.

#### Terms and Conditions

The Company entered into a Share Placement Agreement with Specialty Materials Investments, LLC (the Investor) on the 27<sup>th</sup> of May 2021.

- Total AUD amount that can be drawn down: \$8,000,000
- Initial deposit shares issued: 2,800,000 shares at \$0.235 per share
- Fee paid: 1,021,276 shares at \$0.235 per share
- Final AUD value of shares to be issued: \$8,480,000 ("subscription amount")
- Other Terms:
  - The final number of shares to be issued by the Company will be determined by applying the Purchase Price (as set out below) to the subscription amount. The Purchase Price will initially be equal to \$0.30 per share and will reset after 10 August 2021 to the average of the five daily volume-weighted average prices selected by the Investor during the 20 consecutive trading days immediately prior to the date of the Investor's notice to issue shares, rounded down to the next half a cent if the share price is at below 50 cents and whole cent if the share price is at above 50 cents, with no discount applicable to this formula. To the extent that Placement Shares are issued after six months, or 12 months, the Investor will receive a discount of, respectively, 3% or 6% to the foregoing Purchase Price formula.
  - The Purchase Price will be the subject of a Floor Price of \$0.16. If the Purchase Price formula were to result in a purchase price that is less than the Floor Price, the Company may refuse to issue shares and instead opt to repay the relevant subscription amount in cash (with a 5% premium), subject to the Investor's right to

## Notes to the Consolidated Financial Statements

receive Placement Shares at the Floor Price in lieu of such cash repayment. The Purchase Price will not be the subject of a cap.

- The Company will issue the Placement Shares in relation to all or part of each of the above investments on the Investor's request, during the period ending 24 months after the date of the investment.
- The Company has retained the right (but has no obligation) to repay the subscription amount in cash in lieu of issuing shares by way of a repayment of the subscription amount together with the difference between the market price of the shares and the Purchase Price (if any) in relation to the shares that would otherwise have been issued.

	2021	2020
	\$	\$
<b>Current</b>		
Convertible liabilities	<b>4,934,817</b>	-
	<b>4,934,817</b>	-

## 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 requirement.

## Notes to the Consolidated Financial Statements

### 15. 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 financial 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 \$7,076,580 (2020: \$8,053,134).

The Company banks with Westpac Banking Corporation (Westpac). Westpac's long term credit ratings are A+ (Fitch Ratings), Aa3 (Moody's Investors Service) and AA- (Standard & Poor's).

	Group	
	2021	2020
	\$	\$
Cash and cash equivalents	7,076,580	8,053,134
	<b>7,076,580</b>	<b>8,053,134</b>

## Notes to the Consolidated Financial Statements

### *Impairment of financial assets*

The group holds trade receivables that are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

### *Trade receivables*

The group applies the AASB 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected credit losses have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 30 June 2021 was determined to be nil.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group and failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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 \$
<b>Consolidated 30 June 2021</b>						
Trade receivables	86,015	-	-	86,015	-	86,015
	<b>86,015</b>	<b>-</b>	<b>-</b>	<b>86,015</b>	<b>-</b>	<b>86,015</b>
<b>Consolidated 30 June 2020</b>						
Trade receivables	55,388	-	-	55,388	-	55,388
	<b>55,388</b>	<b>-</b>	<b>-</b>	<b>55,388</b>	<b>-</b>	<b>55,388</b>

### *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

## Notes to the Consolidated Financial Statements

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.

### 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 Within one year \$	Fixed interest		Non-interest bearing		Total \$
			Within one year \$	1-5 years \$	Within one year \$	1-5 years \$	
<b>30 June 2021</b>							
Financial assets							
Cash and cash equivalents	0.01	7,076,580	-	-	-	-	7,076,580
<b>Total Financial assets at 30 June 2021</b>		<b>7,076,580</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,076,580</b>
Trade and other payables							
Financial liabilities		-	-	-	1,321,361	-	1,321,361
<b>Total financial liabilities at 30 June 2021</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>6,256,178</b>	<b>-</b>	<b>6,256,178</b>
<b>30 June 2020</b>							
Financial assets							
Cash and cash equivalents	0.47	8,053,134	-	-	-	-	8,053,134
<b>Total Financial assets at 30 June 2020</b>		<b>8,053,134</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,053,134</b>
Trade and other payables							
Financial liabilities		-	-	-	1,569,670	-	1,569,670
<b>Total financial liabilities at 30 June 2020</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,569,670</b>	<b>-</b>	<b>1,569,670</b>

