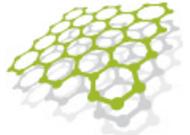


ASX Announcement

30 April 2017

March Quarterly Report



first graphite
A high-quality graphene producer

Company makes significant progress

First Graphite (ASX: FGR) is pleased to report on what has been another significant quarter of development on various fronts for technology and mining activities.

Highlights

- Strategic marketing alliance with Traxys for the sale of graphite and graphene products
- Positive technical due diligence report on BEST Battery
- Samples of graphene sold and dispatched to potential customers
- Underground development continuing and now driving towards orebodies
- Successful \$3.5m capital raising

Overview

The Company has been making good progress through the quarter on a number of fronts. The most significant initiative was the signing of a Binding Heads of Agreements covering the BEST Battery, being ground-breaking new technology for energy storage devices. An independent technical due diligence report has confirmed the project is based on innovative and credible science, and it indeed offers FGR a very exciting opportunity in the business of energy storage devices. The final agreements and documentation are being completed as this quarterly report is being prepared.

FGR and Flinders have finalised terms for the optimisation and development of the VFD and TTF and awaiting final documentation from Flinders.

Optimisation work on the FGR's Graphene Cell continued throughout the quarter, with further substantial improvements in both productivity and efficiency.

A number of international companies have requested and been provided commercial samples of the graphene for testing as to its suitability for their products and processes, ranging from transport companies in the automotive and aeronautical fields to paint and polymer manufacturers, following the first public exposition of our graphene at a trade show in Santa Clara, in November 2016.

The development of the underground vein graphite mines in Sri Lanka has continued with safety remaining a paramount importance in their development. Shafts have been sunk to their initial depths and work is continuing on the drives to access the veins and open up the first ore production stopes, expected to be in the coming weeks.

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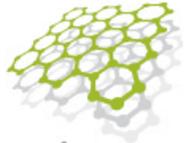
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Finances of the Company have improved with the a placement which raised \$3.5m in the quarter, and subsequent to the end of the quarter the Company announced a very significant strategic marketing alliance with Traxys, one of the leading marketers of speciality metals and mining products.

Sri Lankan Development Work

Aluketiya

During the quarter **Aluketiya Shaft H** was progressed to its primary target depth and transitioned to hard rock material. Following the completion, the first production drive in "H" is driving to ALK7-75 intersection, which is approximately 14 metres south west of the shaft at its current level. This hole, which was drilled in 2015, returned a 30cm vein intercept. Development to access a further two production zones will occur once this initial vein development is established. The development plan for Shaft H will provide multiple production faces when completed, including the large high grade intersection in ALK18 at a lower level. Ground conditions continue to be challenging, with water ingress being encountered as the drive ALK7-75 face has been developed. The company has excess pumping capacity on site to handle any water and plans are in place to reduce water ingress as the drive progresses. Initial development cuts in the ALK7-75 drive have revealed a ~25cm vein which is potentially the start of the ALK11 vein intersection planned to be extracted from lower levels. This intersection is unexpected and depending on its size may provide for early production of the ALK11 intersection at higher levels.

Small quantities of the vein have been extracted and stored on surface.

Shaft J completed the caisson section of the shaft ahead of schedule and continues in hard rock to the initial production drive level. Shaft J is using 2.5m engineered concrete liners for the first time and this has enabled much better production rates than those experienced at Shaft H. Permanent services for water, power, compressed air and ventilation have been installed.

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

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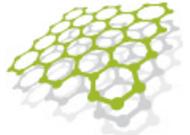
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25cm veinlet in Shaft H drive at Aluketiya



Typical ground support mesh and bolting in Shaft H.

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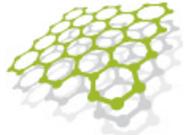
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Work at Shaft H - Aluketiya

