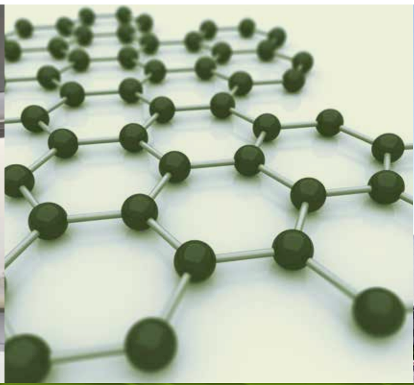
first graphene

The world's leading graphene company




ANNUAL **REPORT** 2019

Graphene - One of the defining substances and technologies of the 21st century.

CORPORATE DIRECTORY

Directors

Warwick Grigor
(Chairman)

Craig McGuckin
(Managing Director)

Peter R. Youd
(Executive Director)

Company Secretaries

Peter R. Youd
Nerida Schmidt

Principal Registered Office in Australia

1 Sepia Close
Henderson WA 6166

P: +61 1300 660 448
E: info@firstgraphene.net
www.firstgraphene.net

Stock Exchange Listings

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

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

Share Registry

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

All securityholder correspondence to:
PO Box 2226, Strawberry Hills, NSW 2012

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E: hello@automic.com.au
www.automic.com.au

Auditor

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

Solicitors Australia

Steinepreis Paganin
Lawyers and Consultants
Level 4
The Read Buildings
16 Milligan Street
Perth WA 6000

Bankers Australia

Westpac Banking Corporation
Level 6
109 St Georges Terrace
Perth WA 6000

OUR VALUES

Authenticity and Trust

We honour our commitments and care about delivering reliable solutions to our customers. We are honest and transparent in our interactions with customers, investors, suppliers and research partners.

Excellence

We are world leaders in the science and engineering of graphene technologies; with highly skilled colleagues working with the best suppliers and research partners.

Team Spirit and Collaboration

We are open, flexible, pro-active, inclusive and responsive.

Ethics and Integrity

We care about our staff, our customers and our environment. We create products and solutions that have a positive impact on people and our planet.

Innovation

We seek out innovative solutions for our customers. We are open to close collaboration with our customers and suppliers to create novel, value adding products and service.

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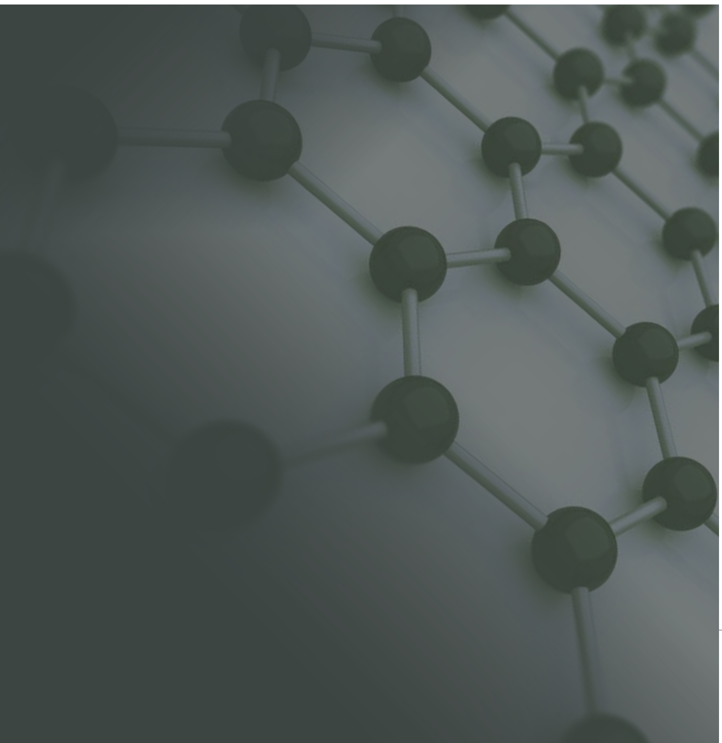


CHAIRMAN'S REPORT

Dear Fellow Shareholder

The past year has seen your Company make significant progress in the advancement of our business plan to commercialise the graphene revolution. To the best of our knowledge we now have the world's largest commercial production facility for high quality powdered graphene, with the emphasis on quality.

Four years ago the Company representatives started attending graphene conferences around the world. As the new kids on the block we were starting on a steep learning curve. Today, as we attend such conferences, what is most noticeable is how rapidly we have progressed compared to our peers. Our business plan is to remain focussed on the delivery of bulk volumes of high quality graphene fit for delivery into industry.

Reclaimer bucket liner enhanced with ArmourGRAPH™

"Where all think alike, no one thinks very much"
Walter Lippman - 1915

Graphene is an amazing new material with the promise of a great future, but too many companies have relied on this perception without taking it to the next step. First Graphene recognised that one of the biggest obstacles to commercialisation of graphene was the availability of reliable supply of consistent quality, fit for delivery into industry. There is no point in companies introducing graphene into their product ranges if they can't get supply. So we constructed the Henderson production facility so we could prove to prospective customers of our ability to supply PureGRAPH®.

After the commissioning of the Henderson plant we spent six months working on quality assurance to ensure we had reliable product quality control. Simultaneously, and continuing even today, we have been working on optimising the process flow sheet to achieve greater efficiency through the introduction, testing and optimisation of specialised finishing equipment. While we have achieved significant success, we also know we can and will do much better with more experience.

Before we could legally sell graphene we had to address regulatory hurdles and register PureGRAPH® as a new material. The first milestone was achieved with REACH registration in Europe, to sell up to 10 tonnes p.a. Six months later we achieved a similar status in Australia, with the NICNAS registration approving sales of up to 100 tonnes p.a. Now this compliance hurdle has been passed we are free to build our sales book.

Graphene is very much a disruptive material. It will bring major cost savings to many industries and introduce significant improvements in performance of the materials to which it is added. As such it will be seen as a threat by many established companies which have leadership in their fields. Why would they want to introduce something that makes their products last longer if that could diminish their sales? Thus, we can expect pushback. This is why we need to be marketing to more aggressive companies that see an opportunity to differentiate their products, rather than be a threat to their markets.

As a bulk supplier of graphene we seek to sell large volumes to industry as opposed to feeding the specialised, low volume markets for consumer-based products. It is all about speed to market. First Graphene can offer exciting technological improvements for products such as fire retardants and concretes, but these take time. They offer great growth opportunities but they won't happen overnight.

In the meantime, we see the addition of PureGRAPH® to polymers and thermoplastics as profitable target markets. Significant improvements in the performance of polymer liners in the mining industry stand out, adding 30-40% improvements in tensile and tear strengths while also fireproofing materials that have been problematic in the past. We have shown the addition of PureGRAPH® to industrial composites can offer both better performance and significant cost savings in their manufacture.

In summary, your team at First Graphene has substantially de-risked the business of making graphene. We have developed valuable, world-leading know-how in the application of PureGRAPH® to a number of industrial product lines. The greatest unknown before us today is the speed of the uptake by industry. Given the compelling advantages offered by the introduction of PureGRAPH® we are confident we face a steep growth curve which will demonstrate a snowballing effect. We look forward to reporting sound progress over the coming months and years.

In closing I would like to thank my fellow directors, Craig McGuckin and Peter Youd for their efforts during the year. Craig has worked tirelessly on the development of production methods which have resulted in the Company being positioned as the world's leading graphene company. Continuing automation will see increased production efficiencies and higher manufacturing throughput, all of which will continue to keep First Graphene at the forefront of the graphene world.

As a board we look forward to an even more exciting and fruitful 2019/20 financial year.

Warwick Grigor
Non-Executive Chairman
30 August 2019

OUR JOURNEY SO FAR

2015 to date

2015 MAY

First results on graphene testing received from University of Adelaide (UoA). The quality of the prepared graphene from Sri Lankan graphite is outstanding and comparable with the quality of graphene prepared by synthetic routes.

2015 AUGUST

Further UoA testing demonstrates high yield from exfoliation method.

2015 SEPTEMBER

Program with UoA to assemble a temporary, scaled down pilot plant to test and further optimise this extraction process with a view to maximise yields and minimising the time taken for the exfoliation process.

2016 FEBRUARY

Further UoA testing demonstrates high yield from exfoliation method.

2016 APRIL

Within 12 months have moved to design of 250 litre full scale cell design.

2016 JULY

Full size cell completed and housed at Nagrom.

2016 SEPTEMBER

Commercial cell commences production with capacity of 5 tonnes per annum. FGR also enters collaboration with Flinders University for commercial development of Vortex Fluidic Device.

2016 OCTOBER

UoA licence agreements for graphene based fire retardant IP.

2017 MARCH

FGR lodges provisional patent application covering its equipment and/or methodology for use in producing graphene from graphite.

2017 MAY

FGR leases premises for new Commercial Graphene Facility. Cell at Nagrom shows greatly improved production rates.

2017 JULY

Development continues on graphene based fire retardant. FGR signs as Tier 1 partner in Australian Research Council Research Hub for Graphene Enabled Industry Transformation (ARC Graphene Research Hub).

2017 OCTOBER
Construction of Commercial Grapephene Facility prgresses on time and budget.

2017 NOVEMBER
Commercial Graphene Facility (CGF) officially opened by Mr Josh Wilson MP, Federal Member for Fremantle on Thursday 23 November 2017.

2017 DECEMBER
First grapehene despatched from the Henderson facility. The shipment went to a USA-based construction materials company for testing in cement products, following on from an enquiry at the IDTechEx Conference in Santa Clara.

2017 SEPTEMBER
Dr Andy Goodwin appointed as consultant to the Company. Dr Goodwin has been primarily responsible for development and commercial-isation of graphene products at his previous employer.

2018 FEBRUARY
Significant milestone, not just for the Company but also for the global graphene industry, with the commencement of production from its CGF at Henderson, Western Australia.