## Notes to the Consolidated Financial Statements

Trade and other payables and borrowings are expected to be paid as follows:

	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$
<b>30 June 2021</b>				
Trade and other payables (refer note 13)	1,321,361	-	-	-
Financial liabilities (refer note 14)	4,934,817			
	<b>6,256,178</b>	-	-	-
<b>30 June 2020</b>				
Trade and other payables (refer note 13)	1,569,669	-	-	-
	<b>1,569,669</b>	-	-	-

### 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 GBPE 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 2021 to foreign exchange risk, based on foreign exchange rates as at 30 June 2021 and sensitivity of +/-5%:

	30 June 2021 rate (cents)
US\$/A\$	0.7501
GBP/A\$£	0.5434
LKR/A\$	149.34

## Notes to the Consolidated Financial Statements

	Foreign exchange risk	
	2021 \$	2020 \$
<b>Change in profit/loss due to:</b>		
Improvement in AUD by 5%	(49,021)	(100,732)
Decline in AUD by 5%	49,021	100,732
<b>Change in equity due to:</b>		
Improvement in AUD by 5%	(49,021)	(100,732)
Decline in AUD by 5%	49,021	100,732

### (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				
	2021 \$	-10bps Profit	Equity	+10bps Profit	Equity
Floating rate instruments					
Cash at bank	7,076,580	(6,624)	-	6,624	-
	<b>7,076,580</b>	<b>(6,624)</b>	-	<b>6,624</b>	-
	2020 \$				
Floating rate instruments					
Cash at bank	8,053,134	(7,830)	-	7,830	-
	<b>8,053,134</b>	<b>(7,830)</b>	-	<b>7,830</b>	-

## Notes to the Consolidated Financial Statements

### (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.

	Note	30 June 2021		30 June 2020	
		Carrying amount \$	Net fair value \$	Carrying amount \$	Net fair value \$
<b>Assets carried at amortised cost</b>					
Trade and other receivables		85,815	85,815	65,568	65,568
Total financial assets		<b>85,815</b>	<b>85,815</b>	65,568	65,568
<b>Liabilities carried at amortised cost</b>					
Trade and other payables	13	1,321,361	1,321,361	1,569,670	1,569,670
Financial liabilities	14	4,934,817	4,934,817	-	-
Total Financial Liabilities		<b>6,256,178</b>	<b>6,256,178</b>	1,569,670	1,569,670

#### Fair value hierarchy

The Group classified the fair value of the financial instruments in the table below according to the fair value hierarchy based on the amount of observable inputs used to value the instruments:

- Level 1 – values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – values based on inputs, including quoted prices, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – values based on prices or valuation techniques that are not based on observable market data.

	Note	Fair value measurement using:			
		Total \$	Level 1 \$	Level 2 \$	Level 3 \$
<b>Financial liabilities measured at fair value - 2021</b>					
Convertible liabilities	14	4,934,817	-	4,934,817	-
Total financial assets		<b>4,934,817</b>	-	<b>4,934,817</b>	-

There were no transfers between Level 1, Level 2 and Level 3 during 2021. There is no comparative balances reported in 2020.



## Notes to the Consolidated Financial Statements

### 16. 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.

<b>(a) Ordinary shares</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>	<b>Number</b>	<b>Number</b>
Issued and fully paid	<b>98,808,042</b>	95,778,819	<b>539,900,237</b>	525,667,829
<i>Movements in shares on issue</i>				
At the beginning of the period	<b>95,778,819</b>	85,068,406	<b>525,667,829</b>	445,849,952
Exercise of options	<b>2,197,825</b>	4,341,498	<b>9,636,632</b>	28,885,129
Shares issued to employees	<b>67,375</b>	52,500	<b>275,000</b>	350,000
Entitlement issue	<b>898,000</b>	6,575,695	<b>3,821,276</b>	50,582,248
Shares issued to third party	<b>129,000</b>	-	<b>500,000</b>	-
Share issue costs	<b>(262,977)</b>	(259,280)	-	-
	-	-	-	-
At the end of the period	<b>98,808,042</b>	95,778,819	<b>539,900,237</b>	525,667,829

