

first graphene

The world's leading graphene company

Annual Report **2020**

Graphene

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

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Welcome to
First Graphene's
Annual Report 2020



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Introduction Statement from our Company Chairman



“We have a colourful, compelling and utterly commercial story to tell - and over the next 12 months, we will be much more proactive in telling it.”

Dear Fellow Shareholder,

If I was to use one word to categorise the last 12 months, it would be “disruptive” – a word with both positive and negative connotations.

As a negative, there was only one, and it was entirely beyond all of our control. Of course, I am referring to the coronavirus and it would be imprudent if I did not acknowledge how devastating this pandemic has been for everyone since it emerged in late 2019. Fortunately, for First Graphene, its effect has been minimal.

Our Response

Prompt action saw us focus on liquidity management, deferring non-essential capital expenditure and reducing operating costs. To lower our costs, employees in Australia and the United Kingdom agreed to a 20 per cent deferment of their income and the senior leadership team led by example, deferring up to 75 per cent of their remuneration. Simultaneously, we maintained continuity across our production and research operations.

New Agreements

In November, we secured a global intellectual property licence from the University of Manchester for new graphene-hybrid materials.

In November we partnered with the work boot brand, Steel Blue, to produce an iconic new graphene enhanced safety boot that is stronger and longer-lasting than anything else in the market. It was showcased to considerable fanfare at the Polymers in Footwear conference and exhibition in Berlin, and our Steel Blue collaboration continues to go “from strength to strength.”

Capital Raising

Despite the economic headwinds, business momentum continued in the first half of fiscal year, 2020. We were successful in raising A\$3.5m from the early exercise of First Graphene options and the execution of a formal Supply Agreement with another major manufacturer, the wear protection and industrial lining company, newGen Group.

Introduction Statement from our Company Chairman (CONTINUED)

In April 2020, the Company initiated a 1:10 entitlement issue to bolster the Company's cash reserves so we can continue to work on production of PureGRAPH® powders and research new applications. The entitlement issue was successful and closed in early June fully subscribed - a positive endorsement of the Company, its strategies and its innovative Intellectual property (IP). This last point is very significant.

PureGRAPH®

As the world's largest manufacturer of graphene products, we have developed a valuable and enviable trademark called PureGRAPH®, an exclusive Intellectual Property registered in six countries - the United States of America, the United Kingdom, the European Union, Australia, China, and New Zealand. The United States registration was accepted in June this year, setting the Company up for a strong entry into that large and lucrative market.

PureGRAPH® has allowed First Graphene to substantially de-risk the business so the company is now poised to apply its exclusive alchemy to a raft of industrial product lines. To echo my introduction, that is disruption in its most positive form.

Getting the word out

The greatest unknown is the speed by which manufacturers embrace graphene, though we are challenging that unknown by ramping up the Company's communications and marketing abilities, so that more people know about graphene and its multiple manufacturing benefits. We have a colourful, compelling and utterly commercial story to tell - and over the next 12 months, we will be much more proactive in telling it.

Demand across the energy, mining, textile and constructions sectors is growing and I am confident that the graphene story will snowball over coming months and years.

We have the right team in place across Australia, the United Kingdom and Sri Lanka to make it grow and I thank them for all their efforts.

Summary

Thank you also, to my fellow directors, Craig McGuckin and Peter Youd for their energy, insight and strategic foresight over the year.

Lastly, we welcome Dr Andy Goodwin to the Board as a non-executive director, and Paul Ladislaus as Chief Technology Officer (CTO).

These appointments reflect the Company's ability to set the global graphene benchmark and keep the focus on disruption - in the most positively disruptive way possible.

As we have seen over the past year, we are in an era of disruption so we must work with it in all its incarnations.



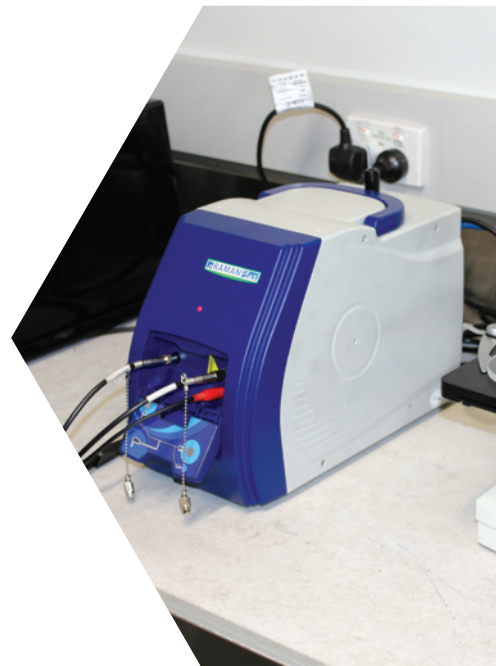
Warwick Grigor

Non-Executive Chairman
31 August 2020

Review of Operations

Mission Statement

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 which differentiates us to the benefit of our customers, investors and employees.



During the 2020 fiscal year First Graphene Limited (FGR) made considerable advances in its graphene business. Highlights included:

- Execution of sales agreements and commencement of sales of PureGRAPH® products to industry partners.
- Launched a new platform to support a growing base of international customers and stakeholders <https://firstgraphene.net>.
- Entry into the energy storage market with a worldwide, exclusive licence for supercapacitor materials.
- Strengthening of our R&D and process engineering capabilities in both Henderson and Manchester.

FGR has successfully continued to concentrate on market areas where higher volumes of graphene powders will be utilised. We are well positioned to provide volume and quality at a price which is attractive to industry participants for adoption. We continue to be the world's leading graphene company.

Process Capabilities

The Company has continued to develop its manufacturing process capabilities towards scale-up. This has included implementing several new finishing unit operations which will improve quality, reduce labour costs and increase throughput. Securing and protecting our know-how is a critical part of our business strategy and we continue to carefully manage our intellectual property as the process technologies are developed.

Also, as the world's leading supplier, we have validated our ability to supply consistent products using a robust quality control system which aligns with emerging international standards.

We have demonstrated our commitment to this by joining the British Standards Institute (BSI) and ISO Nanotechnologies Technical Committee (ISO/TC229) working groups, which is focussed on the development of internationally recognised graphene characterisation techniques. The key point is these techniques will be relevant and practical in an industrial environment.

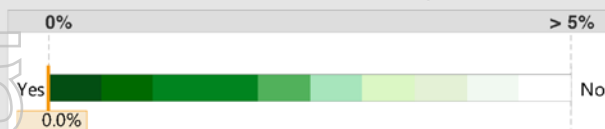
Review of Operations (CONTINUED)

The Company has also used commercial Minitab® software to analyse our manufacturing data, allowing us to produce process control charts for our Henderson Manufacturing site. This enables “voice of our process” understanding through process control charts to confirm we have a stable production platform, delivering a consistent product. An example is the chart below, which shows tight control of the mean particle size of our PureGRAPH® 10 product, measured using a Malvern 3000 Mastersizer (below). It demonstrates how we are able to use industry-leading analytical equipment can be combined with Six Sigma concepts to monitor and control product quality.

PG10 D50 Particle Size (Microns) Summary Report

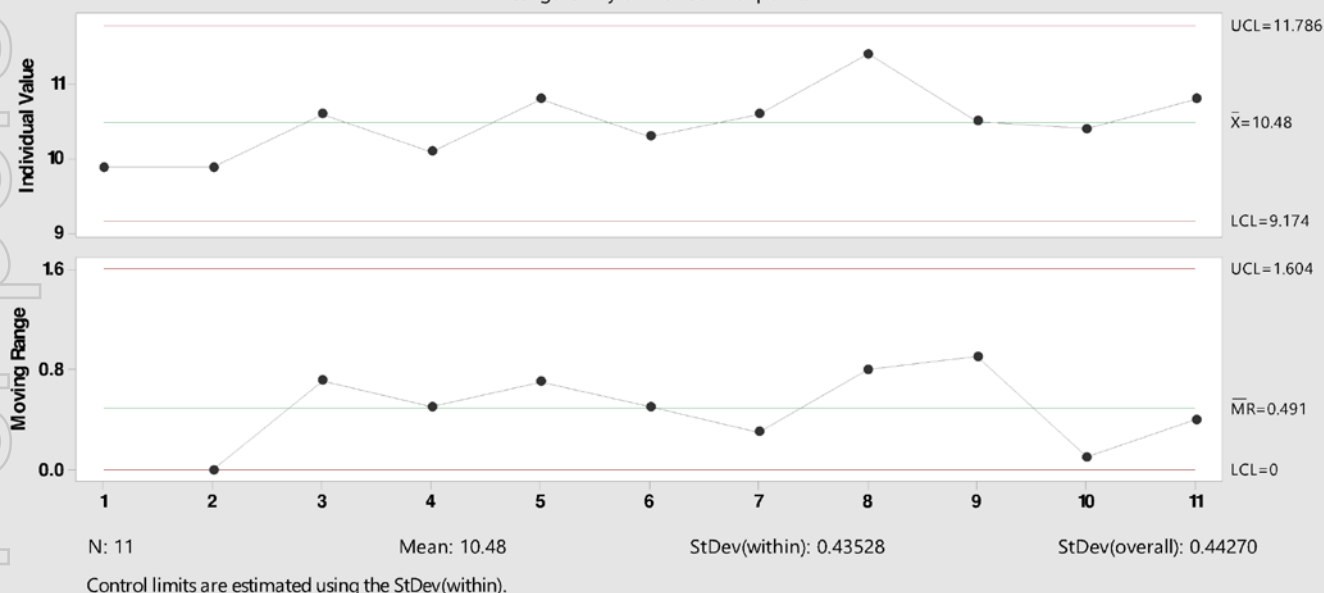
Is the process mean stable?
Evaluate the % of out-of-control points.

Comments



1. The process mean is stable. No data points are out of control on the I chart.
2. Data provided by First Graphene Ltd's Henderson Production Site Quality Control Laboratory.

Individual and Moving Range Charts Investigate any out-of-control points.



Review of Operations (CONTINUED)

R&D Capabilities

We have consolidated our position as a Tier 1 Member of the Graphene Engineering Innovation Centre (GEIC) based at the University of Manchester in the United Kingdom. This has been done through the addition of a Senior Development Chemist to enhance capability within our Research and Development team. We have also further developed our in-house expertise on the use of world-class analytical techniques and processing equipment at the GEIC, including Scanning Electron Microscopy, Raman Spectroscopy, thermal conductivity measurements and thermogravimetric analysis. This has helped us to further understand and characterise our product and, more importantly, to understand and support ongoing work to use our graphene products in real world applications.

We have also concluded a successful 6 month funded program in which a University of Manchester Post-Doctoral Researcher was embedded with the GEIC team to rapidly progress the scale up of novel transition-metal doped materials from the bench-scale to pilot-scale.

Over the last 12 months, we have also built relationships with our counterparts in other commercial R&D teams, focussing mainly on polymer masterbatching – this has allowed us to support the commercial introduction of graphene-enhanced thermoplastics.

At our Henderson Production Facility, we have added an additional development chemist to the site technical team. He has focussed on generating applications data for our graphene in a range of polymer systems to directly support business development activity.

Finally, we have continued to interact with a range of academic institutions and research teams, mainly in the United Kingdom and Australia. We have had very positive engagements, which has consolidated our position within the academic community as an innovative, credible and focussed graphene producer striving for scientific excellence.



Adam Smalley (Research Technician) in the foreground carrying out scanning electron microscopy (SEM) and Dr Tom Raine (Senior Development Chemist) in the background using the thermogravimetric analyser (TGA) in the Analytical Lab at the GEIC.