2018 JUNE
FGR joins the world-leading Graphene Engineering & Innovation Centre (GEIC) at the University of Manchester, UK, to accelerate graphene technology development and the commercial adoption of FGR products. 2D Fluidics Pty Ltd launched to commercialise the Vortex Fluidic Device (VFD).

2018 SEPTEMBER
New range of three PureGRAPH® graphene products is announced, with tightly controlled platelet sizes. Dr Andy Goodwin Joins FGR Full-time as Chief Technology Officer.

2018 OCTOBER
Appointment of Chris McMahon as Marketing Manager at the Manchester-based Graphene Engineering Innovation Centre. PureGRAPH® graphene has been successfully incorporated into a high volume application in the mining sector.

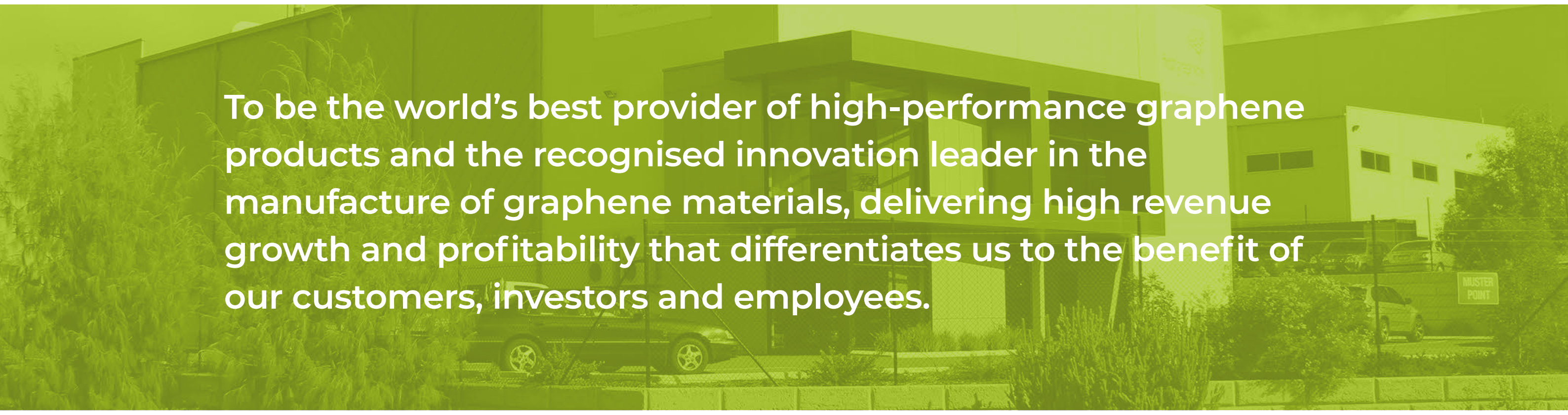
2018 NOVEMBER
2D Fluidics Pty Ltd files PCT Patent application on thin-film processing of graphene oxide and novel nanomaterials. Ability to manufacture high quality graphene oxides in a sustainable process which does not have the environmental impact associated with existing methods.

2018 DECEMBER
newGen has placed an order for 2,000 kg of PureGRAPH® range products to be delivered during 2019, for use in the Armour-GRAPH™ product range.

2019 JANUARY
First Graphene has joined the existing REACH registration for Graphene materials. Registration enables sales of PureGRAPH® at up to 10 tonne/ yearin the UK and Europe.

2019 MAY
National Industrial Chemicals Notification and Assessment Scheme (NICNAS) approval received for Australia. FGR is placed in the unique position of being the only company with regulatory approval to manufacture and sell graphene products in Australia. NICNAS approval augments the Company's existing REACH registration for the UK and Europe.

REVIEW OF OPERATIONS



To be the world's best provider of high-performance graphene products and the recognised innovation leader in the manufacture of graphene materials, delivering high revenue growth and profitability that differentiates us to the benefit of our customers, investors and employees.

During the 2019 fiscal year First Graphene Limited (FGR) made considerable advances in its graphene business. Highlights included:

- Appointment of additional technical staff in both Henderson and Manchester.
- Release of the PureGRAPH® product range, together with a comprehensive Product Information Sheet.
- Appointment of Dr Andy Goodwin as Chief Technology Officer.
- Appointment as the supplier of graphene powders to the Graphene Engineering Innovation Centre (GEIC).
- Registration with the Graphene REACH Registration Consortium, enabling the sale of up to 10 tonnes of graphene in the United Kingdom and European Union.
- Registration in Australia under the National Industrial Chemicals Notification and Assessment Scheme (NICNAS).
- Commenced sales of PureGRAPH® powders to industry partners.
- Launched a new platform to support its growing base of international customers and stakeholders – www.firstgrahene.net.

FGR's concentration has been to market into areas where higher volumes of graphene powders will be utilised. As the world's largest manufacturer of high quality graphene powder, we are in a position to provide volume and quality at a price which is attractive to industry participants for adoption.

Composites

A composite material is composed of two or more materials that when combined, provide superior properties to those of the individual constituents.

In this case, we are referring to fibre reinforced polymer (FRP) composites, which typically use glass, carbon, aramid or natural fibres in combination with polymer resins. PureGRAPH® graphene is generally mixed with the resin prior to combination with the textile reinforcement.

FRP composites are typically used in place of metal structures and components where reduced weight is required, however, PureGRAPH® graphene has been shown to provide a significant step-up in performance of composite materials compared with many other graphene products.

Features and benefits of using PureGRAPH® additives in composites as follows:

Features	Benefits
Disperses well in resins	Easy to use and good dispersion leads to high performance
Increased mechanical strength	Increased composite performance or potential for light-weighting with unchanged performance. Light-weighting of composites could lead to reduced fuel consumption, increased vehicle performance, reduced emissions and potential cost savings
Increased flexural strength of laminates	Potential for thinner and lighter weight composite panels and vandal-proof composite materials
Improved water resistance	Enhanced barrier properties for aquatic applications or where water penetration is an issue
Increased electrical and thermal conductivity	Improved static removal properties and enhanced thermal management characteristics
Fire retardancy	Potential for improved safety in critical applications • Self-extinguishing • Efficient barrier to oxygen • Suppression of toxic and flammable volatiles • Alternative to harmful chemicals • May be used as an additive in an existing FR formulation
Simplified manufacture of composite components	Reduction in localised curing issues

REVIEW OF OPERATIONS (CONTINUED)

Elastomers

PureGRAPH® can be utilised as an additive in a wide range of rubber formulations to significantly enhance their performance in a variety of applications.

Existing applications include wear lining materials for the mining and mineral handling industries and specialist footwear.

Rubber wear linings are frequently used in the mining and mineral handling industries to minimise wear on heavy equipment that needs to handle heavy and abrasive ore and aggregates. The polymer wear liners are sacrificial and are used to protect the steel equipment parts; the key benefit being that the production downtime to replace a polymer liner is relatively short. Wear linings incorporating PureGRAPH® have led to significant improvements in the performance of elastomers, enabling customers to achieve market growth through product superiority and cost savings for end users.

Features and benefits of using PureGRAPH® additives in elastomers as follows:

Features	Benefits
Disperses well in most rubber formulations	Easy to use and efficient dispersion leads to optimisation of enhancements provided by graphene
Increased tensile strength of elastomer (30-40% improvement possible)	Significant step up in performance of elastomers in terms of wear, resistance to damage and extended life
Increased elongation	Improved impact resistance and wear performance over time
Increased abrasion resistance (100-500% improvement possible)	Substantial improvement in wear properties leading to reduced downtime of plants/machines and reduction in part consumption
Increased electrical and thermal conductivity	Improvement in conductivity and heat dissipation possible for specific applications
Fire retardancy	Potential for improved safety in critical elastomer applications
Simplified manufacture of composite components	Reduction in localised curing issues

Concrete

Population growth and rapid urbanisation continue to boost the growth of concrete products but the industry faces major challenges notably the pressure to reduce the carbon footprint (CO_2 contribution) of cement-based products.

The use of graphene admixtures can increase strength, reduce materials usage (reducing carbon footprint) and potentially increase longevity of products.

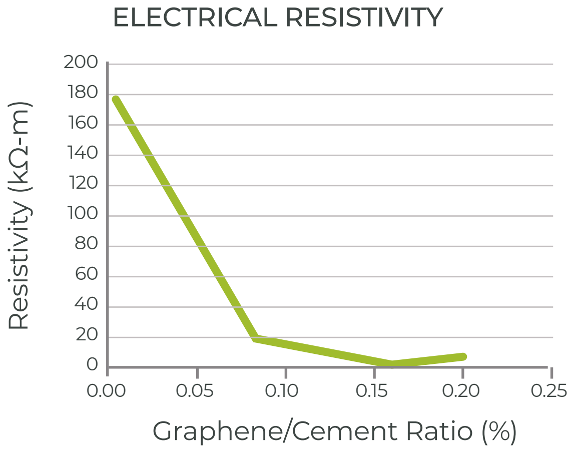
The technology has the potential to deliver stronger, lighter concrete structures enabling a new generation of concrete designs.

PureGRAPH® graphene additives give stronger, lighter concrete structures enabling novel and potentially greener approaches in building and infrastructure project design. External testing show a 34% increase in the compressive strength and a 27% increase in the tensile strength of concrete, when tested to international standard methods.

The chart below indicates that using PureGRAPH® as an additive in concrete reduces the water permeability and potential for re-bar corrosion. A reduction in steel re-bar corrosion could significantly extend the life of reinforced concrete structures.