#### **(b) Share options**

##### *Listed share options*

	<b>2021</b>	<b>2020</b>
	<b>Number</b>	<b>Number</b>
At the beginning of the period	<b>107,471,898</b>	85,774,779
Options issued	<b>120,000</b>	50,582,248
Options exercised	<b>(6,636,632)</b>	(28,885,129)
At the end of the period	<b>100,955,266</b>	107,471,898

#### **(c) Share options**

##### *Unlisted share options*

	<b>2021</b>	<b>2020</b>
	<b>Number</b>	<b>Number</b>
At the beginning of the period	<b>15,000,000</b>	5,000,000
Options issued	<b>5,000,000</b>	10,000,000
Options exercised	<b>(3,000,000)</b>	-
At the end of the period	<b>17,000,000</b>	15,000,000

Refer note 17 for further details on share options issued.

	<b>2021</b>	<b>2020</b>
	<b>Number</b>	<b>Number</b>
<b>(d) Performance rights</b>		
<i>Unlisted performance rights</i>		
At the beginning of the period	-	-
Performance rights issued	<b>120,000</b>	-
Performance rights converted	-	-
At the end of the period	<b>120,000</b>	-

Refer note 17 for further details on performance rights issued.

## Notes to the Consolidated Financial Statements

### 17. 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.

#### Share based payment expense

The Group recognised total share-based payment expenses as follows:

	2021	2020
	\$	\$
Shares issued to employees	67,375	52,500
Option issued to employees	216,555	63,707
Performance rights issued to employees	6,900	-
Shares issued to Advisors	128,500	-
Options issued to directors	-	649,056
Total	<b>419,330</b>	<b>765,263</b>

#### Shares Issued to Employees

On 23 December 2020, the Company issued 275,000 shares at a nominal value of \$0.245 per share to various employees. The total of \$67,375 has been expensed.

#### 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.

	2021		2020	
	Number of Options	Weighted average exercise price (cents)	Number of Options	Weighted average exercise price (cents)
Outstanding 1 July	37,050,000	21.1	27,500,000	15.5
Issued	5,000,000	25.0	10,000,000	25.0
Exercised	(3,000,000)	18.0	(450,000)	15.0
Traded / Sold	(1,419,096)	25.0	-	-
Lapsed	-	-	-	-
Outstanding 30 June	<b>37,630,904</b>	<b>21.6</b>	37,050,000	21.1

## Notes to the Consolidated Financial Statements

### Share-based payments – Options issued

The table below summarises options granted to directors, employees and consultants under the Share Option Plan:

Grant Date	Expiry Date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired/lapsed during the year	Balance at the end of the year	Vested and exercisable during the year
			Number	Number	Number	Number	Number	Number
<b>Unlisted options:</b>								
26 Feb 2019	26 Feb 2022	\$0.18	5,000,000	-	(3,000,000)	-	2,000,000	2,000,000
8 Nov 2019	8 Nov 2023	\$0.25	9,000,000	-	-	-	9,000,000	9,000,000
6 Jan 2020	8 Nov 2023	\$0.25	1,000,000	-	-	-	1,000,000	1,000,000
17 Dec 2020	8 Nov 2023	\$0.25	-	5,000,000	-	-	5,000,000	-
<b>Listed options:</b>								
31 Oct 2017	8 Aug 2021	Various	1,550,000	-	-	-	1,550,000	1,550,000
24 Nov 2017	8 Aug 2021	Various	17,000,000	-	-	-	17,000,000	17,000,000
23 May 2018	8 Aug 2021	Various	3,000,000	-	-	-	3,000,000	3,000,000
14 May 2019	8 Aug 2021	Various	500,000	-	-	-	500,000	500,000

The weighted average remaining contractual life of the options is 0.98 years (2020: 1.79 years).

The issue of unlisted options to the Chief Executive Officer (CEO Options) was approved at the Board of Directors on 17 December 2020.