Review of Operations (CONTINUED)

Sales Contracts

During the financial year the Company executed Supply Agreements with several companies, including

- Steel Blue safety boots,
- Aquatic Leisure Technologies,
- planarTech (Holdings) Limited and
- newGen

These contracts form the basis for an expanding list of potential customers who are trialling PureGRAPH® powders in their applications. Further contracts are expected in the 2021 fiscal year as successful testing is concluded and supply arrangements agreed.

PureGRAPH® powders have been provided for customer testing and evaluation;

- PureGRAPH®5 fabric development, composite materials, energy storage
- PureGRAPH®10 wear linings, marine applications, thermoplastic materials, bulk materials handling, coatings, composite materials, rubber development
- PureGRAPH®20 Automotive applications, marine applications, recycled materials, sports equipment, bulk materials handling, coatings, composite materials, wear linings, rubber development, thermoplastic materials, aquaculture, building materials

Applications Benefitting from the Addition of PureGRAPH®

Composites

In early June 2020 FGR was pleased to announce it had executed a Supply Agreement with Aquatic Leisure Technologies Pty Ltd (ALT) for the supply of PureGRAPH®20 in their totally new proprietary construction process which provides the next generation of fibreglass pool technology. ALT and First Graphene had worked together over a two-year period to demonstrate improved flexural strength with the addition of small percentages of PureGRAPH® graphene powders. Immersion testing was completed in accordance with Australian standard ASTM D750 and confirmed reduced sorption curves, which lower the potential for osmotic blistering, extending pool durability.

PureGRAPH® graphene is mixed with the polymer resin prior to combination with the fibre reinforcement. Fibre reinforced polymer (FRP) composites are typically used in place of metal structures and components where reduced weight is required. PureGRAPH® graphene has been shown to provide a significant step-up in performance of composite materials compared with many other graphene products.

“PureGRAPH® graphene additives in fiberglass laminate – increase strength, reduce weight and improve durability.”

Review of Operations (CONTINUED)

PureGRAPH® graphene additives significantly increase the flexural strength and water resistance of the fibreglass laminates used in swimming pools shells. These enhancements give a stronger, lighter product with improved resistance to water penetration and will potentially simplify the manufacturing process.

The global market for swimming pool construction in 2017 was claimed to have reached US\$38.2Bn, with annual in-ground pool installations expected to grow at a CAGR of 3.8% to 2028. Traditionally, pools were constructed in concrete or with a vinyl liner. Improvements in glass-fibre materials technology, particularly gel coating systems have led to a growth in the popularity of fibreglass reinforced composite pools. Fibreglass pools have the advantage of short installation times, lower installation costs and typically lower maintenance costs than other systems.

For successful installation, the flexural strength of the pool wall must be sufficient to retain shape and withstand the pressure of the external sand and gravel supporting aggregate and also support the weight of water, which is particularly critical during initial filling.

Obviously, the swimming pool structure must resist water penetration. The front face is well protected by a high value gelcoat, but the reverse side must also resist ground-water penetration. In poorly performing systems, water diffusion into the composite matrix can lead to hydrolysis and result in osmotic blistering, ultimately leading to failure of the swimming pool structure. A range of strategies have been adopted to reduce water penetration from the reverse side, such as the inclusion of a vinyl ester barrier layer within the laminate structure.

First Graphene identified an opportunity to enhance the strength and water resistance of glass-reinforced polymer (GRP) laminates using PureGRAPH® graphene additives in the resin mix.

These GRP laminates are typically used in boat-building, water storage systems and in the case of this study, fibreglass pools.

Initial studies were carried out using chopped glass fibre reinforcement and polyester styrene-based resin. Similar results are achievable using vinyl ester resins.

PureGRAPH® graphene powders were mixed at low concentrations into polyester styrene resin using standard industrial mixing equipment. No pre-treatment of the graphene additive is required for the PureGRAPH® to disperse well in the resin system.



Review of Operations (CONTINUED)

GRP composites have many advantages including high mechanical strength, formability and low-cost and are therefore commonly used in marine and leisure applications.

However, GRP systems can be susceptible to moisture absorption. They contain reactive groups which will react with absorbed water via hydrolysis, leading to degradation of the matrix structure and osmotic blistering. These failures can degrade the composite system, reducing interlaminar strength and ultimately resulting in mechanical failure.

The absorption of water into the matrix is measured by ASTM D570-98 which uses a Fickian-diffusion model to characterize the diffusion of water. The relationship between water absorption, immersion time and sample thickness is given by the equation:

$$\frac{Mt}{M_{\infty}} = \frac{4}{\pi^{1/2}} \left(\frac{Dt}{l^2} \right)^{1/2}$$

By plotting the ratio of mass of water absorbed at a given time (Mt) to the final mass absorbed (M_{∞}) against the square root of the time at which the mass was taken, the diffusion coefficient (D) can be calculated as the gradient, giving a measure of how easily water is absorbed. A "Sigmoid Curve" is typically observed, suggesting a two-stage process:

- **Stage 1:** Water absorption into the matrix – kinetically controlled.
- **Stage 2:** Hydrolysis of the matrix by absorbed water – thermodynamically.

Our study focused on improving the flexural strength and water resistance of GRP laminates. We found PureGRAPH® graphene nanoplatelets enhanced the characteristics of the fibreglass laminate compared with standard laminates currently on the market.

We demonstrated improvements in:

- Flexural strength – enabling lighter laminates
- Water resistance – enabling increased laminate durability
- Thermal conductivity – enabling even cure in thick sections

Flexural strength results presented in Fig. 1 demonstrate a single layer laminate structure based on PureGRAPH® enhanced resin increases flexural strength by >30% and substantially exceeds the international pool standards.

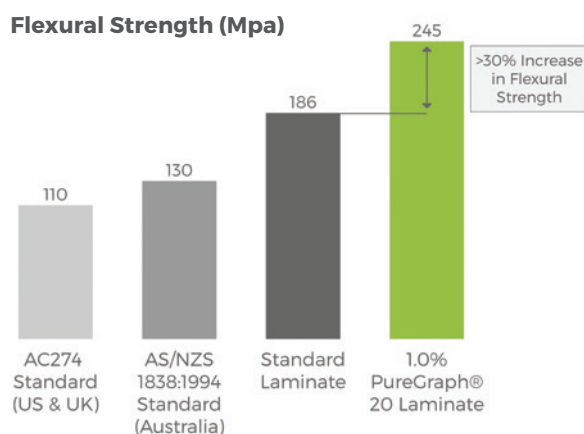


Fig.1 – Flexural Strength Results of Graphene Enhanced Laminates Compared with Industry Standard Specifications – tested in accordance with AS 2132 & ASTM D 790 – 03

Review of Operations (CONTINUED)

Fig. 2 details how the graphene-enhanced laminate outperforms typical laminates in terms of water absorption. The figure represents the reduced sorption curve of typical commercial pool laminates in the red-zone and reduced water sorption levels which can be achieved with graphene additives in the green zone. Tests were carried out in water at a temperature of 120 °C.

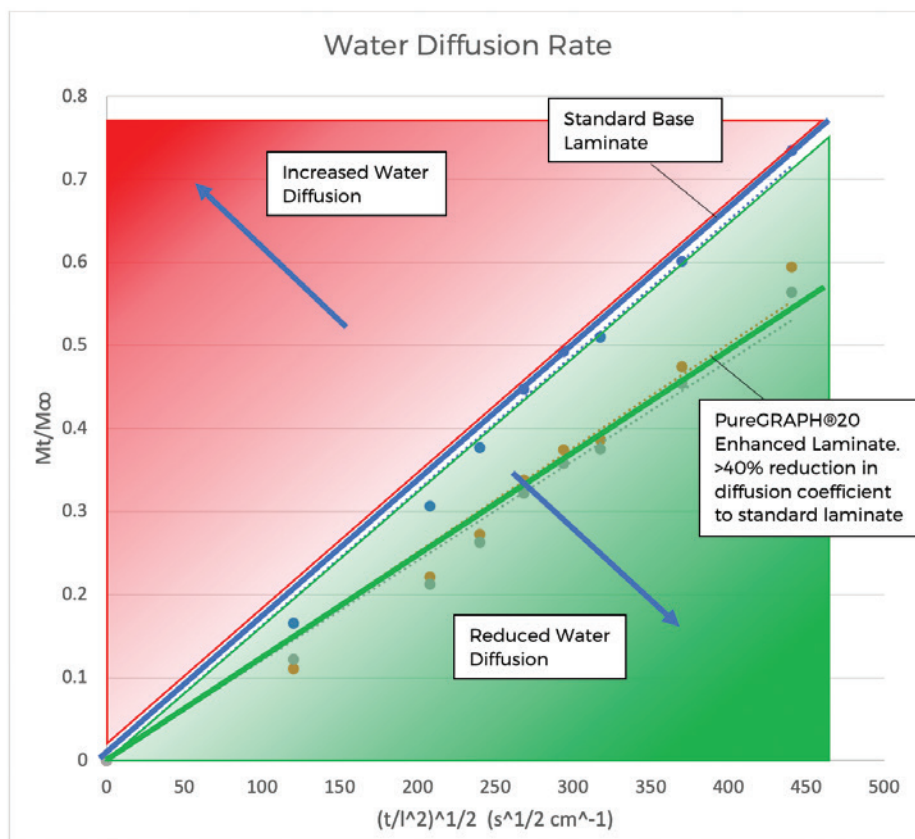


Fig.2 – Reduced Sorption Curves from immersion tests, indicating the speed of water diffusion - tested in accordance with ASTM D 570-98 over a 72-hour period at 120°C

As a result of the extensive and novel work undertaken FGR filed a patent application Resin Composites – Patent Pending number 2020901689.

Polymers

Early academic work on graphene enhanced plastics demonstrated significant improvements in performance. Much of this work used solvent dispersion techniques, whereas industrial processing of plastics is typically by mixing in the melt in a twin-screw extruder. As a consequence, property improvements by industrial processing in the melt have not yielded the impressive improvements which are described in the literature.

Review of Operations (CONTINUED)

As the only entity currently capable of providing industrial quantities of graphene First Graphene continues to work on solving these real-world problems and providing industrial solutions to its expanding customer base in the use of elastomers. Our laboratories, in the UK and Henderson work closely with customers to maximise the improvements they are demanding in their existing materials.

Existing applications include wear lining materials for the mining and mineral handling industries and specialist footwear. Additional applications are in Hot Cast polyurethane prepolymers, High-density polyethylene (HDPE), Thermoplastic polyurethane (TPU) and Polycarbonates (PC). The different chemistries of these materials demand on-going research to maximise the mechanical benefits which can be derived from the use of graphene.

Working with Hexcyl Systems Pty Ltd and using FGR's PureGRAPH® products the High-Density Polyethylene (HDPE) showed improvements in strength, wear resistance and longevity. HDPE is a thermoplastic polymer widely used in packaging (cosmetics, food and beverages), corrosion-resistant piping, geomembranes and plastic timbers. The global market for HDPE was estimated at US\$59 Billion in 2015, with a CAGR of 4%.