Features and benefits of using PureGRAPH® additives in mortar and concrete are as follows:

Features	Benefits
Disperses well in most water-based formulations	Easy to use and good dispersion will optimise the final characteristics of the concrete
Stronger and lighter concrete structures	New architectural designs now possible. Potential for reduction of total build cost
Reduction in material usage and carbon footprint caused by cement-based products	Reduced consumption of earth's resources per m^3 of build Reduced carbon footprint
Potential increase in longevity of concrete structures	Extended life of reinforced concrete structures through reduction in corrosion of steel reinforcements over time



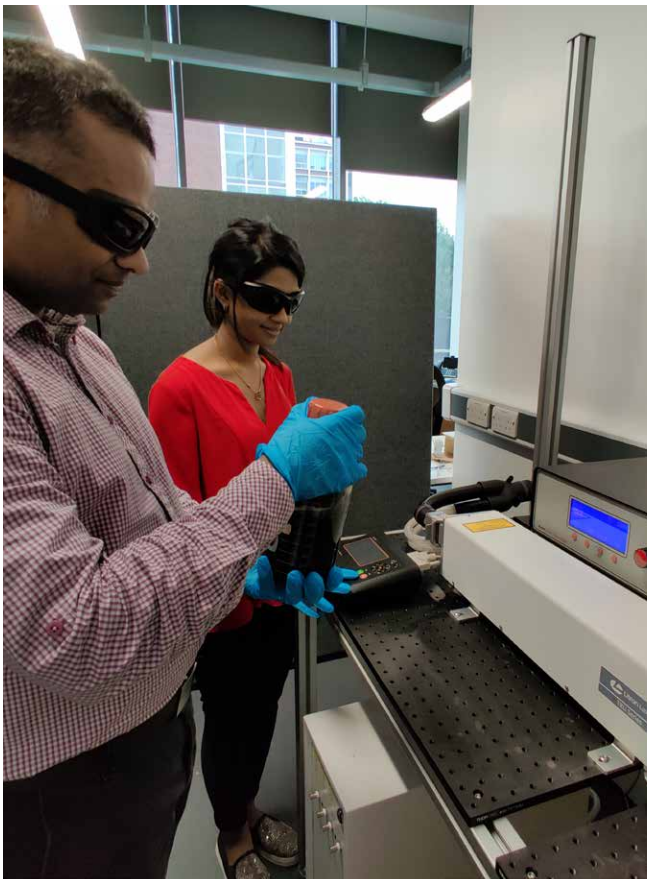
REVIEW OF OPERATIONS (CONTINUED)

2D Fluidics Pty Ltd – Vortex Fluidic Device

A new programme for the Vortex Fluidic Device (VFD) process technology to run at the University of Manchester was initiated in early 2019 and two VFD's have been located within the laboratory of First Graphene Ltd at the Graphene Engineering & Innovation Centre (GEIC), University of Manchester.

Dr Kasturi Vimalanathan the leading researcher in VFD will also co-ordinate evaluations of the VFD approach with researchers across the University departments. In particular the initial focus of Dr Vimalanathan will be to characterise and evaluate the performance of the Green Graphene Oxide (gGo™) developed by 2D Fluidics using the VFD. The programme is expected to accelerate the understanding of gGo™ produced in various real world applications. Of particular interest to the graphene and 2D materials industry is the use of VFD for sustainable manufacture of graphene oxide and the controlled exfoliation of non-carbon 2D materials for electronic and catalyst applications.

Working with the capabilities at the GEIC, 2D Fluidics Pty Ltd and First Graphene Ltd researchers will lead the characterisation of the produced 2D materials and develop scale-up plans for these novel processes.



Sri Lanka – Exploration and Evaluation Assets

In July 2018 the board took the decision to curtail mining activities at Aluketiya, Sri Lanka and to place all exploration and mining assets on care and maintenance. This decision enabled management to focus on the Company's core business of graphene development and production and generated considerable costs savings. Contemporaneously, the Company continued to purchase and import high grade graphite from Kahatagaha Graphite Lanka Limited (KGLL). As at the date of this report FGR holds over 300 tonnes of raw graphite in its warehouse in Perth. As reported on 4 July 2019 FGR placed an order for an additional 500 tonnes of KGLL graphite.

Given the above circumstances the board has resolved to write down the carrying value of its exploration and evaluation assets as required under the accounting standards. This conservative approach will also ensure future earnings are not impinged upon by future write downs in these assets.

AIM

Late in 2018 the Company commenced the process to seek admission to the Alternative Investment Market (AIM) in the United Kingdom. Market conditions prior to the year end led the Board to hold the project over to the new year and conduct a review of the equity market conditions and the status of the UK's Brexit negotiations, the latter meant to having been resolved by the end of March 2019. As shareholders are aware the Brexit conundrum continues and as a result the Board resolved to not seek admission to AIM. This decision has proven prescient, as recent data showed funds raised on AIM fell year on year in May and June by 71% and 78% respectively. The £2.2bn raised on AIM through to the end of June is down 38% on the £3.57bn raised at the same stage in 2018.

Environment

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

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

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

Safety

Employment and Training Program

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

CONSOLIDATED FINANCIAL REPORT 2019

For the year ended 30 June 2019

DIRECTORS' REPORT

The directors present their report together with the financial report of First Graphene Limited ('Company') and the entities it controlled ('Consolidated Entity' of 'Group') for the year ended 30 June 2019.

Directors

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

Warwick Grigor *BEc. LLB, MAusIMM, FAICD*

Non-Executive Chairman

Mr Grigor is a highly respected and experienced mining analyst, with an intimate knowledge of all market related aspects of the mining industry. He is a graduate of the Australian National University having completed degrees in law and economics. His association with mining commenced with a position in the finance department of Hamersley Iron, and from there he moved to 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

Non-executive director of Peninsular Energy Limited.

Interests in shares and options

Ordinary shares	17,105,946
Options	5,137,500

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

Managing Director

Mr McGuckin is a qualified mining professional with 33 years' experience in the mining, drilling and petroleum industries. He has held senior positions including Senior Planning Engineer, Mine Manager and Managing Director of private and publicly listed companies.

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

Former directorships in the last 3 years

None

Interests in shares and options

Ordinary shares	7,881,240

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 30 years Mr Youd has held a number of senior management positions and directorships for publicly listed and private companies in Australia and overseas.

Other Current Directorships

Non-executive director of Haranga Resources Limited.

Former directorships in the last 3 years

None

Interests in shares and options

Ordinary shares	6,511,521
Options	52,091

Clive Carver

Non-Executive Director

Mr Carver spent five years at Williams de Broe, which became part of the ING Group, where he became head of Corporate Finance and Corporate Sales.

From 2006 to 2011 Mr Carver worked for finnCap, where he was a main Board Director and head of Corporate Finance.

Mr Carver was an AIM Qualified Executive for 15 years. He is also a qualified Corporate Treasurer.

Appointed 22 October 2018
Resigned 4 February 2019

DIRECTORS' REPORT (CONTINUED)

Former directorships in the last 3 years

None

Interests in shares and options None

Company Secretaries

Peter Youd *B Bus (Accounting), AICA*

Nerida Schmidt *B Com, CPA, F Fin (GDipAFin), ACIS (GDip CSP)*

Ms Schmidt has 28 years' professional experience as the CFO and company secretary of a number of ASX, TSX and AIM listed companies in a variety of industries and has consulted to a number of listed and unlisted entities providing corporate, company secretarial and financial services. She holds a Bachelor of Commerce from the University of Western Australia, is a Certified Practising Accountant and a Fellow of Finsia. She is also a Chartered Secretary and holds a Graduate Diploma in Company Secretarial Practice.

Results and Dividends

The Group result for the year was a loss of $6,986,738 (2018: loss of $7,024,612).

No final dividend has been declared or recommended as at 30 June 2019 or as at the date of this report (2018: $ nil).

No interim dividends have been paid (2018: 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

In the period from the year end until 30 August 2019 $2.4 million was received from the exercise of options. There are no other known subsequent events of a material nature.

Significant Changes in State of Affairs

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

Likely Developments and expected results of operations

The Directors have excluded from this report any further information on the likely developments in the operations of the Group and the expected results of those operations in future financial years, other than as mentioned in the Chairman's Statement and Review of Operations as the Directors have reasonable grounds to believe the 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 Principle 8: "*Remunerate fairly and responsibly*" of the Remuneration Report (page 16) and the Corporate Governance Principles (page 22).

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 operations are subject to regulation In Australia by the National Industrial Chemicals Notification and Assessment Scheme (NICNAS) and by the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) in the European Union and United Kingdom.

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.

DIRECTORS' REPORT (CONTINUED)

Share Options

At the date of this report, First Graphene Limited has the following listed options holders holding options exercisable into ordinary shares in First Graphene Limited.

Listed	Grant Date	Date of Expiry	Exercise Price	Number under option
Share option	Various	8 August 2021	(a) $0.20 each, if exercised after 8 August 2019 but on or before 8 August 2020; and (b) $0.25 each, if exercised after 8 August 2020 but on or before 8 August 2021.	56,914,212
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	5,000,000

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	3	3
Craig McGuckin	3	3
Peter Youd	3	3
Clive Carver Resigned 4 Feb 2019	-	-

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.

DIRECTORS' REPORT (CONTINUED)

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 disclosed in this report:

Mr Craig McGuckin	
Mr Peter Youd	
Dr Andy Goodwin	(Appointed 19 September 2018)
Mr Warwick Grigor	
Mr Clive Carver	(Appointed 22 October 2018, resigned 4 February 2019)

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 FGR. At this stage of the Company's development there is no contractual performance based remuneration.

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

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

Non-Executive Director Remuneration

The Company's policy is to remunerate non-executive Directors at a fixed fee for time, commitment and responsibilities. Remuneration for Non-Executive Directors is not linked to individual performance. Given the Company is at its early stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unlisted options to Non-Executive Directors, subject to obtaining the relevant approvals. This Policy is

DIRECTORS' REPORT (CONTINUED)

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. This does not comply with Recommendation 8.1 that the committee consist of only non-executive directors.