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

#### Assumptions:

Valuation date	17 December 2020
Market price of shares	\$0.245
Exercise price	\$0.250
Expiry date (length of time from issue)	8 November 2023 – 2.89 years
Risk free interest rate	0.25%
Volatility	75%
<b>Indicative Value of CEO Options (cents)</b>	<b>0.11581</b>
<b>Number of options issued</b>	<b>5,000,000</b>
<b>Total Value of CEO Options</b>	<b>\$579,069</b>
<b>Vested to date</b>	<b>\$216,555</b>

## Notes to the Consolidated Financial Statements

2,000,000 of the options will vest on the first anniversary of employment and 3,000,000 of the options will vest on the second anniversary of employment, subject to the CEO remaining in the employ of First Graphene Limited or any entity associated with First Graphene Limited.

### Share-based payments – Performance rights issued

The following performance rights were granted to employees:

Employee	Number of Performance Rights	Date of Grant	Share Price A\$	Value A\$	Vesting Date
Aditya Asthana	60,000	07/04/2021	0.21	12,600	22/03/2022
Todd McGurgan	60,000	12/04/2021	0.25	15,000	13/04/2022
	<b>120,000</b>			<b>27,600</b>	

Total vesting expense was recognised in the current year of \$6,900. Vesting of these performance rights is based on completing 12 months of continuous service.

## 18. 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.

## 19. Statement of cash flow reconciliation

	2021 \$	2020 \$
<b>(a) Reconciliation of net loss after tax to net cash flows from operations</b>		
Net Loss	<b>(6,284,757)</b>	(5,366,149)
Adjusted for:		
Depreciation	<b>76,153</b>	245,165
Amortisation	<b>18,075</b>	27,624
Impairment of intangible asset	<b>250,000</b>	-
Write back/impairment of inventory	<b>(4,680)</b>	46,800
(Gain)/loss on sale of property, plant and equipment	<b>(15,759)</b>	(1,886)
Share based payments expensed	<b>419,831</b>	52,500
Options expensed	-	712,763
Shares issued to employees as payment for deferred salaries	-	152,025
Foreign exchange loss/(gains)	<b>(10,767)</b>	10,049
<b>Changes in assets/liabilities</b>		
(Increase)/decrease in trade and other receivables	<b>(20,447)</b>	116,682
(Increase)/decrease in inventory	<b>(1,364,264)</b>	(1,034,700)
(Increase)/decrease in prepayments	<b>(129,516)</b>	(66,177)
Decrease in other assets	<b>7,040</b>	-
(Decrease)/increase in trade and other payables	<b>(15,867)</b>	365,950
<b>Net cash (used in) operating activities</b>	<b>(7,074,958)</b>	(4,739,354)

### (b) Non-cash investing and financing activities

## Notes to the Consolidated Financial Statements

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

### 20. Commitments

The Group has no commitments which are not recorded on the statement of financial position as at 30 June 2021. (2020: Nil).

### 21. Results of the parent company

	2021 \$	2020 \$
<b>Current Assets</b>		
Cash and cash equivalents	6,598,192	7,621,249
Trade and other receivables	56,368	55,388
Inventory	1,152,872	1,601,522
Other current assets	687,442	320,742
<b>Total current assets</b>	<b>8,494,874</b>	<b>9,598,901</b>
<b>Non-current assets</b>		
Property, plant and equipment	2,630,599	2,246,962
Right of use asset	342,590	219,067
Intercompany loans receivable	-	-
Inventory	3,528,896	1,009,201
Investment in subsidiaries	650,000	650,000
Investment	220,805	215,102
<b>Total non-current assets</b>	<b>7,372,890</b>	<b>4,357,454</b>
<b>Total assets</b>	<b>15,867,764</b>	<b>13,956,355</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	6,030,222	1,408,068
Employee liabilities	132,190	63,221
Lease Liabilities	196,213	72,791
<b>Total current liabilities</b>	<b>6,358,625</b>	<b>1,544,080</b>
<b>Non-current liabilities</b>		
Lease Liabilities	163,084	152,999
<b>Total non-current liabilities</b>	<b>163,084</b>	<b>152,999</b>
<b>Total liabilities</b>	<b>6,521,709</b>	<b>1,697,079</b>
<b>Net Assets</b>	<b>9,346,055</b>	<b>12,259,276</b>
<b>Equity</b>		
Issued capital	98,808,042	95,778,818
Share based payments reserve	5,639,623	5,416,167
Other reserves	-	467,202
Accumulated losses	(95,101,610)	(89,402,911)
<b>Total equity</b>	<b>9,346,055</b>	<b>12,259,276</b>
Results of the parent entity:		
Loss for the period	(6,165,899)	(5,240,662)
	<b>(6,165,899)</b>	<b>(5,240,662)</b>