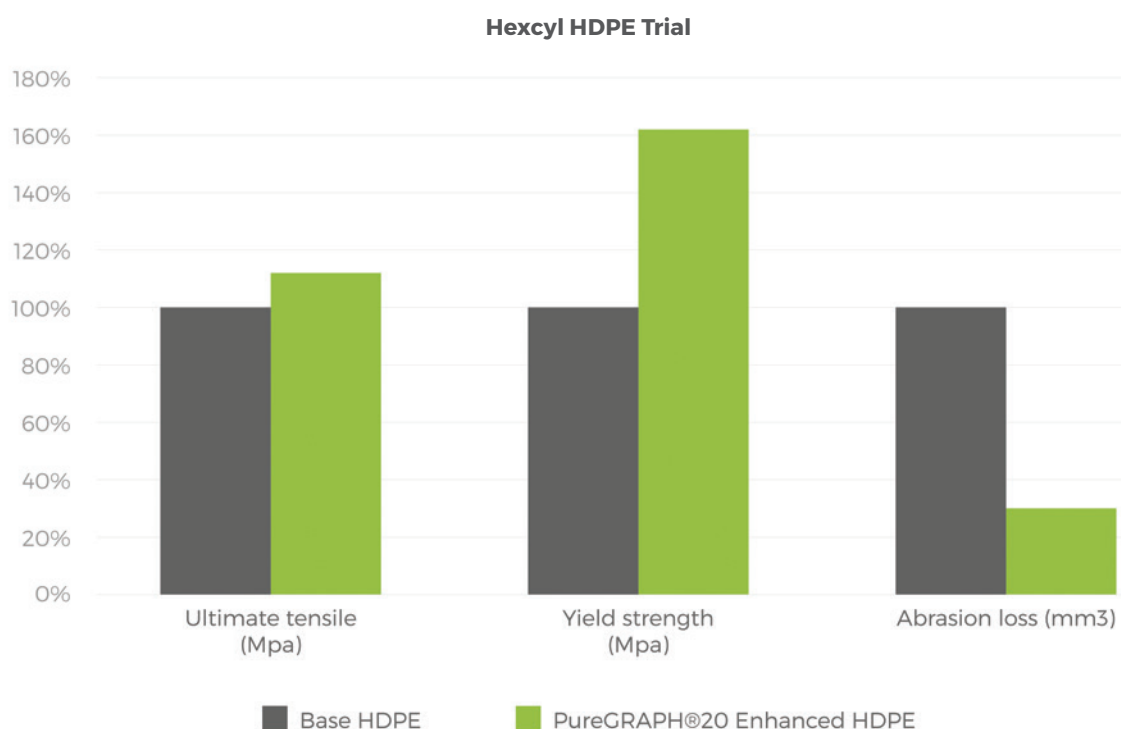
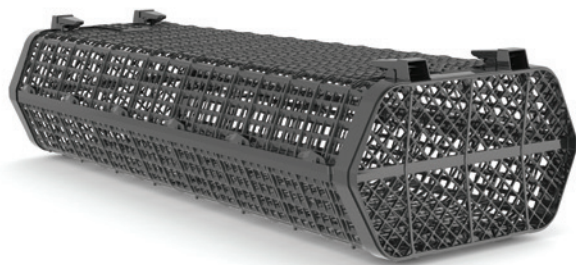


Fig 3: - Test Results showing ultimate tensile improvements (>10%), defined as the stress (MPa) at Moment of rupture and calculated using standard test method for tensile properties of plastics (ASTM D638-14). Yield strength improvements (>60%), defined as the stress (MPa) limit of elastic behaviour and calculated using standard test method for tensile properties of plastics (ASTM D638-14). Abrasion loss reduction (>50%), defined as a volume loss (mm³) under abrasion and calculated using an internal method designed to simulate an accelerated abrasive environment.

Review of Operations (CONTINUED)

Another use is in polymer wear liners, which are sacrificial and are used to protect the steel equipment parts; the key benefit being the production downtime to replace a polymer liner is relatively short. Hot Cast urethane prepolymers are used in the most rigorous applications where the highest performance is required. Processing of these polyurethane elastomers generally involves heated components and tooling along with a hot post-cure to optimise properties. Hot Cast polyurethanes are used extensively in mining, industrial tires, and metal manufacturing markets. Hot Cast urethane wear linings incorporating PureGRAPH® have seen significant improvements in the performance of the polyurethanes, enabling customers to achieve market growth through product superiority and cost savings for end users.

On site trials of graphene enhanced wear liners at major iron ore mining locations have demonstrated the improved performance and extended lifetime delivered with PureGRAPH® additives. In reclaimer wheel buckets, PureGRAPH® enhanced wear liners have been in use for in excess of twelve months without replacement.



Hexcyl Systems Pty Ltd HDPE oyster pot



Hexcyl Systems Pty Ltd oyster pots in a typical ocean farm

Rubber

Rubber is composed of long chains of randomly oriented molecules. These long chains are subject to entanglement and cross-linking. The entanglement has a significant impact on the viscoelastic properties such as stress relaxation. FGR has an extensive program underway for the incorporation of graphene into rubber compounds. Rubber compounds are a mixture of base polymer(s), fillers and other chemicals which form a finished rubber material. More precisely, the term 'compound' refers to a specific blend of ingredients tailored for particular characteristics required to optimise performance in some specific service. The basis of compound design is selection of the polymer type. The compounder may add reinforcing agents, such as carbon black, coloured pigments, curing or vulcanizing agents, activators, plasticisers, accelerators, anti-oxidants or antiradiation additives. There may be hundreds of such combinations. At the very least it would require a large design of experiments to map the interactions of a multicomponent system such as this and so much of this knowledge is learned

Review of Operations (CONTINUED)

by experience and maintained cerebrally. Having such complex chemistries, the inclusion of graphene requires the re-formulation of these compounds. As with most uses of graphene a test program must be developed to ensure the correct application of the graphene to the existing material.

Features and benefits of using PureGRAPH® additives in polymers and rubber include:

Features	Benefits
Increased tensile strength of (30-40% improvement possible)	Significant step up in performance of polymers 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 polymer applications

Concrete

Cement is the largest manufactured product on Earth by mass. When combined with water and mineral aggregates it forms concrete which in volume terms, is the most traded material in the world after water. In 2015, the total mass of cement produced was 4.6 billion tonnes. This is equivalent to about 626 kg per capita, a value higher than the amount of human food consumption.

With population growth, increased urbanisation and improved living standards of the global population, the demand for concrete products continues to grow at an accelerating rate

The manufacture of cement carries a significant CO2 burden which is estimated to be 6% of all CO2 emissions from human activity. The industry faces major challenges, notably the pressure to reduce the carbon footprint (CO2 contribution) of cement-based products.

Ordinary Portland Cement (OPC):

The traditional form of cement is Ordinary Portland Cement (OPC) which is made from locally available materials, typically a mixture of clay and limestone which require grinding and calcining (heating) to make clinker. The clinker is crushed into a fine powder with gypsum to form OPC. The manufacture of 1 tonne of clinker produces 842 kg of CO2. The heating and processing steps produce ca. 40% of the CO2 with ca. 60% coming from the CaCO3 to CaO transition during calcination of the clinker.

Review of Operations (CONTINUED)

The cement industry is investigating a range of alternatives to OPC clinker, known as supplementary cementitious materials or SCMs which includes fly ash, blast furnace slag and natural pozzolans. The UN report on Eco-Efficient Cements draws the conclusion the transition to SCMs will be slow due to local availability, low cost and industry confidence in the current OPC based materials. It is therefore important to focus upon more efficient use of OPC concretes in the short term.

“Improved strength from the addition of PureGRAPH®”

Professor Dusan Losic and co-workers at the University of Adelaide have completed thorough studies, of the performance of pristine graphene (PRG) particles on the compressive and flexural strength of cement-based mortars. Working with PureGRAPH® graphene products supplied by First Graphene Ltd., the university was able to investigate the physicochemical, microstructural and mechanical performance of OPC cement mortars versus the physical characteristics of the PRG platelets. The PRG particles were dispersed in water with an industrial plasticizer to aid dispersion and blended into the concrete mix as part of the water addition.

Initial studies at the University of Adelaide showed compressive strength is increased by 34.3% and tensile strength by 26.9% when PureGRAPH® is added to cement mortar at very low levels of 0.07%w/w in the cement paste (equivalent to ca. 0.01%w/w in concrete). In a new study, the earlier results were further validated with improvements in compressive strength of 34.3% and tensile strength of 38.6% being recorded. In this study, the researchers investigated the impact of platelet dimensions and confirmed ultra-large PureGRAPH®

platelets with average lateral size $56 \pm 12\mu\text{m}$ deliver the largest benefits. The increases in strength were attributed to improved hydration of calcium silicate hydrate gels and increased frictional adhesion between the platelets and cement gels.

“PureGRAPH® reduces water permeability”

Further studies have been completed in the laboratories of Prof. Yong Wang and Dr. Meini Su at the School of Mechanical, Aerospace and Civil Engineering, University of Manchester, UK to investigate the impact of PureGRAPH® graphene additives on the performance of concrete systems.

PureGRAPH® graphenes with average lateral size $56 \pm 12\mu\text{m}$ supplied by First Graphene Ltd. were incorporated into cement mixtures by dispersion in plasticiser solution prior to incorporation in the cement mixture. The cement was prepared and tested in accordance with industry standards (BS 1881-108:1983 Method for making test cubes from fresh concrete) and the water permeability tested by a soaking methodology. The results are presented in Fig. 4.

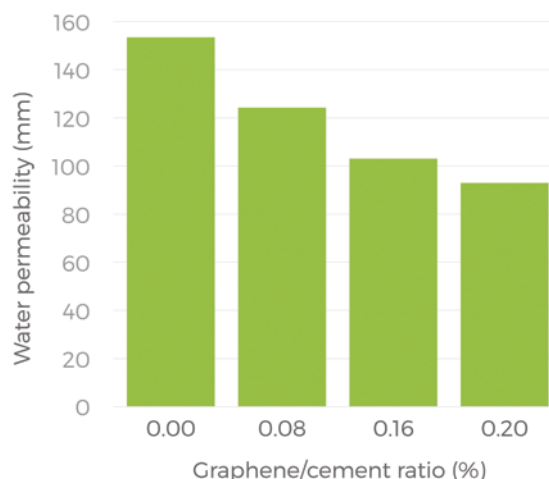


Fig.4 - Water permeability of cement pastes containing PureGRAPH® graphene additives

Review of Operations (CONTINUED)

A 0.2%w/w loading of PureGRAPH® gives a reduction in water permeability of approximately 40%. Reducing water penetration is thought to prevent the alkali-silica reaction (ASR), a swelling reaction which results in serious cracking and critical structural problems. The reduction in permeability is derived from the enhanced formation of nucleation sites for the C-S-H hydration crystals and the high surface area of graphene to form a denser network of interlocked cement crystals. This enhances the mechanical properties and also forms an effective barrier against water penetration.

PureGRAPH® for Electrical Conductivity

Dr. Su also examined the impact of PureGRAPH® concrete additives on the electric conductivity of cement materials. PureGRAPH® graphene was incorporated into cement at concentrations of up to 0.2%w/w. The electrical conductivity was subsequently measured by embedding stainless steel wire mesh (electrodes) along the length of the cement mould at the casting stage. Sample blocks of on 60 mm x 25 mm x 18 mm were cured for 28 days prior to measurement. The inner two electrodes act as a voltage measuring unit and the outer two are used for inducing current. The results are presented in Fig.5.

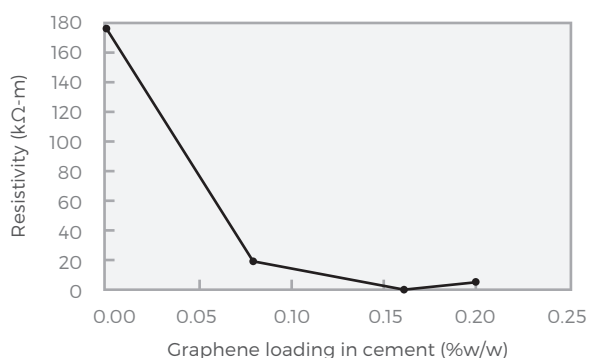


Fig.5 - Electrical Resistivity (kΩm) of cement containing PureGRAPH® graphene additives.