Executive Officer Remuneration, including Executive Directors

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

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

DIRECTORS' REPORT (CONTINUED)

Details of remuneration for the year ended 30 June 2019

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	Post-Employment Entitlements	Total	Value of remuneration which is performance related
30 June 2019	**A$**	**A$**	**A$**	**A$**	**A$**	**A$**	**%**
Executive Directors							-
Craig McGuckin (i)	476,597	12,000	-	-	-	488,597	-
Peter Youd (i)	421,919	12,000	-	-	-	433,919	-
Other Key Management Personnel							
Dr Andy Goodwin	108,799	-	-	257,808	-	366,607	-
Non-Executive Directors							
Warwick Grigor	-	-	30,000	82,500	10,450	122,950	-
Clive Carver (ii)	-	-	-	-	-	-	-
Total	**1,007,315**	**24,000**	**30,000**	**340,308**	**10,450**	**1,412,073**	

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. Mr Carver was appointed on 22 October 2018 and resigned on 4 February 2019

DIRECTORS' REPORT (CONTINUED)

Details of remuneration for the year ended 30 June 2018

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	Share Based Payments	Bonus Payment (iii)	Post-Employment Entitlements	Total	Value of remuneration which is performance related
30 June 2018	**A$**	**A$**	**A$**	**A$**	**A$**	**A$**	**A$**	**%**
Executive Directors								
Craig McGuckin (i)	479,621	12,000	-	160,000	244,000	-	895,621	-
Peter Youd (i)	417,823	12,000	-	160,000	244,000	-	833,823	-
Non-Executive Directors								
Warwick Grigor	42,000	-	30,000	160,000	-	-	232,000	
Chris Banasik (ii)	12,000	-	14,579	64,000	-	-	90,579	-
Total	**951,444**	**24,000**	**44,579**	**544,000**	**488,000**	**-**	**2,052,023**	**-**

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. Mr Banasik resigned 14 February 2018

iii. Payments to Messrs McGuckin and Youd were based on share price movements in the 2016-17 year. The payments were in cash, which was reinvested in the Company through the exercise of options held by Messrs McGuckin and Youd.

DIRECTORS' REPORT (CONTINUED)

Relationship between Remuneration and Company Performance

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

Name	% Fixed remuneration	% Short Term Incentive	% Long Term Incentive
Craig McGuckin	100	-	-
Peter Youd	100	-	-
Warwick Grigor	100	-	-
Dr Andy Goodwin	100	-	-

Service Agreements

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

Name	Term of agreement and notice period	Base fee	Termination payment (3)
Mr Craig McGuckin	No fixed term; 12 months(1)	$492,408(2)	None
Mr Peter Youd	No fixed term; 12 months(1)	$431,258(2)	None
Dr Andy Goodwin	No fixed term; 3 months	£212,000	None

1. The twelve-month notice period applies only to the Company. The executive is required to give three months' notice.
2. Base fee quoted is for the period ended 30 June 2019 and includes vehicle allowance.
3. Notice period of termination benefit in lieu of notice (on behalf of the Company), other than for gross misconduct.

There are no other service agreements in place.

Share-based compensation

Shares issued as part of remuneration for the year ended 30 June 2019

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 2019

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

DIRECTORS' REPORT (CONTINUED)

Options and rights holdings held by key management personnel

Directors	Balance 01.07.18	Granted	Exercised	Other	Balance 30.06.19	Total vested 30.06.19	Vested & exercisable 30.06.19	Vested & un-exercisable 30.06.19
C McGuckin	-	-	-	-	-	-	-	-
P Youd	52,091	-	-	-	52,091	52,091	52,091	-
W Grigor	5,137,500	-	-	-	5,137,500	5,137,500	5,137,500	-
Dr Andy Goodwin (i)	-	-	(450,000)	2,000,000(i)	1,550,000	1,550,000	1,550,000	-
C Carver	-	-	-	-	-	-	-	-

(i) Dr Goodwin held 2,000,000 options prior to his appointment as Chief Technology Officer

Shareholdings held by key management personnel

Directors	Balance 01.07.18	Granted	Acquired	Other	Balance 30.06.19
C McGuckin	7,631,240	-	250,000	-	7,881,240
P Youd	6,511,521	-	-	-	6,511,521
W Grigor	17,105,946	-	-	-	17,105,946
Dr Andy Goodwin(i)	-	-	1,450,000(i)	-	1,450,000
C Carver	-	-	-	-	-

(i) Dr Goodwin had purchased 1,000,000 shares prior to his appointment as Chief Technology Officer

Transactions with other related parties

During the reporting period, placement fees were paid to Far East Capital Limited, a company of which Mr Grigor is a Director, for equity raisings during fiscal 2019 totalling $197,868 (2018: $207,912). There were no other payments to related parties.

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

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

Voting Rights

At the 2018 Annual General Meeting held on 23 November 2018 there were 15.81% of the votes against the adoption of the remuneration report.

End of audited Remuneration Report

DIRECTORS' REPORT (CONTINUED)

Auditor's independence

The Directors received the independence declaration from the auditor of First Graphene Limited as stated on page 23.

Non-audit services

During the period BDO Corporate Tax (WA) Pty Ltd was paid $27,038 for the provision of taxation services (2018: $23,829). BDO Corporate Tax (WA) Pty Ltd is an affiliate member of BDO Audit (WA) Pty Ltd. Refer to Note 23 for further details

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

- all non-audit services have been reviewed by the 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.

Craig McGuckin
Managing Director

Dated at Perth this 30th day of August 2019

Corporate Governance Statement

The Company's full Corporate Governance Statement is available on the Company's website, 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.

AUDITOR'S INDEPENDENCE DECLARATION

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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 2019, 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.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 30 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	2019	2018
Continuing operations		**A$**	A$
Revenue from contracts with customers		**22,771**	7,180
Cost of goods sold		**(30,112)**	-
Gross profit/(loss)		**(7,341)**	7,180
Other income	3(a)	**1,684,458**	942,052
Administration expense	3(b)	**(2,250,394)**	(1,426,559)
Insurance		**(102,659)**	(75,232)
Legal fees		**(61,934)**	(67,557)
Employee benefits expense	3(c)	**(548,821)**	(66,326)
Occupancy costs		**(84,681)**	(73,884)
Communication costs		**(125,746)**	(93,527)
Development mining expenses	3(d)	**(304,834)**	(1,313,348)
Technical research expenses	3(e)	**(2,476,028)**	(3,285,612)
Depreciation and amortisation		**(494,642)**	(230,172)
Impairment of exploration and evaluation assets	9	**(1,856,109)**	-
Share based payments expense	3(f)	**(361,976)**	(1,258,679)
Loss on deconsolidation of Subsidiary	19	**(57,513)**	-
Operating loss		**(7,048,220)**	(6,941,664)
Finance income	3(g)	**107,284**	11,322
Finance expense	3(g)	**(45,802)**	(94,270)
Loss from continuing operations before tax		**(6,986,738)**	(7,024,612)
Income tax (expense)/benefit	4	**-**	-
Loss for the year		**(6,986,738)**	(7,024,612)
Other comprehensive income			
Items which may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		**9,385**	13,721
Other comprehensive income for the year		**9,385**	13,721
Total comprehensive loss for the year		**(6,977,353)**	(7,005,463)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

Loss for the year attributable to:			
Owners of First Graphene Limited		**(7,364,644)**	(6,204,170)
Non-Controlling interests		**377,906**	(820,442)
		(6,986,738)	(7,024,612)
Total comprehensive loss for the year attributable to:			
Owners of First Graphene Limited		**(7,355,259)**	(6,185,021)
Non-Controlling interests		**377,906**	(820,442)
		(6,977,353)	(7,005,463)
Loss per share for the year attributable to the owners of First Graphene Limited			
Basic (loss) per share (cents per share)	5	**(1.78)**	(1.65)
Diluted (loss) per share (cents per share)	5	**(1.78)**	(1.65)

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 2019

	Note	2019 A$	2018 A$
Assets			
Current assets			
Cash and cash equivalents	6	**3,664,137**	4,838,929
Inventories	7	**1,005,641**	571,008
Trade and other receivables	8	**182,250**	219,429
Other current assets		**377,841**	97,597
Total current assets		**5,229,869**	5,726,963
Non-current assets			
Exploration and evaluation assets	9	**-**	1,824,117
Property, plant and equipment	10	**1,627,502**	1,229,343
Intangible assets		**250,000**	250,000
Investment in associate	20	**-**	-
Total non-current assets		**1,877,502**	3,303,460
Total assets		**7,107,371**	9,030,423
Liabilities			
Current liabilities			
Trade and other payables	11	**1,019,622**	1,501,015
Borrowing	12	**-**	541,638
Lease liabilities		**-**	76,477
Total current liabilities		**1,019,622**	2,119,130
Non-current liabilities			
Lease liabilities		**-**	11,048
Total non-current liabilities		**-**	11,048
Total liabilities		**1,019,622**	2,130,178
Net assets		**6,087,749**	6,900,245
Equity			
Issued capital	14	**85,068,406**	79,104,128
Reserves	16	**5,148,099**	4,313,941
Accumulated losses		**(84,292,030)**	(76,437,389)
Capital and reserves attributable to owners of First Graphene Limited		**5,924,475**	6,980,680
Non-controlling interest		**163,274**	(80,435)
Total equity		**6,087,749**	6,900,245