## Notes to the Consolidated Financial Statements

### 22. Events since the end of the financial year

Although the Group cannot fully estimate the length or gravity of the COVID-19 effect, from its initial assessment, it is expecting to be able to continue as a going concern.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

### 23. Related party transactions

#### Compensation for key management personnel

The key management personnel compensation included in employee benefits expense (note 4) and share-based payments (note 17), is as follows:

	2021 \$	2020\$
Short term employee benefits	2,220,138	1,589,338
Share based payments	219,706	712,763
	<b>2,439,844</b>	<b>2,302,101</b>

#### Transactions with other related parties

There were no loans to/from related parties in 2021 (2020: Nil)

#### Subsidiaries

The consolidated financial statements include the financial statements of First Graphene 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
		2021	2020		
First Graphene (UK) Ltd	Graphene sales and R&D	100%	100%	Ordinary	England & Wales
MRL Investments (Pvt) Ltd	Holding company	100%	100%	Ordinary	Sri Lanka
MRL Graphene (Pvt) Ltd	Graphene Mining and exploration	100%	100%	Ordinary	Sri Lanka
2D Fluidics Pty Ltd	Development and sale of VFD, TTF and other 2D devices and materials	66.67%	66.67%	Ordinary	Australia

## Notes to the Consolidated Financial Statements

### 24. 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	2021 \$	2020 \$
Remuneration of the auditor of the Group for:		
- Audit services – BDO Audit (WA) Pty Ltd	<b>44,776</b>	44,583
- Taxation services – BDO Corporate Tax (WA) Pty Ltd	<b>50,454</b>	33,794
	<b>95,230</b>	78,377

## Directors' Declaration

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The Directors declare:

1. the financial statements and notes, as set out on pages 36 to 71 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 2021 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 27 to 33 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 section 295 (5) of the Corporations Act 2001. On behalf of the Directors



**Michael Bell**  
Managing Director  
30 August 2021





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 Graphene Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of First Graphene Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 2021 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 (including Independence Standards)* (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.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



### 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.

### Valuation of Inventory

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group's inventory, as disclosed in Note 9 to the financial report, was a key audit matter as the inventory costing and net realisable value ("NRV") calculations require significant estimates and judgements.</p> <p>The determination of NRV of the inventory requires management's judgement in relation to estimating future selling prices, future processing costs and related selling costs.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• assessing the NRV of inventory against the requirements of the Australian Accounting Standards, including comparing managements estimated future selling prices to customer contracts in place at year end;</li> <li>• testing on a sample basis, the reasonableness of the costs capitalised into inventory against the requirements of Australian Accounting Standards;</li> <li>• observing the year end stocktake process and undertaking our own test counts; and</li> <li>• assessing the adequacy of the related disclosures in Note 9 to the financial report.</li> </ul>

### Other information

The directors are responsible for the other information. The other information comprises the information contained in annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

#### **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 (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 10 to 16 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of First Graphene Limited, for the year ended 30 June 2021, 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

A handwritten signature in black ink, appearing to read 'J Prue', written over a light blue horizontal line.

Jarrad Prue

Director

Perth, 30 August 2021

## 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 August 2021.

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

Size of Holding	Number of Shareholders	Number of Share
1 – 1,000	164	30,996
1,001 – 5,000	1,456	4,868,525
5,001 – 10,000	995	7,973,035
10,001 – 100,000	2,112	74,315,806
100,001 and over	515	462,532,324
	<b>5,242</b>	<b>549,720,986</b>

Equity Security	Quoted	Unquoted
Fully Paid ordinary shares	549,720,986	0
Options	0	15,300,000

