

21 November 2016

Company Announcements Office
Australian Stock Exchange Limited
Level 4
20 Bridge Street
Sydney NSW 2000

Dear Sir,

Attached is a copy of the Chairman's Address to be delivered to shareholders of First Graphite Limited at the Annual General Meeting of the Company to be held today.

Yours faithfully



Peter R. Youd
Executive Director
Chief Financial Officer & Company Secretary

Business & Corporate Office

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**CHAIRMAN'S ADDRESS
FIRST GRAPHITE RESOURCES LTD AGM
21 NOVEMBER 2016**

Ladies and Gentlemen,

Welcome to the AGM of First Graphite Resources Limited. The board is pleased to be able to hold the meeting in Sydney this year so as to better communicate with investors and shareholders. For those of you who have not met me, my name is Warwick Grigor and I am chairman of First Graphite, addressing its AGM for the first time.

The last 12-18 months has been a very exciting period for FGR. Over that period the company has transformed itself from being a cash-strapped junior graphite hopeful into a company making real operational progress on the path to vein graphite production. It has raised \$7.4m from the market, from you shareholders, in pursuit of its production goals. Far East Capital and its clients have been strong supporters in the funding of FGR.

Yet to think of FGR as a small-scale vein graphite producer would be to sell it short. Yes, it will be producing from its own mines, but in the opinion of the board this is just the opening of the door. You should be looking at FGR as a technology company that offers growth opportunities that would never be available to a mere supplier of a commodity to markets. FGR will not be limited by the size of its resource or its mine production. Rather, it offers shareholders exposure to what promises to be an expanding graphene growth sector that could grow exponentially for decades to come. The challenge for the board is to get this message across to the broader market and get some of this upside built into the share price.

FGR represents the lowest risk entry into the graphite and graphene industries. Unlike every other graphite hopeful that talks about building an operation, there is no intimidating capital expenditure required. Other companies – the flake graphite companies – are generally looking at capex of \$50-100m and long lead times to production. Where are they going to get the money? If it is from equity, shareholders will suffer heavy dilution. If it from debt, the companies need supportive, binding off-take agreements – not MoUs, expressions of interest or letters of intent. Then, once financed, there is the construction period and commissioning risk. Plant optimisation will take many months. Shareholders will have to be patient and tolerant. Add to this the vast numbers of companies in the queue to develop a flake graphite operation and you face a scenario whereby only the best will survive, and that will be after weathering the pain of an over-supplied market.

FGR is very fortunate in that it can avoid all of these issues. The very high grade nature of the product – a direct shipping product – means that it doesn't need to finance or build a processing plant. Thus, there is no fear of dilution from heavy share issues. There is no plant commissioning risk. Admittedly, the development of new underground mines always provides challenges, as we have experienced, but these are more engineering issues involved with opening up new ground. They are solvable, whereas processing issues can be much more complicated and might never be solved to satisfaction. FGR doesn't need an off-take agreement as the product is in short supply with no expectation of new sources to flood the market. FGR is in an enviable position.

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It is good to offer low risk but don't be fooled into think that low risk means low reward. There are very high rewards awaiting FGR with it graphene initiative.

Eighteen months ago FGR was just starting out in the graphene business. Over that period it has proved that it can produce the best quality graphene in the world, in bulk volumes and at low cost. This is an amazingly short period of time when compared to other graphene companies and even more amazing given the very low costs incurred in getting to this point. Significantly, FGR is not just saying it can make graphene. Many companies are saying they can make graphene, technically at least, but no other ASX-listed company has developed a commercial production unit. Why? Because there is a difference between being able to do it in a laboratory experiment and doing it on scale. Other companies don't know where to go once they show that their concentrates are capable of being used to make graphene, as they have to build a mine and processing plant first. This will take years and will involve a much higher cost base than what FGR has demonstrated. They will not be competitive.

If there is one thing that shareholders could legitimately complain about it could be the absence of hyperbole. As we all know, the loudest voices tend to get the most attention and this often leads to a stronger share price. However, those loud-mouthed companies are often found lacking when it comes to delivery. Failure to deliver on aggressive promises will lead to share prices being punished. FGR has been a company that would rather under-promise and over-deliver. Directors do not want to have to apologise for failing to meet targets. They want to report tangible deliverables.

Having said that, it is now time to make more noise about our achievements. On a recent road show to New York, when we introduced FGR for the first time, it was apparent almost no-one had heard of the company. That is changing. Part of the challenge is to make sure that investors see how different FGR is to the general population of flake graphite promoters, all carrying inflated share prices. Another part is to educate investors of the implications that FGR offers to the commercialisation of graphene.

Even scientists and experts in the field of graphene raise their eyebrows when they learn of what we have been doing. They can't wait to get their hands-on samples which they can use and compare with their existing high cost sources of graphene. So, we still have to educate industry. FGR has a booth at the IDTechEx technology convention in Santa Clara last week. It was very encouraging to have many companies seeking samples of our graphene to conduct test work, including automotive companies, aircraft manufacturers, paint manufacturers and many more. We expect that the meeting will lead to our first graphene sales. As part of the commercialising process of graphene products we are investing in the development and acquisition of intellectual property. This will accelerate the demand for our products. We need to provide leadership in this area and we need to develop pricing models that maximise the return on our graphene. We need to design a pricing regime for a new industry and we will be able to do it from the advantageous position of being the lowest cost supplier. We need to do it taking advantage of the complete supply chain into industry. In this regard we recently met with an experienced international commodity trading organisation regarding the development of a graphene marketing strategy designed to maximise the competitive benefits of FGR produced graphene.

Yes, we have made many achievements over the past 18 months since Far East Capital undertook the task of funding FGR, though what is truly remarkable is how we have been able to do it with minimal staffing levels. The performance of our CEO, Craig McGuckin, deserves special thanks. While he has had many years of successful operational experience (as opposed to promoting junior companies), the dedication and skill with which he has taken FGR into the graphene space deserves special commendation. You and I may be captivated by the opportunities that graphene promises, but they will only ever be aspirations if we don't have quality personnel like Craig to turn them into reality.



I would also like to acknowledge and thank Peter Youd for his dedication and performance as CFO and Executive Director. His experience and professionalism is a necessary ingredient for the success of FGR. There is nothing flakey about FGR, either in its graphene product or its management.

That said, FGR does need to expand its team in the coming months to ensure that momentum is maintained and that capability expands. We are at a very important juncture. We have achieved excellent technical and operation success and it is now time build on this and see just how far we can take the business. The graphene industry is embryonic but it is growing. FGR is perfectly positioned to take advantage not only of its own operational achievements but we will also share in advancements elsewhere in the sector as we will be the lowest cost supplier.

We hope you stay with us for this new chapter of growth.

Warwick Grigor
Non-Executive Chairman

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