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital	Share based payments reserve	Option reserve	Translation reserve	Other reserve	Accumulated losses	Non-controlling interests	Total
As at 1 July 2018	**79,104,128**	**4,368,628**	**467,202**	**(31,892)**	**(489,997)**	**(76,437,389)**	**(80,435)**	**6,900,245**
Loss for the year	-	-	-	-	-	(7,364,644)	377,906	(6,986,738)
Foreign currency translation	-	-	-	9,385	-	-	-	9,385
Total comprehensive loss for the year				9,385	-	(7,365,644)	377,906	(6,977,353)
Transactions with owners in their capacity as owners					-			
Share placements during the year	4,950,000	-	-	-	-	-	-	4,950,000
Shares issued	1,363,011	-	-	-	-	-	-	1,363,011
Transfer to accumulated losses	-	-	-	-	489,997	(489,997)	-	-
De-recognition of non-controlling interest	-	-	-	-	-	-	(134,197)	(134,197)
Share issue costs	(348,733)	-	-	-	-	-	-	(348,733)
Options sold during the year	-	-	-	-	-	-	-	-
Share based payment transactions	-	334,776	-	-	-	-	-	334,776
30 June 2019	**85,068,406**	**4,703,404**	**467,202**	**(22,507)**	**-**	**(84,292,030)**	**163,274**	**6,087,749**
As at 1 July 2017	**73,091,669**	**3,279,949**	**-**	**(51,041)**	**-**	**(70,233,219)**	**-**	**6,087,358**
Recognition of non-controlling interest	-	-	-	-		-	250,010	250,010
Loss for the year	-	-	-	-	-	(6,204,170)	(820,442)	(7,024,612)
Foreign currency translation	-	-	-	19,149	-	-	-	19,149
Total comprehensive loss for the year	-	-	-	19,149	-	(6,204,170)	(570,432)	(7,005,463)
Transactions with owners in their capacity as owners								
Share placements during the year	5,568,000	-	-	-	-	-	-	5,568,000
Shares issued upon the conversion of options	695,162	-	-	-	-	-	-	695,162
Share issue costs	(250,703)	-	-	-	-	-	-	(250,703)
Transactions with NCI	-	-	-	-	(489,997)	-	489,997	-
Options sold during the year	-	-	467,202	-	-	-	-	467,202
Share based payment transactions	-	1,088,679	-	-	-	-	-	1,088,679
30 June 2018	**79,104,128**	**4,368,628**	**467,202**	**(31,892)**	**(489,997)**	**(76,437,389)**	**(80,433)**	**6,900,245**

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

NOTES TO THE CONSOLIDATED OF CASH FLOWS

For the year ended 30 June 2019

	Note	2019	2018
		A$	A$
Cash flows from operating activities			
Revenue from sales		**22,771**	7,180
Payments to suppliers and employees		**(6,866,333)**	(6,039,409)
Interest received		**14,031**	11,322
Interest paid		**(48,837)**	(17,492)
R&D and grant funding received		**1,142,172**	642,906
Other income		**408,602**	120,203
Net cash outflows from operating activities	17	**(5,327,594)**	(5,275,290)
Cash flows from investing activities			
Payments for property, plant and equipment		**(889,244)**	(1,005,767)
Proceeds from sale of property, plant and equipment		**20,845**	64,795
Deconsolidation of subsidiary, net of cash		**(191,568)**	-
Net cash outflows from investing activities		**(1,059,967)**	(940,972)
Cash flow from financing activities			
Proceeds from placement of shares		**4,957,031**	5,398,000
Proceeds from the sale of options		**-**	467,202
Proceeds from the exercise of options		**1,335,811**	695,162
Proceeds from non-controlling interest		**-**	10
Payment of share issue/capital raising costs		**(464,893)**	(118,835)
Proceeds from borrowing		**-**	501,583
Repayments of borrowing		**(533,419)**	-
Finance lease payments		**(87,525)**	(58,304)
Net cash inflows from financing activities		**5,207,005**	6,884,818
Net increase/(decrease) in cash and cash equivalents		**(1,180,556)**	668,556
Cash and cash equivalents at beginning of the year		**4,838,929**	4,175,134
Effect of exchange rate fluctuations on cash held		**5,764**	(4,761)
Cash and cash equivalents at end of the year	6	**3,664,137**	4,838,929

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

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

First 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 Directors' Report, which is not part of these financial statements.

The financial statements were authorised for issue in accordance with a resolution of the directors on 30 August 2019.

The financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on a historical cost basis except for assets and liabilities and share-based payments which are required to be measured at fair value. The basis of measurement is discussed further in the individual notes;
- is presented in Australian dollars;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2018.
- adopted AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to AASB 1010.'
- adopted Accounting Standards and Interpretations which have been issued or amended including consequential amendments to other standards which was adopted on 1 July 2018.

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 2018, except for the adoption of new standards effective as of 1 July 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments which do not require restatement of previous financial statements. The nature and effect of these changes are disclosed below.

AASB 15 Revenue

AASB 15 Revenue establishes a new revenue recognition model which changes, expands and improves disclosures about revenue. Whilst the standard was effective 1 July 2018, its adoption did not have a material impact on the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 July 2018 did not give rise to any material transitional adjustments. The new accounting policies (applicable from 1 July 2018) are set out below.

In accordance with the transitional provisions in AASB 9(7.2.15) and (7.2.26), comparative figures have not been restated.

Revised Accounting Policy

Classification and measurement

Except for certain trade receivables the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under AASB 9 financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's financial assets are, as follows:

- Debt instruments at amortised cost, for financial assets which are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the 'SPPI criterion'. This category includes the Group's trade and other receivables.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the SPPI criterion.

On transition to AASB 9 the assessment of the Group's business models was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' ("ECL") model. The new impairment model is applied to financial assets measured at amortized cost, contract assets and debt investments at Fair Value Through Other Comprehensive Income ("FVOCI"), but not to investments in equity instruments.

Under AASB 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECL: these are ECLs that result from all possible default events over the expected life of a financial instrument.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (I.e. the difference between the cash flows due to the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The Group has adopted a simplified approach for trade receivables on the initial transaction date (1 July 2018) with an amount equal to the full ECL to be recognized. As the ECL assessment has resulted in an immaterial credit loss, no impairment allowance has been recognized by the Group.

AASB 16 Leases

AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases into its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.

The Group is still assessing the potential impact of the adoption of this standard.

Adoption is mandatory for financial years commencing on or after 1 January 2019, but available for early adoption. Expected date of adoption by the group: 1 July 2019.

Basis of consolidation

The consolidated financial statements comprise the financial statements of First Graphene Limited (**First Graphene**) and its subsidiaries as at 30 June 2019 (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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Investment in Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in the statement of comprehensive income and reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equal, or exceed, its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

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

OTHER ACCOUNTING POLICIES

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

KEY ESTIMATES AND JUDGEMENTS

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

THE NOTES TO THE FINANCIAL STATEMENTS

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

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

The notes are organised into the following sections:

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

A brief explanation is included under each section.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Performance For the Year

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

2. Segment reporting

Identification of reportable segments

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

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

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

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.

Graphene production

The Board has defined a new reportable segment for the current year, being graphene production from the Henderson facility. As the Company expands its graphene production and inventory, 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 and exploration activities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Business Segment	Mining and Exploration		Research & Development		Graphene Production		Corporate Services		Total	
	2019 A$	2018 A$	**2019 A$**	2018 A$	**2019 A$**	2018 A$	**2019 A$**	2018 A$	**2019 A$**	2018 A$
Revenue from external customers	**-**	-	**-**	-	**22,771**	7,180	**-**	-	**22,771**	7,180
Interest revenue	**1,789**	2,440	**612**	99	**-**	-	**11,630**	15,943	**14,031**	18,482
Operating loss	**(2,292,043)**	(1,652,165)	**(989,364)**	(2,364,025)	**(1,470,577)**	-	**(2,234,754)**	(3,008,422)	**(6,986,738)**	(7,024,612)
Depreciation expense	**140,381**	151,350	**337,299**	54,284	**-**	-	**2,217**	2,548	**479,897**	208,182
Amortisation expense	**14,744**	21,990	**-**	-	**-**	-	**-**	-	**14,744**	21,990
Segment assets	**64,134**	2,216,945	**3,150,752**	2,212,263	**-**	-	**3,892,485**	4,601,215	**7,107,371**	9,030,423
Segment liabilities	**12,709**	34,522	**255,203**	520,953	**-**	-	**751,710**	1,574,703	**1,019,621**	2,130,178

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Geographical areas

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

	2019		2018	
Geographical segments	**Revenue**	**Total Assets**	Revenue	Total Assets
Australia	**20,701**	**7,027,171**	7,180	8,714,548
Great Britain	**2,070**	**29,724**	-	-
Sri Lanka	**-**	**50,476**	-	313,279
Total	**22,771**	**7,107,371**	7,180	9,030,423

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

Reconciliation of segment assets to the Statement of Financial Position

	2019	2018
Total segments assets	**8,613,843**	10,222,216
Inter-segment elimination	**(1,506,472)**	(1,191,793)
Total assets per statement of financial position	**7,107,371**	9,030,423

Reconciliation of segment liabilities to the Statement of Financial Position

	2019	2018
Total segments liabilities	**7,655,421**	8,859,579
Inter-segment elimination	**(6,635,799)**	(6,840,148)
Total liabilities per statement of financial position	**1,019,622**	2,019,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Operating profit and finance income and expense

Accounting Policy

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

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

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

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

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.