## Additional Securities Exchange Information

### b) Top 20 Security Holders – Fully Paid Ordinary Shares (FGR) at 24 August 2021

Position	Holder/Group Name	Number of Shares	%
1	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	120,167,300	21.86%
2	TWYNAM INVESTMENTS PTY LTD	22,447,082	4.08%
3	CITICORP NOMINEES PTY LIMITED	20,972,025	3.81%
4	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	18,463,451	3.36%
5	GREGORACH PTY LTD	15,905,946	2.89%
6	BUILDING ON THE ROCK LIMITED	15,781,850	2.87%
7	IPS Holdings	13,828,400	2.52%
8	DEBT MANAGEMENT ASIA CORPORATION	11,696,267	2.13%
9	BNP PARIBAS NOMS PTY LTD <DRP>	8,967,971	1.63%
10	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	7,335,253	1.33%
11	GINGA PTY LTD	6,771,374	1.23%
12	HALLIDAF MANAGEMENT LIMITED	6,704,274	1.22%
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,519,866	1.00%
14	WILLIAM TAYLOR NOMINEES PTY LTD	4,465,959	0.81%
15	BISSAPP SOFTWARE PTY LTD <SUPER FUND ACCOUNT>	3,325,056	0.60%
16	IPS NOMINEES LIMITED	3,259,611	0.59%
17	MS FADILLAH BURHAN HASIBUAN	3,089,230	0.56%
18	MR RICHARD HOPETOUN BITCON	2,860,000	0.52%
19	MR RYAN JEHAN ROCKWOOD	2,500,000	0.45%
20	MR GREGORY JOHN KEIR	2,000,000	0.36%
<b>Total</b>		<b>296,060,915</b>	<b>53.86%</b>
<b>Total Issued Capital</b>		<b>549,720,986</b>	<b>100.00%</b>

#### Shareholders with less than a marketable parcel

At 24 August 2021, there were 526 shareholders holding less than a marketable parcel of shares (\$0.21 cents on this date) in the Company totalling 743,893 ordinary shares. This represented 0.1% of the issued capital.

## Additional Securities Exchange Information

### c) Licence Position as at 24 August 2021

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/R/2	100	Granted	Central
IML/A/HO/8416/R4	100	Granted	Western
EL/225/R3	100	Granted	Central
EL/228/R3	100	Granted	Central
EL/243/R3	100	Granted	Central
EL/321/R1	100	Granted	Central
EL/227/R3	100	Granted	South Central
EL/262/R2	100	Granted	Central
EL/325/R1	100	Granted	Central
EL/326/R1	100	Granted	Central









# CORPORATE DIRECTORY

## Directors

Warwick Grigor	(Non-Executive Chairman)
Dr Andy Goodwin	(Non-Executive Director)
Michael Quinert	(Non-Executive Director)
Michael Bell	(Managing Director & CEO)

## Company Secretary

Aditya Asthana

## Principal Registered Office in Australia

-  1 Sepia Close  
Henderson WA 6166
-  +61 1300 6600 448
-  info@firstgraphene.net
-  www.firstgraphene.net


## Stock Exchange Listings

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

The company is quoted on the **Frankfurt Stock Exchange** under the trading code **FSE:M11**.


The Company is quoted on the **OTCQ8** market in the USA under the trading code **FGPHF**.

## Auditor


-  BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6000

## Share Registry




### Automatic Registry Services

-  Level 2, 267 St Georges Terrace  
Perth WA 6000

### All security holder correspondence to:


-  PO Box 2226  
Strawberry Hills NSW 2021

### Contact:



-  1300 288 664 (within Australia)  
+61 (0)8 9324 2099 (outside Australia)
-  hello@automatic.com.au
-  www.automatic.com.au

## Solicitors - Australia

### Steinepreis Paganin


-  Lawyers and Consultants  
Level 4, The Read Buildings  
16 Milligan Stret  
Perth WA 6000

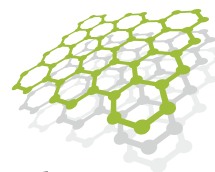
### EMK Lawyers

-  Suite 1, 519 Stirling Hwy  
Cottesloe WA 6011
-  PO Box 103  
Cottesloe WA 6011

## Bankers - Australia

### Westpac Banking Corporation

-  Level 6, 109 St Georges Terrace  
Perth WA 6000



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## Contacts

### EUROPE

#### Global R&D & Marketing

📍 Graphene Engineering & Innovation Centre  
The University of Manchester  
Sackville Street, Manchester  
M13 9PL, United Kingdom

📞 +44 (0)161 826 2350

✉️ [info@firstgraphene.net](mailto:info@firstgraphene.net)

### AUSTRALIA

#### Corporate Headquarters & Manufacturing Plant

📍 1 Sepia Close  
Henderson WA 6166

📞 +61 1300 660 448

✉️ [info@firstgraphene.net](mailto:info@firstgraphene.net)