A significant increase in the electrical conductivity of the cement is observed when the graphene dopant level exceeds ca. 0.05 w/w. The researchers propose the significant reduction in electrical resistivity above 0.08%w/w graphene in cement is due to the formation of a continuous conductive path in the cement structure.

Recycled Aggregate Concrete with PureGRAPH®

In addition to the production and use of cement-based products, recycling and effective use of demolished concrete aggregate represents an opportunity for further environmental benefits to the construction industry. In the UK alone more than 50 million tonnes of concrete aggregate is re-claimed every year. Effective re-use of this material as an aggregate in new concrete is limited by the reduced performance (compressive strength, tensile strength and Young's modulus) and the workability of the composite.

In a PhD study by Robert Ataria of the School of Mechanical, Aerospace and Civil Engineering, University of Manchester, UK the impact of graphene additives upon the performance of Recycled Aggregate Concrete (RAC) was investigated. PureGRAPH® graphene concrete additives were dispersed with plasticiser in water to prepare a cement mortar and then RAC concrete prepared. The researcher identified enhancements in RAC performance was achieved by washing the recycled aggregate and doping the cement mortar with 0.01%w/w of PureGRAPH® graphene additives. The compressive and tensile strengths of the resulting RAC were enhanced by 43.9% and 24.1% respectively to reach values of 39.14MPa and 3.76MPa which are similar to those of C40 NAC a standard concrete manufactured with fresh materials.

Review of Operations (CONTINUED)

Graphene Enhanced Concrete Products

In summary, published literature demonstrates graphene concrete additives clearly have the potential to deliver benefits for concrete manufacture.

- The incorporation of small amounts of graphene concrete additives delivers improvements in compressive and tensile strength in concrete, enabling the use of thinner, lighter concrete elements reducing the mass of concrete required for construction projects and simultaneously reducing the CO2 contribution of the industry.
- PureGRAPH® concrete additives also enable the use of recycled concrete aggregate in new concrete structures, as low addition levels can raise the performance of recycled aggregate concretes.
- Multiple studies have validated that the large platelet size and high aspect ratio which are accessible with electrochemically exfoliated PureGRAPH® concrete additives are critical for strength enhancement.
- PureGRAPH® concrete additives produce a reduction in water and ion permeability which are expected to extend the durability of concrete structures by reducing re-bar corrosion and the alkali-silica reaction, a swelling reaction that can result in serious cracking.
- PureGRAPH® concrete additives produce additional properties and benefits including electrical conductivity when used at higher loading levels. These materials will enable development of new smart concrete with built-in sensors to report physical condition, cracks and loading, provide integrated resistive heating and the potential for wireless charging of electric vehicles.

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

Features	Benefits
Disperses well in water-based formulations	Easy to use and can be added with currently used concrete admixtures.
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)

First Graphene's Developing New Technologies.

2D Fluidics Pty Ltd - Vortex Fluidic Device

First Graphene, through its subsidiary, 2D Fluidics Pty Ltd, has developed a more benign approach for the fabrication of oxidised graphene or graphene oxides. The objective is to functionalise the surface with sufficient oxygen functional groups to allow easier dispersibility in water and other aqueous mediums. In addition, the method delivers a tuneable route for the synthesis of graphene oxides that have tailored oxidation levels for specific applications.

As part of its long-standing research collaboration with Flinders University, 2D Fluidics researchers have progressed the development of potential applications for a proprietary range of breakthrough carbon nanomaterials.

This work utilised the chemical transformation abilities of the Vortex Fluidic technology, invented and developed by Professor Colin Raston at Flinders University, to produce proprietary Green Graphene Oxide (gGO™) nanomaterials with precise specifications depending on the industrial application.

Continuing to build on earlier results, the 2D Fluidics team, led by world-class graphene chemist Dr Kasturi Vimalanathan, has deployed a range of Green Graphene Oxide nanomaterials in demonstrations of industrial applications.

The team has successfully completed initial tests of 2D Fluidics' proprietary gGO™ nanomaterials in a range of applications which include the use in transistors for biosensing, increasing the efficiency of organic photovoltaics, the use in photoluminescence sensors and optoelectronic devices, and improving photocatalytic activity.

For example, the conventional GO (Hummers method) typically shows no fluorescence where as gGO™ provides controllability of surface oxidation and exhibits potential use in devices, while avoiding the need for a reduction step in the production step.

Energy Storage Materials

During the year First Graphene acquired the licence for a new series of graphene-hybrid materials.

The licence granted exclusive rights to patented technology for the manufacture of metal oxide decorated graphene materials using a proprietary electrochemical process. These new graphene-hybrid materials offer the makers of supercapacitors a new class of high-performance capacitor materials.

Supercapacitors offer high power-density energy storage, with the possibility of multiple charge/discharge cycles and short charging times. The market for supercapacitor devices is forecast to grow at 20% per year reaching a revenue value of ca. A\$3.1 billion by 2022. As with batteries, growth of the supercapacitor market is challenged by the supply of the right, high-performing materials which is dominated today by the use of microporous carbon nanomaterials with typical electrical capacity of 50 to 150 Farads/g.

Earlier research by The University of Manchester demonstrated very high capacitance materials of up to 500 Farads/g are now possible which outperform existing materials. The manufacturing process to be employed builds on the Company's existing electrochemical processing expertise at First Graphene's manufacturing site at Henderson, WA.

Research published by Prof. Robert Dryfe and Prof. Ian Kinloch of The University of Manchester revealed how high capacity, microporous materials can be manufactured by the electrochemical

Review of Operations (CONTINUED)

processing of graphite raw materials and decorated with transition metal ions leading to metal oxide decorated graphene materials which have very high capacitance of up to 500 Farads/g.

These materials can be manufactured at scale using the Company's established expertise in electrochemical materials processing. As the materials are grown in-situ through electrochemical processing they have significant advantages over previous solutions which employed simple mixing of graphene and metal oxide materials.

Prof. Dryfe secured funding from the UK EPSRC (Engineering and Physical Sciences Council) for the further optimisation of the metal oxide / graphene materials. Two high value product groups can be synthesised using this approach. Firstly, metal oxide decorated materials with high capacitance for applications in supercapacitors and catalysis and secondly, pristine graphene products with tightly controlled specifications for applications in electrical and thermal conductivity.

First Graphene built a pilot scale capability in its laboratories within the GEIC and successfully transferred the technology to its laboratories in Manchester, UK and also completed two successful pilot trials at its manufacturing facility in Henderson, WA. Specifically, the Company has demonstrated the following

- Synthesis of metal oxide decorated hybrid graphenes at litre scale in FGR laboratories.
- Synthesis of pristine (zero-oxygen) graphene materials at litre scale in FGR laboratories.
- Manufacture of metal oxide decorated hybrid graphenes at multi-kg scale.
- Manufacture of pristine (zero-oxygen) graphene materials at multi-kg scale.

The structure of the new materials was confirmed by Raman analysis and Scanning Electron Microscopy (SEM). A typical image of metal oxide decorated graphene is shown in Fig. 6, which shows the nanostructured metal oxides on the surface of an exfoliated graphene platelet.

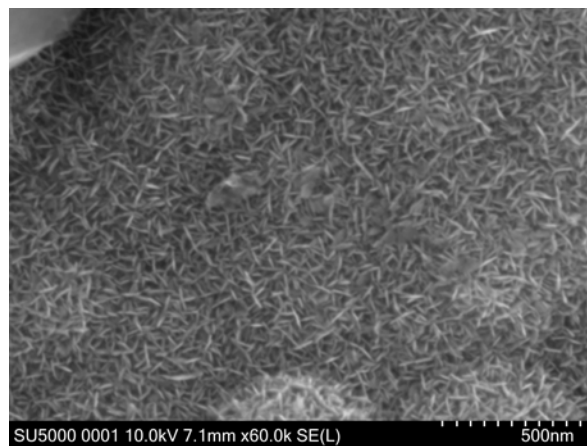


Fig.6 - Metal Oxide decorated graphene surface – crystalline metal oxide nanostructures grown directly onto the graphene platelet. Considered to be an ideal structure for capacitance and catalysis.

The Company tested the performance of these materials in energy storage and catalysis applications. Initial tests showed prototype supercapacitor devices (coin cell) can be manufactured with these materials. Additional testing was delayed due to restricted access to test facilities during the COVID-19 restrictions. Testing of prototype supercapacitor devices is now underway with a world leading energy storage research institute.

Review of Operations (CONTINUED)

Website Upgrade

A new website platform was launched in July 2019 to support a growing base of international customers and stakeholders. The new website firstgraphene.net is an opportunity for visitors to develop a deeper understanding of the potential of graphene and its applications. With a clean design and vibrant imagery, the content reflects not only the First Graphene brand but provides insight into the real potential for graphene with their range of high-quality PureGRAPH® products. This new domain replaces the previous firstgraphene.com.au domain.

With the launch of firstgraphene.net the company also adopted a more active profile on social media with ASX announcements being accompanied by news item and associated postings on Twitter and LinkedIn.

In 2020, the firstgraphene.net website was further upgraded as the company transitioned to a new higher speed hosting service and partnered with a new agency to improve the effectiveness of the site.

Further work is ongoing to improve search and inbound lead acquisition, alongside planned integrated marketing campaigns.

New CRM System

A new Customer Relationship Management (CRM) system has been implemented to manage the high number of customer enquiries and enable the First Graphene team to identify key prospects and customers and focus our resources on these to drive projects through the development funnel to commercial sales.

Environment and Sustainability

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

A training register is maintained, and employees are trained in all aspects of the Company's operations prior to being signed off as trained to operate the equipment.

Weekly safety meetings are held, and all new tasks have a Job Hazard Assessment (JHA) completed and signed off prior to being undertaken.

The safety and welfare of all employees is of paramount importance.

COVID-19

The Company continues to monitor developments and has established the following approach to keeping our people safe:

Business Travel

First Graphene has placed a moratorium on any international business travel until further notice.

We also asked staff to minimise domestic travel to 'business-essential only' and look for other ways to collaborate, such as via Zoom and MS Teams.

Review of Operations (CONTINUED)

Personal Travel

Staff have been asked to reconsider their need to travel internationally at this time.

Flu Shot

The flu season could exacerbate the spread and effect of COVID-19. While the flu vaccine won't combat COVID-19, it will help reduce the severity and spread of flu, which can lower a person's immunity. The Company recommended all staff consider a flu shot for these reasons.

Hygiene

Health authorities advise to protect themselves and others from infection, practice good hand and respiratory hygiene including:

- Cleaning hands with soap and water or alcohol-based hand rubs;
- Covering their nose and mouth with a tissue or flexed elbow when coughing or sneezing;
- Avoiding contact with anyone who has symptoms such as fever, a cough, sore throat, fatigue, and shortness of breath;
- Staying home if they are unwell and encouraging others to do the same; and
- Trying to stay at least 1.5 metres away from people coughing or sneezing.

Working From Home

The Company strongly encouraged all staff to take laptops (if applicable) home each day. If they feel unwell or are required to stay out of the office, they will be equipped to work from home (if well enough). If they needed some support to set up from home, they were encouraged to contact our IT support provider to assist them to be operational.

Clients

Many clients enacted their own COVID-19 policies. The Company ensured we were aware of any policies with which we must comply with when on-site. If employees have any concerns about visiting a client's premises, they were asked to raise them with the Company Secretary.