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 3-7 years

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Revenue and expenses from continuing operations

	Notes	2019	2018
(a) Other income			
R&D and grant income		**1,666,528**	921,238
Profit on sale of property, plant & equipment		**16,790**	20,814
Miscellaneous income		**1,140**	-
		1,684,458	942,052
(b) Administrative expenses include:			
Financial administration and other consultancy		**431,000**	155,114
Directors fee and directors salary		**335,252**	748,402
Audit and accounting fees		**37,620**	38,286
Other accounting services		**43,565**	23,829
ASX listing and share registry fees		**127,359**	167,314
Business development (AIM listing)		**719,486**	-
Travel and accommodation		**187,365**	54,848
(c) Employee benefits expense			
As at 30 June 2019: 14 employees remained within the group (2018: 44)		**548,821**	66,326
(d) Development mining expenses includes:			
Director and consultants' fees		**-**	367,811
(e) Technical research expenses include:			
Director and consultants' fees		**655,860**	379,811
University research costs		**196,705**	1,338,000
(f) Share based payments expense			
Shares issued to employees		**27,200**	-
Options issued to Foster Stockbroking		**305,658**	-
Options issued to employee		**29,118**	-
Options granted to directors		**-**	544,000
Options granted to Traxys		**-**	225,000
Options issued to consultants		**-**	94,679
Options issued to Kremford (Vic) Pty Ltd		**-**	225,000
Shares issued to Kremford (Vic) Pty Ltd		**-**	170,000
		361,976	1,258,679
(g) Finance income and expense			
Interest income on bank deposits		**14,031**	11,322
Interest expense		**(45,802)**	-
Foreign exchange (loss)/gain - realised		**5,764**	(4,760)
Foreign exchange (loss)/gain - unrealised		**-**	(9,723)
Finance benefit/(cost) of Traxys liability		**87,489**	(79,787)
		61,482	(82,948)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. 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:

	2019	2018
Total loss before income tax from all activities	**(6,986,738)**	(7,024,612)
Prima facie tax benefit on loss before income tax at 30% (2018: 30%)	**(2,096,021)**	(2,107,384)
Unrecognised temporary differences	**376,556**	365,464
Unrecognised tax losses	**(1,719,465)**	1,741,920
Income tax expense	**-**	-
Income tax expense from continuing activities	**-**	-
Total income tax expense	**-**	-
Unused tax losses for which no deferred tax has been recognised	**(14,273,969)**	(13,349,958)
Potential tax benefit at 30%	**(4,282,191)**	(4,004,987)

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

5. Earnings per share

Accounting Policy

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

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

	2019 A$	2018 A$
Loss attributable to the owners of First Graphene used in calculating basic loss per share	**(7,364,644)**	(6,204,170)
Loss attributable to the owners of First Graphene used in calculating diluted loss per share	**(7,364,644)**	(6,204,170)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Earnings per share (cont)

	Number of shares	Number of shares
Weighted average ordinary shares used in calculating basic earnings per share	**414,654,396**	376,470,853
Weighted average ordinary shares used in calculating diluted earnings per share	**414,654,396**	376,470,853
Basic loss per share - cents per share	**(1.78)**	(1.65)
Diluted loss per share - cents per share	**(1.78)**	(1.65)

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

6. Cash and cash equivalents

Accounting Policy

Cash and cash equivalents in the 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:

	2019	2018
	A$	A$
Cash at bank and in hand	**3,664,137**	4,838,929
	3,664,137	4,838,929

The Group's maximum exposure to financial risk is disclosed in note 13.

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 45.

7. Inventories

Ore stockpiles, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Inventories (cont)

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.

	2019	2018
	A$	A$
Opening balance	**571,008**	328,295
Inventory purchased	**434,633**	242,713
Carrying amount	**1,005,641**	571,008

Key estimates and assumptions

INVENTORIES

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product based on prevailing spot metals process at the reporting date, less estimated costs to complete production and bring the product to sale. All inventory held at 30 June 2019 relates to raw material and is held at cost.

8. Trade and other receivables

Trade and other receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment.

For trade receivables, the group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Due to the nature of the Group's trade and other receivables, the impact of the expected loss allowance under AASB 9 against the loss incurred under AASB 139 was not material to the Group.

	2019	2018
	A$	A$
Trade receivable	**12,448**	-
Grant receivable	**136,119**	152,820
Other receivable	**33,683**	66,609
Total other current assets	**182,250**	219,429

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Exploration and evaluation assets

Accounting Policy

Exploration and evaluation expenditure is accumulated on an area of interest basis. Exploration and evaluation assets include the costs of acquiring licences, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Expenditure is carried forward when incurred in areas for which the Group has rights of tenure and where economic mineralisation is indicated, but activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing. The recoverability of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

	2019	2018
	A$	A$
Opening balance	**1,824,117**	1,818,355
Foreign currency translation adjustment	**31,992**	5,762
Impairment in carrying value	**(1,856,109)**	-
Carrying amount	**-**	1,824,117

IMPAIRMENT

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

Key estimates and assumptions

IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS

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

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

The Board has assessed the requirements under accounting standard AASB6 - Exploration for and Evaluation of Mineral Resources, and as a result of the change in strategic direction has determined the carrying value of the Group's interests in Sri Lanka should be reduced to nil. A provision for impairment has been made and the carrying value has been reduced accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. 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.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Property, plant and equipment (continued)

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

	2019 A$	2018 A$
Exploration equipment:		
Carrying amount at beginning of year	**98,939**	167,365
- Depreciation	**(67,300)**	(68,011)
- Movement due to foreign exchange	**(1,597)**	(415)
Carrying amount at year end	**30,042**	98,939
Leasehold improvement:		
Carrying amount at beginning of year	**45,566**	91,853
Depreciation	**(43,565)**	(45,566)
Movement due to foreign exchange	**(2,001)**	(721)
Carrying amount at year end	**-**	45,566
Plant & equipment:		
Carrying amount at beginning of year	**944,833**	87,189
- Additions	**711,511**	941,956
- Transfer to office equipment	**-**	(3,941)
- Cost of plant & equipment sold	**(38,522)**	-
- Accumulated amortisation of plant & equipment sold	**34,426**	-
- Depreciation	**(324,309)**	(79,862)
- Movement due to foreign exchange	**(1,405)**	(509)
Carrying amount at year end	**1,326,534**	944,833
Office equipment:		
Carrying amount at beginning of year	**107,900**	16,793
- Additions	**195,949**	101,871
- Transfer from plant & equipment	**-**	3,941
- Cost of office equipment sold	**(36,288)**	-
- Accumulated depreciation of office equipment sold	**12,179**	-
- Depreciation	**(39,935)**	(14,551)
- Movement due to foreign exchange	**(341)**	(154)
Carrying amount at year end	**239,464**	107,900
Motor vehicles:		
Carrying amount at beginning of year	**-**	193
- Additions	**20,512**	-
- Depreciation	**(3,442)**	(191)
- Movement due to foreign exchange	**-**	(2)
Carrying amount at year end	**17,070**	-
Leased motor vehicles		
Carrying amount at beginning of year	**32,105**	98,982
- Cost of motor vehicle sold	**-**	(67,734)
- Accumulated amortisation of vehicle sold	**-**	23,753
- Amortisation	**(16,064)**	(21,990)
- Movement due to foreign exchange	**(1,649)**	(906)
Carrying amount at year end	**14,392**	32,105
Total carrying amount at year end	**1,627,502**	1,229,343

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. 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.

	2019 A$	2018 A$
Current		
Trade and other payables	**1,019,622**	1,501,015
	1,019,622	1,501,015

12. Borrowings

Accounting Policy

Borrowings are recognised at amortised cost.

	2019 A$	2018 A$
Current		
Payable to third party	-	541,638
	-	541,638

The Company signed an agreement with Traxys Europe SA, which provided US$400,000 for the purchase of raw graphite from Sri Lanka. The facility in May 2018 carried an interest rate of 6.75% per annum. Repayment of the debt was completed in June 2019.

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 (CONTINUED)

13. 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 $3,664,137 (2018: $4,838,929).

The Company banks with Westpac Banking Corporation (Westpac). Moody's has Westpac's Long Term Counterparty Risk Rating as Aa2.

	Group	
	2019	2018
Cash and cash equivalents	**3,664,137**	4,838,929
	3,664,137	4,838,929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 2019 or 1 July 2018 respectively 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 2019 and 1 July 2018 (on adoption of AASB 9) 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
Consolidated 30 June 2019	**$**	**$**	**$**	**$**	**$**	**$**
Trade receivable	**12,448**	-	-	**12,448**	**-**	**12,448**
	12,448	-	-	**12,448**	-	**12,448**
Consolidated 30 June 2018	**$**	**$**	**$**	**$**	**$**	**$**
Trade receivable	-	-	-	-	-	-
	-	-	-	-	-	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

terms are monitored on a daily basis. Credit risk is also mitigated as securities held for the counterparty by the Group can ultimately be sold should the counterparty default. There were no renegotiated financial assets during the year.

Collateral pledged or held

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

			Fixed interest		Non-interest bearing		
	Weighted average effective interest rate	Floating interest rate Within one year	Within one year	1-5 years	Within one year	1-5 years	Total
30 June 2019	**%**	**$**	**$**	**$**	**$**	**$**	**$**
Financial assets							
Cash and cash equivalents	0.55	**3,664,137**	-	-	-	-	**3,664,137**
Total Financial assets at 30 June 2019		**3,664,137**	-	-	-	-	**3,664,137**
Financial liabilities							
Trade and other payables		-	-	-	**1,019,622**	-	**1,019,622**
Borrowings		-	-	-	**-**	-	-
Total financial liabilities at 30 June 2019		**-**	**-**	**-**	**1,019,622**	**-**	**1,019,622**
30 June 2018	**%**	**$**	**$**	**$**	**$**	**$**	**$**
Financial assets							
Cash and cash equivalents	0.46	4,838,929	-	-	-	-	4,838,929
Total Financial assets at 30 June 2018		4,838,929	-	-	-	-	4,838,929
Financial liabilities							
Trade and other payables		-	-	-	1,501,015	-	1,501,015
Borrowings		-	-	-	541,638	-	541,638
Total financial liabilities at 30 June 2018		-	-	-	2,042,653	-	2,042,653

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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
30 June 2019				
Trade and other payables (refer note 11)	**1,019,622**	-	-	-
	1,019,622	-	-	-
30 June 2018				
Trade and other payables (refer note 11)	1,501,015	-	-	-
	1,501,015	-	-	-

Market Risk

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

(i) Foreign exchange risk

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

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

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

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

Sensitivity analysis

The following table does not include intra group financial assets and liabilities. It summaries the sensitivity of the Group's financial assets and liabilities to external parties at 30 June 2018 to foreign exchange risk, based on foreign exchange rates as at 30 June 2018 and sensitivity of +/-10%:

	30 June 2019 rate (cents)
US$/A$	0.7010
GBP/A$£	0.5520
LKR/A$	123.72

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Foreign exchange risk	
	2019	**2018**
Change in profit/loss due to:	**A$**	**A$**
Improvement in AUD by 5%	**(22,012)**	(50,138)
Decline in AUD by 5%	**22,012**	50,138
Change in equity due to:		
Improvement in AUD by 5%	**(22,012)**	(50,138)
Decline in AUD by 5%	**22,012**	50,138