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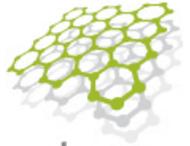
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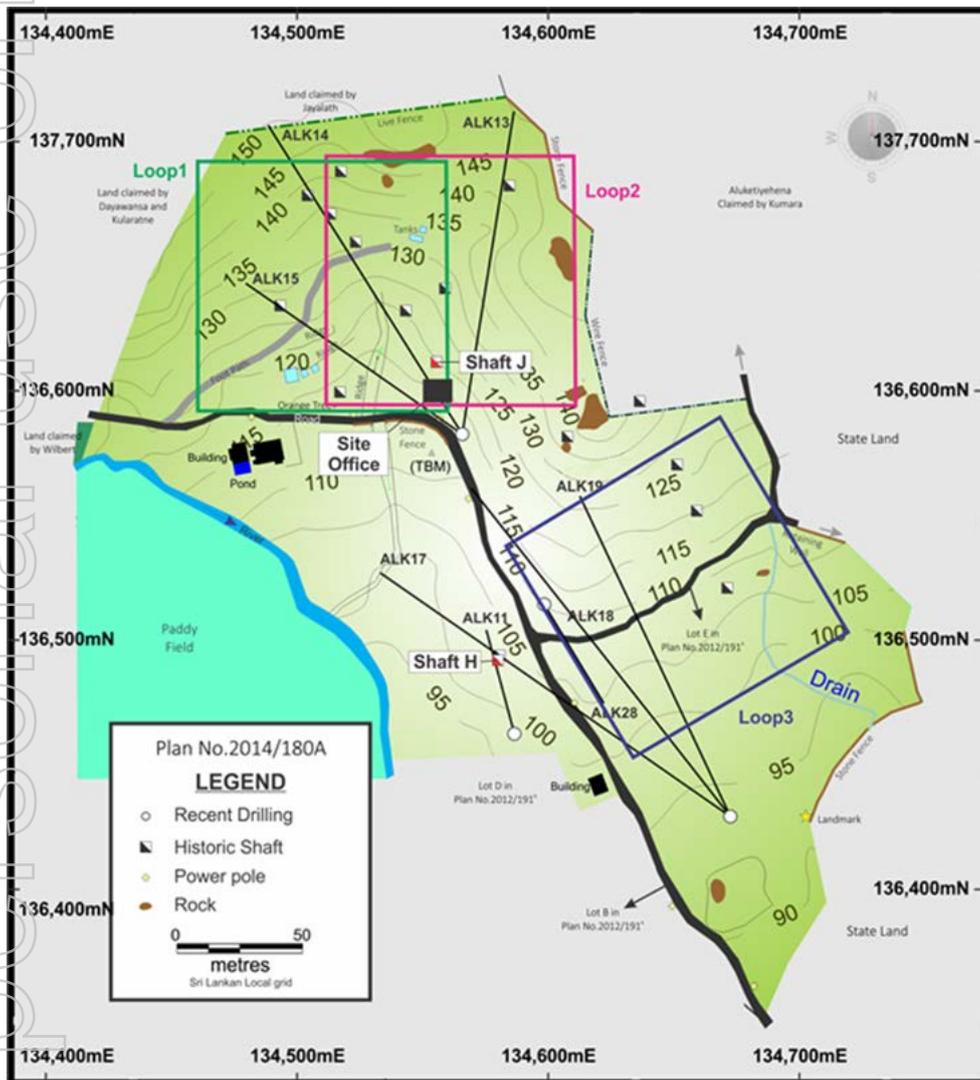
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Aluketiya project site plan with Shafts H and J and exploration drill hole traces and transmitter loop locations

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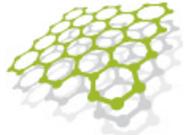
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Shaft J with installed services



Shaft J, caisson which extends 23 metres

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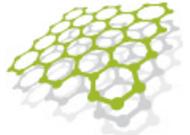
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Drilling Activities

Since February the Company's drill rig has been re-powered with a larger, single 125kw Cummins diesel engine and had a number of improvements installed. Equipping the drill rig with the larger engine will enable deeper exploration holes to be completed in future programs in a quicker time frame. The work is nearing completion and the rig will be returned to Aluketiya, where it is planned to drill holes to support the Shaft H mine planning and geotechnical data towards the ALK18 intersection from Shaft H.



Re-powered XT400THD Drilling Rig

Further details of this quarter's activities can be found in previous ASX releases as detailed below;

[20170426-Strategic Alliance with Traxys.pdf](#)

[20170329-Graphene Operations Update.pdf](#)

[20170322-BEST Due Diligence Completed.pdf](#)

[20170314-Patent Application Lodged for Graphene Manufacturing Process.pdf](#)

[20170215-Operations Update.pdf](#)

[20170127-FGR Raises funds for continuing development.pdf](#)

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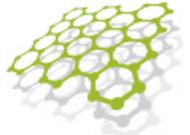
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The June Quarter Program

FGR has made a positive start to the June Quarter, which includes:

- Execution of a Strategic Marketing Alliance with Traxys.
- Finalised the licencing agreement for the BEST battery development.
- Finalise agreement with Flinders University on the VFD and TFF and commence the optimisation program.
- Expanding technical collaboration and customer negotiations and graphene supply.
- Production Mining in Shaft's H and J at Aluketiya.
- Plans to deepen Pandeniya shaft to access off shaft veins.

About First Graphite Ltd (ASX: FGR)

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

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

About Graphene

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

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

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