First Graphite Ltd

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ASX Symbol
FGR, FGROB

Sales Agreement with Government Vein Graphite Mine

Guaranteed supply for a two year period

First Graphite (ASX:FGR) is pleased to advise it has signed a twenty four month Sales Agreement with the Sri Lankan government owned Kahatagaha Graphite Lanka Limited (KGLL) to purchase premium quality graphite.

Highlights

- Binding agreement to purchase 100% of Kahatagaha premium grade vein graphite for a two year period
- Strategic supply will underpin the Company's low-cost graphene production strategies and allow for accelerated graphene production capacity
- Certainty of KGLL material will augment the Company's own mine activities going forward and enable an acceleration of presence in the vein graphite market
- Confirmation of strong relationship with Sri Lankan authorities that give FGR a strong competitive edge

Sales Agreement

The Sales Agreement between the Company and KGLL is for a twenty four month period and specifies the quantity, quality and pricing of the material to be purchased by FGR.

Directors are pleased that KGLL selected FGR as its exclusive partner for this agreement, particularly considering the number of other parties who have approached KGLL in recent times and have been unable to secure such an agreement. It is a reflection of the strong relationship that is building with the Sri Lankan Government, based on FGR's commitment to advancing Sri Lankan production.

As part of the agreement FGR will work with the Government-owned mine to provide assistance for value adding downstream opportunities for KGLL's graphite.

FGR has found that the development of its 100%-own graphite mines in Sri Lanka has been more challenging than anticipated, mostly due to ground conditions in the initial excavation of the shafts. However, these issues are being overcome and directors are confident that saleable production from its own mines will soon be available. Production volumes should improve throughout 2017.

The sales agreement with KGLL will ensure that there is a good supply of graphite through the commissioning and ramp up period without any interruption to the graphene initiative, FGR's primary source of growth going forward.

Managing Director, Mr Craig McGuckin said "*FGR is very pleased to be associated with Kahatagaha Graphite Lanka Limited in a long term supply agreement. Kahatagaha has a long and proud tradition of having been a supplier of high-grade Sri Lankan graphite. That FGR was selected to enter into this long term agreement is a sign of the regard in which the Company is held in the Sri Lankan industry.*"

About First Graphite Ltd (ASX: FGR)

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

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

The Company is developing its own mines and holds 39,500ha of prospective graphite exploration licences in Sri Lanka.

About Graphene

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

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

Nature of vein graphite

Sri Lankan graphite deposition model is best described from the 'bottom up': tension fractures formed in the metamorphic sediments, caused by the folding of the sediments, creating 'conduits' for the hydrothermal deposition of high quality vein graphite. Historically, mining of these veins has found the veins generally increase in thickness and grade quality with increasing depth. Graphite veins generally dip steeply at –70° to near vertical, enabling 'narrow vein' extraction mining techniques similar to those used on narrow vein, high grade gold deposits. The method commonly used is an overhead retreat stoping technique where the high grade vein graphite is mined and hauled to surface without contamination. The graphite selvages, in contact with the surrounding waste, is hauled to surface and stockpiled for upgrading. The balance of the waste is used to fill the floor of the stope.

Due to the nature of the vein graphite, it is anticipated vein widths of ~25cm, using narrow vein mining techniques can be economically extracted from underground operations.

For further information:

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