(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 100 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			
	2019	**-10bps**		**+10bps**	
	A$	**Profit**	**Equity**	**Profit**	**Equity**
Floating rate instruments Cash at bank	**3,664,137**	**(3,427)**	**-**	**3,427**	**-**
	3,664,137	**(3,427)**	**-**	**3,427**	**-**
	2018				
	A$				
Floating rate instruments Cash at bank	4,838,929	(2,229)	-	2,229	-
	4,838,929	(2,229)	-	2,229	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(c) Net fair values

Fair value versus carrying amount

Fair value of financial instruments

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

Methodologies and assumptions

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

	Note	**30 June 2019** Carrying amount A$	**30 June 2019** Net fair value A$	30 June 2018 Carrying amount A$	30 June 2018 Net fair value A$
Assets carried at amortised cost					
Trade and other receivables	8	**182,250**	**182,250**	219,429	219,429
Total financial assets		**182,580**	**182,580**	219,429	219,429
Liabilities carried at amortised cost					
Trade and other payables	11	**1,019,622**	**1,019,622**	1,501,015	1,501,015
Borrowing		**-**	**-**	541,638	541,638
Total Financial Liabilities		**1,019,622**	**1,019,622**	2,042,653	2,042,653

14. Issued capital

Accounting Policy

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

(a) Ordinary shares	**2019 $**	2018 $	**2019 Number**	2018 Number
Issued and fully paid	**85,068,406**	79,104,128	**445,849,952**	403,784,541
Movements in shares on issue				
At the beginning of the period	**79,104,128**	73,091,669	**403,784,541**	364,261,237
Issue to Kremford under agreement	**-**	170,000	**-**	2,000,000
Exercise of options at $0.092	**-**	690,000	**-**	7,500,000
Exercise of options at $0.15	**1,335,811**	5,162	**8,905,407**	34,415
Placement to investors March 2018	**-**	3,400,000	**-**	18,888,889
Placement to investors June 2018	**-**	1,998,000	**-**	11,100,000
Share issue costs	**(348,733)**	(250,703)	**-**	-
Placement to investors December 2018	**1,450,000**	-	**9,666,670**	-
Placement to investors April 2019	**3,500,000**		**23,333,334**	
Shares issued to employees	**27,200**	-	**160,000**	-
At the end of the period	**85,068,406**	79,104,128	**445,849,952**	403,784,541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Issued capital (continued)

(b) Share options

Listed share options	**2019 Number**	2018 Number
At the beginning of the period	**91,180,186**	-
Options issued (i)	**3,500,000**	91,214,601
Options exercised	**(8,905,407)**	(34,415)
At the end of the period	**85,774,779**	91,180,186

(i) Includes 3,000,000 options issued to Traxys North America LLC as free attaching options on the issue of shares. These options are the same class as existing FGROC listed options, where as part of the original agreement in which 3,000,000 options were issued for services provided in the prior year, upon exercise of these options, an additional 3,000,000 options were to be issued.

(c) Share options

Unlisted share options	**2019 Number**	2018 Number
At the beginning of the period	**500,000**	11,000,000
Options issued	**5,000,000**	-
Options exercised	**-**	(7,500,000)
Options expired	**(500,000)**	(3,000,000)
At the end of the period	**5,000,000**	500,000

Refer note 15 for further details

15. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Share based payment expense

The Group recognised total share based payment expenses as follows:

	2019 A$	2018 A$
Shares issued to employees	**27,200**	-
Options issued to Foster Stockbroking	**305,658**	-
Option issued to employee	**29,118**	-
Options issued to directors	**-**	544,000
Options issued to a consultant	**-**	94,679
Options issued to consultant in accordance with marketing agreement with Traxys Europe SA	**-**	225,000
Options issued as part of Kremford agreement	**-**	225,000
Shares issued as part of Kremford agreement	**-**	170,000
Total	**361,976**	1,258,679

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.

	2019		2018	
	Number of Options	**Weighted average exercise price (cents)**	Number of Options	Weighted average exercise price (cents)
Outstanding 1 July	**19,500,000**	**14.9**	11,000,000	9.4
Issued	**8,500,000**	**16.8**	19,000,000	15.0
Forfeited	**-**	**-**	(3,000,000)	9.2
Exercised	**-**	**-**	(7,500,000)	9.2
Lapsed	**(500,000)**	**15.0**	-	-
Outstanding 30 June	**27,500,000**	**15.5**	19,500,000	14.9

Share-based payments and options issued.

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

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
Unlisted options:								
11 Jan 2016	11 Jan 2019	$0.15	250,000	-	-	(250,000)	-	-
11 Jan 2016	11 Jan 2019	$0.10	250,000	-	-	(250,000)	-	-
26 Feb 2019	26 Feb 2022	$0.18	-	5,000,000	-	-	5,000,000	5,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Listed options:

31 July 2017	8 Aug 2021	Various	-	7,500,000	-	-	7,500,000	7,500,000
31 Oct 2017	8 Aug 2021	Various	-	2,000,000	-	-	2,000,000	2,000,000
24 Nov 2017	8 Aug 2021	Various	-	17,000,000	-	-	17,000,000	17,000,000
14 May 2019	8 Aug 2021	Various	-	500,000	-	-	500,000	500,000

The weighted average remaining contractual life of the options is 3.07 years (2018: 3.07 years).

Unlisted options were issued to Foster Stockbroking as remuneration on 26 February 2019.

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

Assumptions:	
Number of options issued	5,000,000
Valuation date	6 February 2019
Market price of shares	$0.14
Exercise price	$0.18
Expiry date (length of time from issue)	26 February 2022 – 3.06 years
Risk free interest rate	1.67%
Volatility	75.0%
Indicative Value of Option	**$0.0611**
Total Value of Foster Stockbroking Options	305,658

Listed Options were issued to an employee on 18 November 2018.

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

Assumptions:	
Number of options issued (i)	500,000
Valuation date	14 May 2019
Market price of shares	$0.175
Exercise price	Varying
Expiry date (length of time from issue)	8 August 2021 – 2.24 years
Risk free interest rate	1.28%
Volatility	75.0%
Indicative Value of Employee Option	**$0.0582**
Total Value of Employee Options	29,118

1 250,000 Listed options vest immediately. A further 250,000 Listed options vest on 18 November 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. 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.

17. Statement of cash flow reconciliation

	2019 A$	2018 A$
(a) Reconciliation of net loss after tax to net cash flows from operations		
Net Loss	**(6,986,738)**	(7,024,612)
Adjusted for:		
Depreciation	**471,424**	12,568
Amortisation	**14,744**	217,603
Impairment of exploration and evaluation asset	**1,856,109**	-
Gain on sale of property, plant and equipment	**16,970**	(20,814)
Share based payments expensed	**27,200**	863,679
Options expensed	**334,776**	395,000
Shares issued as payment for operating expense	**-**	29,916
Loss on deconsolidation of controlled entity	**57,513**	-
Finance income recognised as financing activity	**(87,489)**	-
Finance cost recognised as financing activity	**79,269**	-
Foreign exchange gains	**(22,127)**	79,787
Changes in assets/liabilities		
(Increase)/decrease in trade and other receivables	**37,179**	(169,831)
(Increase)/decrease in inventory	**(434,632)**	(242,713)
(Increase)/decrease in prepayments	**(297,285)**	(48,826)
(Increase)/decrease in other assets	**17,040**	157
Decrease in trade and other payables	**(411,547)**	632,956
Net cash (used in) operating activities	**(5,327,594)**	(5,275,290)

(b) Non-cash investing and financing activities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Commitments

Operating lease commitments – Group as lessee

The Group leases office premises in Nedlands and the Commercial Graphene Facility at Henderson, WA under normal commercial lease arrangements. The Nedlands office lease was extended into a period of 1 year expiring on 1 April 2020. The Group is under no legal obligation to renew the lease once the lease term expires.

The Henderson lease has been renegotiated in the current year for a period of 5 years beginning 1 June 2018. The Group is under no legal obligation to renew the lease once the lease term expires.

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

	2019 A$	2018 A$
Lease expenditure commitments		
Operating leases (non-cancellable)		
- Within one year	**132,039**	98,381
- Later than one year and not later than five years	**259,244**	315,920
Total operating leases (non-cancellable)	**391,283**	414,301

The operating leases are entered into for the purposes of leasing company premises.

Finance lease commitments – Group as lessee

The Group had two hire purchase contracts for equipment used at the Henderson Commercial Graphene Facility. The hire purchases were finalised in June 2019.

	2019 A$	2018 A$
- Within one year	**-**	43,184
- Later than one year and not later than five years	**-**	52,709
Total minimum lease payments	**-**	95,893
Less amounts representing finance charges	**-**	(8,567)
Present value of minimum lease payments	**-**	87,326
Included in the financial statements as:		
Current interest-bearing liabilities	**-**	76,369
Non-current interest-bearing liabilities	**-**	10,957
	-	87,326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Deconsolidation of Graphene Solutions Pty Ltd

As of 21 January 2019, the loss of effective control of Graphene Solutions Pty Ltd ("GSPL") was recognised by the Group due to the Company having no power to govern the financial and operating policies of GSPL. Accordingly, the Company's investment was reclassified to an investment accounted for using the equity method effective from 21 January 2019.

Key estimates and assumptions

LOSS OF CONTROL OF GSPL

In May 2018, the Company earned a 30% equity interest in Graphene Solutions Pty Ltd (GSPL), with an option to increase the shareholding to 70%, resulting in FGR having control and GSPL being consolidated into the FGR group. Management have deemed the date of loss of control over the financial and operating policies under AASB 10 of GSPL to be the 21st January 2019. The option to earn the additional 40% interest in GSPL has also now expired.