General Precautions

Our approach is aimed at safeguarding the health and safety of our people and doing our part to minimise the risk of COVID-19 spreading within the community.



Review of Operations (CONTINUED)

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 which 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.



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 2020.

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.

Other Current Directorships

None.

Former Directorships in the Last 3 Years

None.

Interests in Shares and Options

Ordinary shares 18,883,772

Options 11,854,951

Craig McCuckin *Dip. Minsurv Class 1, Dip Surfmin*
Managing Director

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

Other Current Directorships

None.

Former Directorships in the Last 3 Years

None

Interests in Shares and Options

Ordinary shares 8,597,092

Options 3,715,852

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

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

Other Current Directorships

None.

Former Directorships in the Last 3 Years

Non-executive director Haranga Resources Limited

Interests in Shares and Options

Ordinary shares 7,162,674

Options 3,703,244

Directors' Report (CONTINUED)

Dr Andy Goodwin *Ph.D. (Polymer Chemistry)* **Non-Executive Director**

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

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

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

Appointed 1 July 2020

Other Current Directorships

None.

Former Directorships in the Last 3 Years

None

Interests in Shares and Options

Ordinary shares 2,008,993

Options 3,108,993



Company Secretaries

Peter Youd *B Bus (Accounting), AICA*

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

Ms Schmidt has 29 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 \$5,366,149 (2019: loss of \$6,986,738).

No final dividend has been declared or recommended as at 30 June 2020 or as at the date of this report (2019: \$ nil).

No interim dividends have been paid (2019: 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.

Directors' Report (CONTINUED)

Events Since the End of the Financial Year

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Group is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operations during FY2021.

Management is actively monitoring the global situation and its impact on the Group's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Group is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the 2021 financial year.

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

Significant Changes in State of Affairs

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

Likely Developments and Expected Results of Operations

The Directors have excluded from this report any further information on the likely developments in the operations of the Group and the expected results of those operations in future financial

years, other than as mentioned in the Chairman's Statement and Review of Operations, as the Directors have reasonable grounds to believe the nascent nature of the graphene market makes it impractical to forecast future profitability and other material financial events.

Directors' and Other Officers' Emoluments

Details of the remuneration policy for Directors and other officers are included in the Remuneration Report (page 26) and the Corporate Governance Report lodged separately on ASX on the same day as this report is lodged.

Details of the nature and amounts of emoluments for each Director of the Company and Executive Officers are included in the Remuneration Report.

Environmental Regulations

The Group's graphene production and sales operations are subject to regulation in Australia by the 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.

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

Proceedings on Behalf of Company

No person has applied to the Court under Section 237 of the Corporations Act for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Directors' Report (CONTINUED)

Share Options

At the date of this report, First Graphene Limited has the following 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	\$0.25 each, if exercised after 8 August 2020 but on or before 8 August 2021.	107,445,242

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
Director Share option	8 November 2019	8 November 2023	\$0.25 each, if exercised on or before 8 November 2023	9,000,000
Other Share option	6 January 2020	8 November 2023	\$0.25 each, if exercised on or before 8 November 2023	1,000,000

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	5	5
Craig McGuckin	5	5
Peter Youd	5	5

Indemnification and insurance of officers and auditors

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

The Company has entered into a Deed of Indemnity, Access and Insurance ("Deed") with

each current and former officer of the Company and its subsidiaries, including each director and company secretary and persons who previously held those roles.

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

No indemnity or insurance is in place in respect of the auditor.

Renumeration 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	Managing Director
Mr Peter Youd	Executive Director
Dr Andy Goodwin	Non-Executive Director (appointed 1 st July)
Mr Warwick Grigor	Non-Executive Chairman

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 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:

Remuneration Report

(Audited) (CONTINUED)

Setting Remuneration Arrangements

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

Executive Officer Remuneration, including Executive Directors

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

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



Renumeration Report (Audited) (CONTINUED)

Details of remuneration for the year ended 30 June 2020

The remuneration for each Director and key management executives of the Group during the year was as follows:

Short term incentives & other benefits										
	Base consulting fee	Vehicle allowance	Director's fees	Salary	Bonus payment as per contracts (iii)	Post-Employment Entitlements	Share based payments	Total	Value of remuneration which is performance related	
30 June 2020	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$	%	
Executive Directors										
Craig McGuckin (i)	498,425	12,000	-	-	50,000	-	216,352	776,777	6.44	
Peter Youd (i)	389,758	12,000	-	-	50,000	-	216,352	668,110	7.48	
Other Key Management Personnel										
Dr Andy Goodwin (ii)	-	-	-	395,755	-	-	63,707	459,462	-	
Non-Executive Directors										
Warwick Grigor	-	-	30,000	90,000	50,000	11,400	216,352	397,752	12.57	
Total	888,183	24,000	30,000	485,755	150,000	11,400	712,763	2,302,101	6.52	

- Mr Craig McCuckin and Mr Peter Youd do not receive director's fees however are compensated in accordance with their respective consultant agreement.
- The above remuneration reflects Dr Goodwin's remuneration as Chief Technology Officer during the 2020 fiscal year. Dr Goodwin resigned from his full-time position at the end of June 2020. Dr Goodwin was appointed as a non-executive director on 1 July 2020.
- Bonus payment reflects entitlements due under appointment contracts for share performance in 2019.

Remuneration Report

(Audited) (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							
30 June 2019	A\$	A\$	A\$	A\$	A\$	A\$	%
Executive Directors							
Craig McCuckin (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 McCuckin 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.

Remuneration Report

(Audited) (CONTINUED)

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives.

The Group is in the early development phase of its operations, and due consideration is made of developing long term shareholder value. The Board has regard to the following indices in respect of the current financial year to facilitate the long-term growth of the Consolidated Group:

Item	2020	2019	2018	2017	2016
Sales revenue \$	289,773	22,771	7,180	–	–
Loss before tax \$	(5,366,149)	(6,986,738)	(7,024,612)	(4,259,9600)	(4,677,224)
Basic loss per shares (cents)	(1.11)	(1.78)	(1.65)	(1.32)	(1.86)
Increase/(decrease in share price (%))	(45.1)	134.2	275.3	(57.5)	226.4

Relationship between remuneration and company performance

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

Name	% Fixed remuneration	% Short Term Incentive	% Long Term Incentive
Craig McCuckin	65.71	6.44	27.85
Peter Youd	60.14	7.48	32.38
Warwick Grigor	33.04	12.57	54.39
Dr Andy Goodwin	86.14	–	13.86

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:

Remuneration Report

(Audited) (CONTINUED)

Name	Term of agreement and notice period	Base fee	Base salary	Termination payment ⁽⁴⁾
Craig McGuckin	No fixed term; 12 months ⁽¹⁾	\$510,425 ⁽²⁾	–	None
Peter Youd	No fixed term; 12 months ⁽¹⁾	\$401,758 ⁽²⁾	–	None
Dr Andy Goodwin	No fixed term; 3 months	–	£212,000 ⁽³⁾	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 year ended at 30 June 2020 and includes vehicle allowance.
3. Reflects Dr Goodwin's salary for the year ended at 30 June 2020. He has subsequently retired as a full-time employee and is a non-executive director.
4. 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 2020

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 2020

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

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

Assumptions	
Valuation date	8 November 2019
Market price of shares	\$0.16
Exercise price	\$0.25
Expiry date (length of time from issue)	8 November 2023 – 4.0 years
Risk free interest rate	0.73%
Volatility	75%
Indicative Value of Director Option (cents)	0.0721
Total Value of Director Options - \$	649,056

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

Assumptions	
Valuation date	6 January 2020
Market price of shares	\$0.15
Exercise price	\$0.25
Expiry date (length of time from issue)	8 November 2023 – 3.84 years
Risk free interest rate	0.725%
Volatility	75%
Indicative Value of Senior Management Option (cents)	0.0637
Total Value of Senior Management Options - \$	63,707

Remuneration Report

(Audited) (CONTINUED)

If a Director resigns within 12 months of the date of issue of the Options, then 1/3 of that Director's unexercised Options will automatically lapse at the time of resignation, with the outgoing Director retaining the 2/3 balance of unexercised Options.

Options and rights holdings held by key management personnel

Directors	Balance 01.07.19	Granted	Exercised	Other	Balance 30.06.20	Total vested 30.06.20	Vested & exercisable 30.06.20	Vested & un- exercisable 30.06.20
Craig McGuckin	-	3,000,000	-	715,852	3,715,852	2,715,852	2,715,852	-
Peter Youd	52,091	3,000,000	-	651,153	3,703,244	2,703,244	2,703,244	-
Warwick Grigor	7,138,244	3,000,000	-	1,716,707	11,854,951	10,854,951	10,854,951	-
Dr Andy Goodwin	2,000,000	1,000,000	(450,000)	558,993	3,108,993	2,775,660	2,775,660	-

Shareholdings held by key management personnel

Directors	Balance 01.07.19	Granted	Exercise of options	Acquired ⁽ⁱ⁾	Other	Balance 30.06.20
Craig McGuckin	7,881,240	-	-	715,852	-	8,597,092
Peter Youd	6,511,521	-	-	651,153	-	7,162,674
Warwick Grigor	17,105,946	-	-	1,777,826	-	18,883,772
Dr Andy Goodwin	1,000,000	-	450,000	558,993	-	2,008,993

(i) Shares were acquired through acceptance of entitlements

Remuneration Report

(Audited) (CONTINUED)

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 2020 totalling \$170,425 (2019: \$197,868). There were no other payments to related parties.

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

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

Voting rights

At the 2019 Annual General Meeting held on 8 November 2019 there were 8.43% 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 35.

Non-audit services

During the period BDO Corporate Tax (WA) Pty Ltd was paid \$33,794 for the provision of taxation services (2019: \$27,038). BDO Corporate Tax (WA) Pty Ltd is an affiliate member of BDO Audit (WA) Pty Ltd Refer to Note 22 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; and
- 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 31st day of August 2020

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.

Annual General Meeting

The Company's Annual General Meeting will be held on Friday, 9th October 2020 at the Celtic Club, 48 Ord Street, West Perth, Western Australia commencing at 3:30pm AWST. A Notice of Meeting will be issued in due course.