	21 January 2019 A$
Details of net assets deconsolidated on loss of control:	
Fair value of GSPL's net assets/(liabilities)	
Cash and cash equivalents	191,659
Trade and other receivables	51
GSPL net assets	191,710
Loss on deconsolidation of subsidiary:	
Fair value of equity held in GSPL at 21 January 2019	-
Less 30% equity interest held in GSPL	(191,710)
Non-controlling interest	134,197
Loss recognised on deconsolidation of subsidiary to owners of parent entity	(57,513)

Cashflow impact of deconsolidation

GSPL had a cash balance of $191,569 as at 21 January 2019. As a result of the deconsolidation of GSPL, the Company derecognised cash of $191,569 in cash and cash equivalents in the Consolidated Statement of Financial Position which represents the movement during the period. This impact is shown as an outflow of cash in Consolidated Cash Flow Statement under the category Cash Flows from Investing Activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Deconsolidation of Graphene Solutions Pty Ltd (continued)

Reclassification of investment

The Company's 30% equity interest in GSPL was reclassified to an investment in associate as at 21 January 2019, however the fair value of the investment was deemed to be nil on deconsolidation, therefore the carrying value of the investment in associate at 30 June 2019 is nil.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Results of the parent company

	2019 A$	2018 A$
Current Assets		
Cash and cash equivalents	**3,498,503**	4,591,961
Trade and other receivables	**147,486**	181,418
Inventory	**958,841**	571,008
Other current assets	**377,841**	54,011
Total current assets	**4,982,671**	5,398,398
Non-current assets		
Property, plant and equipment	**1,532,890**	1,093,126
Intercompany loans receivable	**216,744**	598,638
Investment in subsidiaries	**250,000**	950,000
Total non-current assets	**1,999,634**	2,641,764
Total assets	**6,982,305**	8,040,162
Liabilities		
Current liabilities		
Trade and other payables	**898,511**	1,724,704
Total current liabilities	**898,511**	1,724,704
Total liabilities	**898,511**	1,724,704
Net Assets	**6,083,794**	6,315,458
Equity		
Issued capital	**85,075,437**	79,104,128
Share based payments reserve	**4,703,404**	4,368,268
Other reserves	**467,202**	467,202
Accumulated losses	**(84,162,249)**	(77,624,500)
Total equity	**6,083,794**	6,315,458
Results of the parent entity:		
Loss for the period	**(6,537,749)**	(4,849,772)
	(6,537,749)	(4,849,772)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Events since the end of the financial year

In the period from the year end until 30 August 2019 $2.4 million was received form the exercise of options. There are no other known subsequent events of a material nature.

22. Related party transactions

Compensation for key management personnel

The key management personnel compensation included in employee benefits expense (note 3) and share-based payments (note 15), is as follows:

	2019	2018
	A$	A$
Short term employee benefits	**1,412,073**	1,508,023
Share based payments	**-**	544,000
	1,412,073	2,052,023

Transactions with other related parties

During the reporting period, placement fees were paid to Far East Capital Limited, a company of which Mr Grigor is a Director, for equity raisings during fiscal 2019 totalling $197,868 (2018: 207,912). There were no other payments to related parties.

There were no loans to/from related parties in 2019 (2018: 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 2019	2018	Class of shares held	Place of Incorporation
First Graphene (UK) Ltd	Graphene 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 (1)	Development and sale of VFD and other 2D materials	50%	50%	Ordinary	Australia
Graphene Solutions Pty Ltd (2)	Development of BEST™ Battery	-	30%	Ordinary	Australia

(1) 2D Fluidics Pty Ltd has been fully consolidated in the Group due to the effective control exercised by First Graphene Limited.

(2) Graphene Solutions Pty Ltd had been fully consolidated in the Group due to the effective control exercised by First Graphene Limited. Control was deemed to have been lost effective 21 January 2019 and the entity has been de-consolidated in the 2019 financial statements. Refer to note 19 for significant estimates and judgments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. 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	**2019 A$**	2018 A$
Remuneration of the auditor of the Group for:		
- Audit services – BDO Audit (WA) Pty Ltd	**36,253**	37,000
- Taxation services – BDO Corporate Tax (WA) Pty Ltd	**27,038**	23,829
	63,291	60,829

DIRECTORS' DECLARATION

The Directors declare:

1. the financial statements and notes, as set out on pages 24 to 62 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 2019 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 16 to 21 (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

Craig McGuckin
Managing Director
30 August 2019

INDEPENDENT AUDITOR'S REPORT

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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 2019, 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 2019 and of its financial performance for the year ended on that date; and

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

Basis for opinion

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

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

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

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Deconsolidation of subsidiary Graphene Solutions Pty Ltd ('GSL')

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 19 to the financial report, the Group deconsolidated subsidiary GSL on 21 January 2019 as the Group was deemed to have lost control of GSL on that date, and the investment in GSL was subsequently reclassified as an investment in associate as disclosed in Note 19 of the financial report. This is a key audit matter due to the complexity of accounting for the loss of control of a subsidiary as disclosed in Notes 19 in the financial report.	Our audit procedures included, but were not limited to: • Evaluating management's determination of the deemed loss of control of GSL and subsequent reclassification of GSL as an investment in associate; • Agreeing the completeness and accuracy of the GSL assets and liabilities deconsolidated at 21 January 2019 to supporting documentation; • Evaluating management's assessment of the fair value of the investment at the date of deconsolidation; • Re-performing the calculation of the loss on deconsolidation of GSPL; and • Assessing the adequacy of the related disclosures in Note 19 to the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Financial Report for the year ended 30 June 2019, 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 to Shareholders, 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 to Shareholders, 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

INDEPENDENT AUDITOR'S REPORT

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:

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 21 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of First Graphene Limited, for the year ended 30 June 2019, 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

J Prue

Jarrad Prue

Director

Perth, 30 August 2019

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 26 August 2019.

a) Distribution of Shareholdings – Fully Paid Ordinary Shares:

Size of Holding	Number of Share Holders	Number of Share
1 – 1,000	125	23,603
1,001 – 5,000	1,042	3,637,261
5,001 – 10,000	865	6,902,485
10,001 – 100,000	2,063	77,081,934
100,001 and over	502	387,065,236
	4,597	474,710,519

Equity Security	Quoted	Unquoted
Fully Paid ordinary shares	474,710,519	-
Options	56,914,212	5,000,000

ADDITIONAL SECURITIES EXCHANGE INFORMATION (CONTINUED)

b) Top 20 Security Holders – Fully Paid Ordinary Shares (FGR) at 26 August 2019

	Name of Holder	Number of Shares	%
1	J P Morgan Nominees Australia Pty Limited	54,696,583	11.52
2	Twynam Investments Pty Ltd	24,013,177	5.06
3	Building On The Rock Limited	16,666,667	3.51
4	IPS Nominees Limited	16,609,865	3.50
5	Citicorp Nominees Pty Limited	14,986,598	3.16
6	Gregorach Pty Ltd	14,905,946	3.14
7	National Nominees Limited	11,371,495	2.40
8	Debt Management Asia Corporation	8,458,078	1.78
9	Mr Craig Robert McGuckin & Mrs Lee Ann McGuckin <McGuckin Family A/C>	7,158,513	1.51
10	Ginga Pty Ltd	7,140,776	1.50
11	Hallidaf Management Ltd	6,094,794	1.28
12	BNP Paribas Nominees Pty Ltd <IB Au Noms Retail Client DRP>	4,436,088	0.93
13	HSBC Custody Nominees (Australia) Limited	4,358,963	0.92
14	William Taylor Nominees Pty Ltd	4,059,962	0.86
15	Sunset Capital Management Pty Ltd<Sunset Superfund A/C>	4,000,000	0.84
16	UBS Nominees Pty Ltd	3,657,277	0.77
17	BissApp Software Pty Ltd <Super Fund Account>	3,495,505	0.74
18	Ms Fadillah Burhan Hasibuan	3,089,230	0.65
19	Mr Ryan Jehan Rockwood	3,000,000	0.63
20	Mrs Gayle Teresa Crabbe	2,951,000	0.62
	Total	215,150,517	45.32
	Total issued capital	474,710,519	100.00

Shareholders with less than a marketable parcel

At 26 August 2019, there were 275 shareholders holding less than a marketable parcel of shares ($0.23 cents on this date) in the Company totalling 311,828 ordinary shares. This represented 0.07% of the issued capital.

ADDITIONAL SECURITIES EXCHANGE INFORMATION (CONTINUED)

c) Top 20 Security Holders – Options (FGROC) at 26 August 2019

	Name of Holder	Number of Shares	%
1	Mrs Gayle Teresa Crabbe	6,531,388	11.48
2	Gregorach Pty Ltd <Grigor Superfund A/C>	5,137,500	9.03
3	Ms Fadillah Burhan Hasibuan	2,850,979	5.01
4	IPS Nominees Limited	2,097,683	3.69
5	Pavarai Pty Ltd <The Sayers Super Fund A/C>	1,893,750	3.33
6	Gregorach Pty Ltd	1,863,244	3.27
7	Mr Alan Wesley Patterson-Kane	1,710,000	3.00
8	Bolam Materials Research Ltd	1,550,000	2.72
9	Mr Christopher James Bellew	1,528,168	2.69
10	Geo Ban Consulting Pty Ltd	1,459,091	2.56
11	Mr Gregory John Keir	1,400,000	2.46
12	Mrs Terri Frances Youd	1,085,343	1.91
13	SDG Nominees Pty Ltd <T J Strapp Super Fund A/C>	1,000,000	1.76
14	Dr Andrea Mary Louis & Dr Ronald Lee Louis <R & A Louis Super A/C>	711,175	1.25
15	Ginga Pty Ltd	678,477	1.19
16	Mr Shaun Phillip Van Dyk	667,162	1.17
17	J P Morgan Nominees Australia Pty Limited	623,509	1.10
18	Celtic Capital Pte Ltd <Investment 1 A/C>	600,000	1.05
19	Cambourne Capital Pty Limited	563,669	0.99
20	Mr Adam Leslie Griggs	532,463	0.94
	Total	34,483,601	60.59
	Total issued capital	56,914,212	100.00

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