Auditor's Independence Declaration



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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 2020, 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, 31 August 2020

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	2020 A\$	2019 A\$
Continuing operations			
Revenue from contracts with customers	3	289,773	22,771
Cost of goods sold		(262,896)	(30,112)
Gross profit/(loss)		26,877	(7,341)
Other income	4(a)	1,444,990	1,684,458
Research & development	4(b)	(3,229,900)	(3,195,475)
Selling & marketing	4(c)	(290,548)	(181,647)
Mining asset maintenance	4(d)	(252,562)	(2,308,424)
General & administrative	4(e)	(3,048,724)	(3,039,791)
Operating loss		(5,349,867)	(7,048,220)
Finance income	5(a)	7,337	107,284
Finance expense	5(b)	(23,619)	(45,802)
Loss from continuing operations before tax		(5,366,149)	(6,986,738)
Income tax (expense)/benefit	6	-	-
Loss for the year		(5,366,149)	(6,986,738)
Other comprehensive income			
<i>Items which may be reclassified to profit or loss</i>			
Exchange differences arising on translation of foreign operations		26,609	9,385
Other comprehensive income for the year		26,609	9,385
Total comprehensive loss for the year		(5,339,540)	(6,977,353)

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

For the year ended 30 June 2020

	Note	2020 A\$	2019 A\$
Continuing operations			
Loss for the year attributed to:			
Owners of First Graphene Limited		(5,239,650)	(7,364,644)
Non-Controlling Interests		(126,499)	377,906
		(5,366,149)	(6,986,738)
Total comprehensive loss for the year attributed to:			
Owners of First Graphene Limited		(5,213,041)	(7,355,259)
Non-Controlling Interests		(126,499)	377,906
		(5,339,540)	(6,977,353)
Loss per share for the year attributed to the owners of First Graphene Limited			
Basic (loss) per share (cents per share)	7	(1.11)	(1.78)
Diluted (loss) per share (cents per share)	7	(1.11)	(1.78)

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

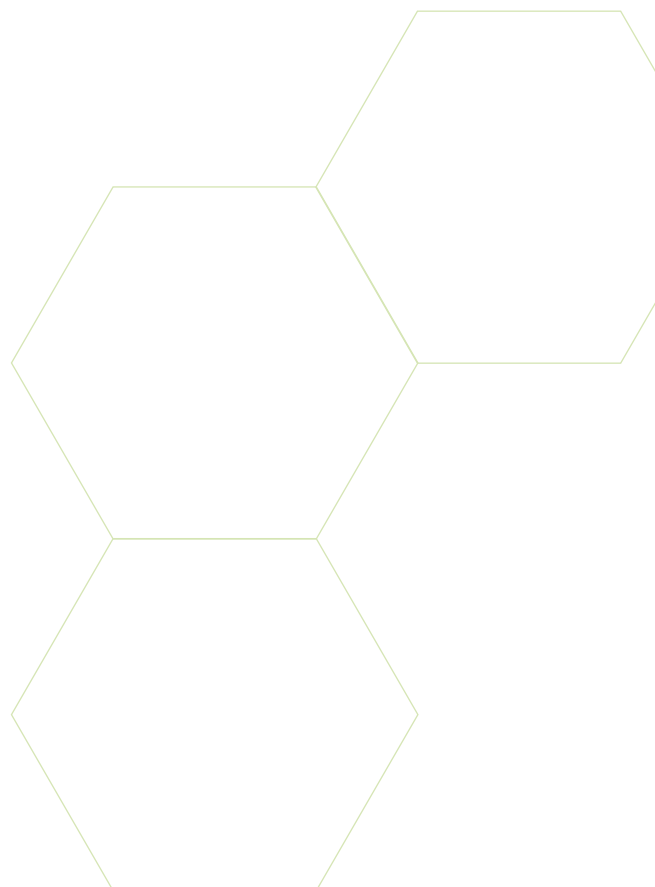
For the year ended 30 June 2020

	Note	2020 A\$	2019 A\$
Assets			
Current assets			
Cash and cash equivalents	8	8,053,134	3,664,137
Inventories	9	1,601,522	1,005,641
Trade and other receivables		65,568	182,250
Other current assets		332,495	377,841
Total current assets		10,052,719	5,229,869
Non-current assets			
Property, plant and equipment	10	2,314,167	1,627,502
Right of use asset		219,067	-
Inventories	9	1,009,200	-
Intangible assets		294,811	250,000
Financial Assets at FVPL		215,102	-
Total non-current assets		4,052,347	1,877,502
Total assets		14,105,066	7,107,371
Liabilities			
Current liabilities			
Trade and other payables	11	1,569,670	1,019,622
Employee liabilities		63,221	-
Lease liabilities		72,791	-
Total current liabilities		1,705,682	1,019,622
Non-current liabilities			
Lease liabilities		152,999	-
Total non-current liabilities		152,999	-
Total liabilities		1,858,681	1,019,622
Net Assets		12,246,385	6,087,749

Consolidated Statement of Financial Position (CONTINUED)

	Note	2020 A\$	2019 A\$
Equity			
Issued capital	13	95,778,819	85,068,406
Reserves	15	5,887,471	5,148,099
Accumulated losses		(89,531,680)	(84,292,030)
Capital and reserves attributable to owners of First Graphene Limited		12,134,610	5,924,475
Non-controlling interest		111,775	163,274
Total equity		12,246,385	6,087,749

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



Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	A\$	Share based payments reserve	Option reserve	Translation reserve	Other Reserve	Accumulated losses	Non-controlling interests	Total
	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$
As at 1 July 2019	85,068,406	4,703,404	467,202	(22,507)	-	(84,292,030)	163,274	6,087,749
Loss for the year	-	-	-	-	-	(5,239,650)	(126,499)	(5,366,149)
Foreign currency translation	-	-	-	26,609	-	-	-	26,609
Total comprehensive loss for the year	-	-	-	26,609	-	(5,239,650)	(126,499)	(5,339,540)
Transactions with owners in their capacity as owners								
Share placements during the year	6,628,696	-	-	-	-	-	-	6,628,696
Shares issued	4,340,997	-	-	-	-	-	-	4,340,997
Change in non-controlling interest holding	-	-	-	-	(71,057)	-	146,057	75,000
Share issue costs	(259,280)	-	-	-	-	-	-	(259,280)
Share based payment transactions	-	712,763	-	-	-	-	-	712,763
30 June 2020	95,778,819	5,416,167	467,202	4,102	(71,057)	(89,531,680)	182,832	12,246,385

Consolidated Statement of Changes in Equity (CONTINUED)

	A\$	Share based payments reserve	Option reserve	Translation reserve	Other Reserve	Accumulated losses	Non-controlling interests	Total
	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$
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	(259,280)	-	-	-	-	-	(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

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 A\$	2019 A\$
Cash flows from operating activities			
Revenue from sales		448,161	22,771
Payments to suppliers and employees		(6,758,025)	(6,866,333)
Interest received		7,337	14,031
Interest paid		(13,460)	(48,837)
R&D and grant funding received		1,397,112	1,142,172
Other income		179,521	408,602
Net cash outflows from operating activities	16	(4,739,354)	(5,327,594)
Cash flows from investing activities			
Payments for property, plant and equipment	10	(1,122,133)	(889,244)
Proceeds from sale of property, plant and equipment		1,864	20,845
Payments for intellectual property		(49,850)	-
Payments for investment in third party		(215,102)	-
Deconsolidation of subsidiary, net of cash		-	(191,568)
Net cash outflows from investing activities		(1,385,221)	(1,059,967)
Cash flow from financing activities			
Proceeds from placement of shares	13	6,424,171	4,957,031
Proceeds from the exercise of options	13	4,333,967	1,335,811
Payment of share issue/capital raising costs	13	(259,280)	(464,893)
Proceeds from non-controlling interest		75,000	-
Repayments of borrowing		-	(533,419)
Finance lease payments		(68,385)	(87,525)
Net cash inflows from financing activities		10,505,473	5,207,005
Net increase/(decrease) in cash and cash equivalents		4,380,898	(1,180,556)
Cash and cash equivalents at beginning of the year		3,664,137	4,838,929
Effect of exchange rate fluctuations on cash held		8,099	5,764
Cash and cash equivalents at end of the year	8	8,053,134	3,664,137

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

Notes to the Consolidated Financial Statements

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Notes to the Consolidated Financial Statements

1. Basis of Preparation

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

First Graphene Limited
1 Sepia Close
Henderson WA 6166

A description of the nature of operations and principal activities of FGR and its subsidiaries (collectively, the "Group") is included in the 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 31 August 2020.

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 2019;
- adopted Accounting Standards and Interpretations which have been issued or amended including consequential amendments to other standards which was adopted on 1 July 2019.

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 2019, except for the adoption of new accounting standards and interpretations effective for annual periods beginning 1 July 2019. The effective of the adoption of these new accounting standards and interpretations did not have a material impact on the annual consolidated financial statements of the Group, the nature and effect of which is discussed below.

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

Notes to the Consolidated Financial Statements

AASB 16 Leases

Effective 1 July 2019, AASB 16 has replaced AASB 17 *Leases* and IFRIC 4 *Determining whether an Arrangement Contains a Lease*.

AASB 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. AASB 16 substantially carries forward the lessor accounting in AASB 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor.

(a) Transition Method and Practical Expedients Utilised

The Group adopted AASB 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 July 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains, a lease at the date of initial application. Contracts entered into before the transition date which were not identified as leases under AASB 17 and IFRIC 4 were not reassessed. The definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

AASB 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if AASB 16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under AASB 36 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of AASB 16, the Group recognised right-of-use assets and lease liabilities in relation to leases of the Henderson graphene facility, which had previously been classified as operating leases.

The lease liability was measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 5.0%.

The right-of-use assets were measured as follows:

- (a) Henderson graphene facility: Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Notes to the Consolidated Financial Statements

The following table presents the impact of adopting AASB 16 on the statement of financial position as at 1 July 2019:

	1 July 2019
	\$
Right-of-use-assets	294,175
Lease liabilities	(294,175)
Net impact on accumulated losses	-

Included in profit or loss for the period are \$75,109 of amortisation of right-of-use assets and \$13,460 of finance expense on lease liabilities. Short-term or low-value leases included in profit or loss for the period was \$119,426.

The following table reconciles the minimum lease commitments disclosed in the Group's 30 June 2019 annual financial statements to the amount of lease liabilities recognised on 1 July 2019:

	1 July 2019
	\$
Minimum operating lease commitment at 30 June 2019	400,106
Less: short term or low value leases not recognised under AASB 16	(75,363)
Undiscounted lease payments	324,743
Less: effect of discounting using the incremental borrowing rate as at date of initial application	(30,568)
Lease liabilities recognised at 1 July 2019	294,175

(b) Significant Accounting Policies subsequent to Transition

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Notes to the Consolidated Financial Statements

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of any lease.

AASB Interpretation 23 *Uncertainty over Income Tax Treatment*

The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed. The Group applies significant judgement in identifying uncertainties over income tax treatments.

The Group assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group concluded that there were no uncertain tax positions and therefore the interpretation does not have an impact on the consolidated financial statements of the Group.

Going Concern

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

Statement of compliance

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

The following Standards and Interpretations have been issued by the AASB, are relevant to the Group, but are not yet effective and have not been adopted by the Group for the period ending 30 June 2020. Unless otherwise stated, the Group has yet to fully assess the impact of these Standards and Interpretations when applied in future periods.

Amendment to Conceptual Framework for Financial Reporting

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 – The objective of financial reporting
- Chapter 2 – Qualitative characteristics of useful financial information
- Chapter 3 – Financial statements and the reporting entity
- Chapter 4 – The elements of financial statements
- Chapter 5 – Recognition and derecognition

Notes to the Consolidated Financial Statements

- Chapter 6 – Measurement
- Chapter 7 – Presentation and disclosure
- Chapter 8 – Concepts of capital and capital maintenance

AASB 2019-1 has also been issued, which sets out the amendments to Australian Accounting Standards, Interpretations and other pronouncements in order to update references to the revised Conceptual Framework. The changes to the Conceptual Framework may affect the application of accounting standards in situations where no standard applies to a particular transaction or event. In addition, relief has been provided in applying AASB 3 and developing accounting policies for regulatory account balances using AASB 108, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the Framework for the Preparation and Presentation of Financial Statements (July 2004), and not the definitions in the revised Conceptual Framework.

The amendments apply prospectively on or after 1 January 2020, with no material effect to the Group.

Amendments to AASB 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to AASB 101: Definition of Material

This Standard amends AASB 101 Presentation of Financial Statements and AAS 108 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The amendments apply prospectively on or after 1 January 2020, with no material effect to the Group.

Amendments to IAS 1: Presentation of Financial Statements

This Standard aims to improve presentation in financial statements by clarifying the criteria for the classification of a liability as either current or non-current.

This amendment is to:

- Clarify that the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period
- Clarify the link between the settlement of the liability and the outflow of resources from the entity

The amendments apply prospectively on or after 1 January 2022, with no material effect to the Group.

Notes to the Consolidated Financial Statements

Basis of consolidation

The consolidated financial statements comprise the financial statements of First Graphene Limited and its subsidiaries as at 30 June 2020.

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

Foreign currency translation

The financial report is presented in Australian dollars, which is First Graphene Limited's functional and presentation currency.

Notes to the Consolidated Financial Statements

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

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

OTHER ACCOUNTING POLICIES

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

KEY ESTIMATES AND JUDGEMENTS

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

COVID Impact

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

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Share Based Payment Estimates

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

Notes to the Consolidated Financial Statements

Control over 2D Fluidics Pty Ltd

The directors have concluded the Group controls 2D Fluidics Pty Ltd even though it holds less than 100% of the voting rights in this subsidiary. This is because the Group exercises the management of the company and has board control.

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.

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

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

Graphene production

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 versus budgeted expenditure incurred.

Notes to the Consolidated Financial Statements

Research and development

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

Corporate services

This segment reflects the overheads associated with maintaining the ASX listed FGR corporate structure, identification of new assets and general management of an ASX listed entity.

Mining Asset Maintenance

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

Notes to the Consolidated Financial Statements

Business Segment	Graphene Production \$	2019	2020	Research & Development \$	2019	2020	Corporate Services \$	2019	2020	Mining Asset Maintenance \$	2019	2020	Total \$
Revenue from external customers	289,773	22,771	-	-	-	-	-	-	-	-	-	289,773	22,771
Inter-segment revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
Point in time	289,773	-	-	-	-	-	-	-	-	-	-	-	-
Overtime	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest revenue	-	-	-	612	-	-	7,337	11,630	-	-	1,789	7,337	14,031
Operating loss	(2,487)	(7,342)	(1,793,438)	(1,574,449)	-	(3,317,662)	(3,317,662)	(3,114,154)	(252,562)	(2,290,793)	-	(5,366,149)	(6,986,738)
Depreciation expense	522,898	-	178,050	337,299	-	22,215	8,474	-	44,900	134,125	-	768,063	479,898
Amortisation expense	33,971	-	19,997	-	-	7,627	-	-	13,514	14,744	-	75,109	14,744
Segment assets	2,666,111	-	3,043,192	3,150,752	-	8,377,078	3,892,485	-	18,685	64,134	-	14,105,066	7,107,371
Segment liabilities	196,990	-	166,308	255,203	-	1,489,067	751,710	-	6,316	12,709	-	1,858,681	1,019,622

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

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

Notes to the Consolidated Financial Statements

Geographical areas

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

	2020 \$		2019 \$	
Geographical segments	Revenue	Total Assets	Revenue	Total Assets
Australia	285,784	13,974,972	20,701	7,027,171
United Kingdom	3,989	113,112	2,070	29,724
Sri Lanka	-	16,982	-	50,476
Total	289,773	14,105,066	22,771	7,107,371

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

Reconciliation of segment assets to the Statement of Financial Position

	2020 \$	2019 \$
Total segments assets	21,832,721	8,613,843
Inter-segment elimination	(7,727,655)	(1,506,472)
Total assets per statement of financial position	14,105,066	7,107,371

Reconciliation of segment liabilities to the Statement of Financial Position

	2020 \$	2019 \$
Total segments liabilities	17,421,874	7,655,421
Inter-segment elimination	(15,563,193)	(6,635,799)
Total liabilities per statement of financial position	1,858,681	1,019,622

Notes to the Consolidated Financial Statements

3. Revenue from contracts with customers

Accounting Policy

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

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

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

	2020 \$	2019 \$
Types of goods		
Sale of graphene	289,773	22,771
Total revenue from contracts with customers	289,773	22,771

4. Operating income and expenses

Accounting Policy

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

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

Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group satisfies all attached conditions.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited against the asset and is released to the Statement of Profit or Loss and Other Comprehensive Income over the expected useful life of the relevant asset by equal annual instalments.

Where a grant is received in relation to the tax benefit of research and development costs, the grant shall be credited to other income in the Statement of Profit or Loss and Other Comprehensive Income in the year of receipt.

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

Notes to the Consolidated Financial Statements

4. Operating income and expenses (continued)

Depreciation

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment 3-10 years

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

Other revenue and expenses from continuing operations:

	Notes	2020 \$	2019 \$
(a) Other income			
R&D and grant income		1,263,583	1,666,528
Government grants related to COVID19		179,521	-
Profit on sale of property, plant & equipment		1,886	16,790
Miscellaneous income		-	1,140
		1,444,990	1,684,458
Research & development			
(b) Employee expenses		1,013,331	891,007
Consultant and research programs		1,338,571	952,386
Legal and taxation expenses		154,444	207,931
Depreciation		178,050	337,299
Amortisation		19,997	-
Impairment of inventory		46,800	-
Rent of premises		-	178,761
Other		478,707	628,091
		3,229,900	3,195,475
Selling & marketing			
(c) Employee expenses		115,642	55,901
Advertising & promotion		174,906	125,746
		290,548	181,647
Mining lease maintenance			
(d) Employee expenses		40,473	80,760
Depreciation		44,900	97,118
Amortisation		-	51,751
Rent of premises		50,785	63,210
Impairment		-	1,856,109
Other		116,404	159,476
		252,562	2,308,424
General & administrative			
(e) Employee expenses		299,193	110,771
Director, finance & company secretarial fees		576,107	634,186
Legal & other professional fees		571,446	212,300
ASX listing, share registry and other corporate costs		145,592	131,520
AIM listing and new business expenses		-	655,839
Depreciation		22,215	8,474
Amortisation		7,627	-
Share based payment expense	14	52,500	27,200
Option expenses		712,763	334,776
Rent of premises		62,942	48,870
Insurances		105,613	37,895
Loss on deconsolidation of subsidiary	18	-	57,513
Other		492,726	780,447
		3,048,724	3,039,791

Notes to the Consolidated Financial Statements

5. Finance income and expense

Accounting Policy

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

Notes	2020 \$	2019 \$
(a) Finance income		
Interest income on bank deposits	7,337	14,031
Foreign exchange (loss)/gain - realised	-	5,764
Finance benefit/(cost) of Traxys liability	-	87,489
	7,337	107,284
(b) Finance expense		
Interest expense	(13,460)	(45,802)
Foreign exchange (loss)/gain - unrealised	(10,159)	-
	(23,619)	(45,802)

Notes to the Consolidated Financial Statements

6. Income tax

Accounting Policy

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The major components of income tax expense are:

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Income Tax Expense	Consolidated 2020 \$	Consolidated 2019 \$
(a) Income tax expense / (benefit)		
Current tax	-	-
Deferred tax	-	-
Under/(over) provision in prior years	-	-
Total income tax expense	-	-
(b) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity.		
Current tax	-	-
Deferred tax	(155,061)	-
	(155,061)	-
(c) Reconciliation of income tax expense to prima facie tax payable		
- Loss before income tax from all activities	(5,366,254)	(7,009,962)
- Prima facies tax benefit on loss before income tax at 30% (2019:30%)	(1,609,876)	(2,102,989)
- entertainment	1,972	2,111
- share-based payments	229,579	108,593
- non-assessable income	(220,832)	(500,048)
- other permanent differences	190,825	731,849
- previously unrecognised deferred tax assets now brought to account	-	33,851
- deferred tax assets not brought to account	1,408,332	1,726,633
Income tax expense/(benefit)	-	-
The applicable weighted average effective tax rates	0%	0%
(d) Deferred tax liability		
Prepaid expenditure	94,110	111,240
PPE	-	29,314
Other temporary differences	31,026	26,664
	125,136	167,218
Off-set of deferred tax assets	(125,136)	(167,218)
Net deferred tax liability recognised	-	-

Notes to the Consolidated Financial Statements

6. Income tax (continued)

Income Tax Expense	Consolidated 2020 \$	Consolidated 2019 \$
(e) Unrecognised deferred tax asset		
Tax losses	5,962,227	5,468,080
Capital losses	8,772,623	8,772,623
PPE & Leases	14,520	-
Other temporary differences	388,722	200,485
	15,138,092	14,441,188
Off-set of deferred tax liabilities	(125,136)	(167,218)
Net deferred tax assets unrecognised	15,012,956	14,273,970

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.

Notes to the Consolidated Financial Statements

7. Loss per share

	2020 \$	2019 \$
	Number of shares	Number of shares
Weighted average ordinary shares used in calculating basic loss per share	474,147,509	414,654,396
Weighted average ordinary shares used in calculating diluted loss per share	474,147,509	414,654,396
Basic loss per share - cents per share	(1.11)	(1.78)
Diluted loss per share - cents per share	(1.11)	(1.78)

Accounting Policy

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

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

	2020 \$	2019 \$
Loss attributable to the owners of First Graphene used in calculating basic loss per share	(5,239,650)	(7,364,644)
Loss attributable to the owners of First Graphene used in calculating diluted loss per share	(5,239,650)	(7,364,644)

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 LPS calculations.

Notes to the Consolidated Financial Statements

8. Cash and cash equivalents

Accounting Policy

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand. Cash at bank earns interest at floating rates based on daily bank deposit rates.

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at the end of the reporting period:

	2020	2019
	\$	\$
Cash at bank and in hand	8,053,134	3,664,137
	8,053,134	3,664,137

The Group's maximum exposure to financial risk is disclosed in Note 12.

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 64.

9. Inventories

Accounting Policy

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

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

Key estimates and assumptions

NET REALISABLE VALUE OF 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. Inventory held at 30 June 2020 relates to raw material, work in progress and finished goods and is held at net realisable value, resulting in a write off of \$46,800.

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

Notes to the Consolidated Financial Statements

9. Inventories (continued)

Total Inventories	2020	2019
	\$	\$
Raw materials	1,328,904	1,005,641
Work in progress	272,618	-
Finished goods	1,056,000	-
Inventories Gross	2,657,522	1,005,641
Less: Provision for impairment	(46,800)	-
Carrying amount	2,610,722	1,005,641
Disclosed as:		
Current	1,601,522	-
Non-current	1,009,200	1,005,641
Total inventory	2,610,722	1,005,641

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 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 losses.

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

10. Property, plant and equipment (continued)

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

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

	30 June 2019				
	Exploration equipment	Leasehold improvement	Plant and equipment	Office equipment	Motor vehicles
Carrying amount at beginning of year	98,939	45,566	944,833	107,900	32,105
Additions	-	-	711,511	195,949	20,512
Cost of plant and equipment sold	-	-	(38,522)	(36,288)	-
Accumulated amortisation of equipment sold	-	-	34,426	12,179	-
Depreciation	(67,300)	(43,565)	(324,309)	(39,935)	(19,506)
Movement due to foreign exchange	(1,597)	(2,001)	(1,405)	(341)	(1,649)
Carrying amount at end of year	30,042	-	1,326,534	239,464	31,462
					1,627,502

Notes to the Consolidated Financial Statements

11. Trade and other payables

Accounting Policy

Trade and other payables represent the liabilities for goods and services received by the Group 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.

	2020 \$	2019 \$
Current		
Trade and other payables	1,372,680	1,019,622
Customer deposits	196,990	-
	1,569,670	1,019,622

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 or issue new shares.

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

12. 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 the respective notes.

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 \$8,053,134 (2019: \$3,664,137).

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

	Group	
	2020 \$	2019 \$
Cash and cash equivalents	8,053,134	3,664,137
	8,053,134	3,664,137

Notes to the Consolidated Financial Statements

Impairment of financial assets

The group holds trade receivables that are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there was no loss.

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 2020 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 expected credit loss allowance as at 30 June 2020 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 expected credit loss allowances 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 \$	Expected Credit Loss \$	Total carrying amount \$
Consolidated 30 June 2020						
Trade receivables	55,388	-	-	55,388	-	55,388
	55,388	-	-	55,388	-	55,388
Consolidated 30 June 2019						
Trade receivables	12,448	-	-	12,448	-	12,448
	12,448	-	-	12,448	-	12,448

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

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.

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Notes to the Consolidated Financial Statements

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.

			Floating interest rate	Fixed interest		Non-interest bearing		
		Weighted average effective interest rate %	Within one year \$	Within one year \$	1-5 years \$	Within one year \$	1-5 years \$	Total \$
30 June 2020								
Financial assets								
Cash and cash equivalents		0.47	8,053,134	-	-	-	-	8,053,134
Trade and other receivables		-	65,568	-	-	-	-	65,568
Total Financial assets at 30 June 2020			8,118,702	-	-	-	-	8,118,702
Financial liabilities								
Trade and other payables			-	-	-	1,569,670	-	1,569,670
Lease liabilities			-	-	-	72,791	152,999	225,790
Total financial liabilities at 30 June 2020			-	-	-	1,642,461	152,999	1,795,460
30 June 2019								
Financial assets								
Cash and cash equivalents		0.55	3,664,137	-	-	-	-	3,664,137
Trade and other receivables		-	182,250	-	-	-	-	182,250
Total Financial assets at 30 June 2019			3,846,387	-	-	-	-	3,846,387
Financial liabilities								
Trade and other payables			-	-	-	1,019,622	-	1,019,622
Total financial liabilities at 30 June 2019			-	-	-	1,019,622	-	1,019,622

Notes to the Consolidated Financial Statements

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

	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$
30 June 2020				
Trade and other payables (refer Note 11)	1,569,669	-	-	-
	1,569,669	-	-	-
30 June 2019				
Trade and other payables (refer Note 11)	1,019,622	-	-	-
	1,019,622	-	-	-

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 and the GBP/\$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, GBP£ 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 2020 to foreign exchange risk, based on foreign exchange rates as at 30 June 2020 and sensitivity of +/-5%:

	30 June 2020 rate (cents)
US\$/A\$	0.6854
GBP/A\$	0.5579
LKR/A\$	127.62

Notes to the Consolidated Financial Statements

	Foreign exchange risk	
	2020 \$	2019 \$
Change in profit/loss due to:		
Improvement in AUD by 5%	(100,732)	(22,012)
Decline in AUD by 5%	100,732	22,012
Change in equity due to:		
Improvement in AUD by 5%	(100,732)	(22,012)
Decline in AUD by 5%	100,732	22,012

(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:

	2020 \$	Interest rate risk			
		-10bps Profit	Equity	+10bps Profit	Equity
Floating rate instruments					
Cash at bank	8,053,134	(7,830)	-	7,830	-
	8,053,134	(7,830)	-	7,830	-
	2019 \$				
Floating rate instruments					
Cash at bank	3,664,137	(3,427)	-	3,427	-
	3,664,137	(3,427)	-	3,427	-

Notes to the Consolidated Financial Statements

(c) Net fair values

Fair value versus carrying amount

Fair value of financial instruments

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

Methodologies and assumptions

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

	Note	30 June 2020		30 June 2019	
		Carrying amount	Net fair value	Carrying amount	Net fair value
		\$	\$	\$	\$
Assets carried at amortised cost					
Trade and other receivables		65,568	65,568	182,250	182,250
Total financial assets		65,568	65,568	182,580	182,580
Liabilities carried at amortised cost					
Trade and other payables	11	1,569,670	1,569,670	1,019,622	1,019,622
Total Financial Liabilities		1,569,670	1,569,670	1,019,622	1,019,622

Fair value hierarchy

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

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

13. 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.

Notes to the Consolidated Financial Statements

13. Issued capital (continued)

(a) Ordinary shares	2020 \$	2019 \$	2020 Number	2019 Number
Issued and fully paid	95,778,819	85,068,406	525,667,829	445,849,952
<i>Movements in shares on issue</i>				
At the beginning of the period	85,068,406	79,104,128	445,849,952	403,784,541
Exercise of options at \$0.15	4,337,748	1,335,811	28,866,379	8,905,407
Exercise of options at \$0.20	3,750	-	19,250	-
Shares issued to employees	52,500	27,200	350,000	160,000
Entitlement issue	6,575,695	-	50,582,248	-
Share issue costs	(259,280)	(348,733)	-	-
Placement to investors December 2018	-	1,450,000	-	9,666,670
Placement to investors April 2019	-	3,500,000	-	23,333,334
At the end of the period	95,778,819	85,068,406	525,667,829	445,849,952

(b) Share options

Listed share options

	2020 Number	2019 Number
At the beginning of the year	85,774,779	91,180,186
Options issued	50,582,248	3,500,000
Options exercised	(28,885,129)	(8,905,407)
At the end of the year	107,471,898	85,774,779

(c) Share options

Unlisted share options

	2020 Number	2019 Number
At the beginning of the year	5,000,000	500,000
Options issued	10,000,000	5,000,000
Options expired	-	(500,000)
At the end of the year	15,000,000	5,000,000

Refer Note 14 for further details

14. 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;

Notes to the Consolidated Financial Statements

14. Share based payments (continued)

- 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.

The fair value determination is calculated using the Black-Scholes option pricing model. Share based payment expense

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

	2020 \$	2019 \$
Shares issued to employees	52,500	27,200
Options issued to Foster Stockbroking	-	305,658
Option issued to employees	63,707	29,118
Options issued to directors	649,056	-
Total	765,263	361,976

Shares Issued to Employees

On 6 January 2020 the Company issued 350,000 shares at a nominal price of \$0.15 per share to various employees. The total of \$52,500 has been expensed.

Share Option Plan

The Company provides directors, certain employees and advisors with share options. The options are exercisable at set prices and the vesting and exercisable terms varied to suit each grant of options.

	2020		2019	
	Number of Options	Weighted average exercise price (cents)	Number of Options	Weighted average exercise price (cents)
Outstanding 1 July	27,500,000	15.5	19,500,000	14.9
Issued	10,000,000	25.0	8,500,000	16.8
Exercised	(450,000)	15.0	-	-
Lapsed	-	-	(500,000)	15.0
Outstanding 30 June	37,050,000	21.1	27,500,000	15.5

Notes to the Consolidated Financial Statements

14. Share based payments (continued)

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

Grant Date	Expiry Date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired/ lapsed during the year	Balance at the end of the year	Vested and exercisable during the year
			Number	Number	Number	Number	Number	Number
Unlisted options:								
26 Feb 2019	26 Feb 2022	\$0.18	5,000,000	-	-	-	5,000,000	5,000,000
8 Nov 2019	8 Nov 2023	\$0.25	-	9,000,000	-	-	9,000,000	9,000,000
6 Jan 2020	8 Nov 2023	Various	-	1,000,000	-	-	1,000,000	1,000,000
Listed options:								
31 Oct 2017	8 Aug 2021	Various	2,000,000	-	(450,000)	-	1,550,000	2,000,000
24 Nov 2017	8 Aug 2021	Various	17,000,000	-	-	-	17,000,000	17,000,000
23 May 2018	8 Aug 2021	Various	3,000,000	-	-	-	3,000,000	3,000,000
14 May 2019	8 Aug 2021	Various	500,000	-	-	-	500,000	500,000

The weighted average remaining contractual life of the options is 1.79 years (2019: 2.21 years).

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

Assumptions:

Valuation date	8 November 2019
Market price of shares	\$0.16
Exercise price	\$0.25
Expiry date (length of time from issue)	8 November 2023 – 4.0 years
Risk free interest rate	0.73%

Volatility	75%
------------	-----

Indicative Value of Director Option (cents) **0.0721**

Number of options issued **9,000,000**

Total Value of Director Options - \$ **649,056**

If a Director resigns within 12 months of the date of issue of the Options, then 1/3 of that Director's unexercised Options will automatically lapse at the time of resignation, with the outgoing Director retaining the 2/3 balance of unexercised Options.

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

Notes to the Consolidated Financial Statements

14. Share based payments (continued)

Assumptions:

Valuation date	6 January 2020
Market price of shares	\$0.15
Exercise price	\$0.25
Expiry date (length of time from issue)	8 November 2023 – 3.84 years
Risk free interest rate	0.725%

Volatility	75%
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Indicative Value of Senior Management Option (cents)	0.0637
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Number of options issued	1,000,000
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Total Value of Senior Management Options - \$	63,707
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If a Senior Manager resigns within 12 months of the date of issue of the Options, then 1/3 of that Senior Manager's unexercised Options will automatically lapse at the time of resignation, with the outgoing Senior Manager retaining the 2/3 balance of unexercised Options.

15. 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.

Notes to the Consolidated Financial Statements

16. Statement of cash flow reconciliation

	2020 \$	2019 \$
(a) Reconciliation of net loss after tax to net cash flows from operations		
Net Loss	(5,366,149)	(6,986,738)
Adjusted for:		
Depreciation	245,165	471,424
Amortisation	27,624	14,744
Impairment of exploration and evaluation asset	-	1,856,109
Impairment of inventory	46,800	-
(Gain)/loss on sale of property, plant and equipment	(1,886)	16,970
Share based payments expensed	52,500	27,200
Options expensed	712,763	334,776
Shares issued to employees as payment for deferred salaries	152,025	-
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 loss/(gains)	10,049	(22,127)
Changes in assets/liabilities		
(Increase)/decrease in trade and other receivables	116,682	37,179
(Increase)/decrease in inventory	(1,034,700)	(434,632)
(Increase)/decrease in prepayments	(66,177)	(297,285)
(Increase)/decrease in other assets	-	17,040
Increase/(decrease) in trade and other payables	365,950	(411,547)
Net cash (used in) operating activities	(4,739,354)	(5,327,594)

(b) Non-cash investing and financing activities

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

Notes to the Consolidated Financial Statements

17. Commitments

Operating lease commitments – Group as lessee

	2020 ⁽¹⁾ \$	2019 \$
Lease expenditure commitments		
Operating leases (non-cancellable)		
Within one year	-	132,039
Later than one year and not later than five years	-	259,244
Total operating leases (non-cancellable)	-	391,283

(1) No activity is reported in 2020 as modified retroactive approach has been adopted in line with AASB 16 Leases – refer Note 1.

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.

	2020 \$	2019 \$
- 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
<i>Included in the financial statements as:</i>		
Current interest-bearing liabilities	-	76,369
Non-current interest-bearing liabilities	-	10,957
	-	87,326

Notes to the Consolidated Financial Statements

18. 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
\$

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.

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 2020 is nil.

Control over 2D Fluidics

The directors have concluded the Group controls 2D Fluidics Pty Ltd even though it holds less than 100% of the voting rights in this subsidiary. This is because the group exercises the management of the company and has board control.

Notes to the Consolidated Financial Statements

19. Results of the parent company

	2020 \$	2019 \$
Current Assets		
Cash and cash equivalents	7,621,249	3,498,503
Trade and other receivables	55,388	147,486
Inventory	1,601,522	958,841
Other current assets	320,742	377,841
Total current assets	9,598,901	4,982,671
Non-current assets		
Lease liability	1,009,201	-
Property, plant and equipment	2,264,084	1,532,890
Right of use asset	219,067	-
Intercompany loans receivable	-	216,744
Investment in subsidiaries	650,000	250,000
Investment	215,102	-
Total non-current assets	4,357,454	1,999,634
Total assets	13,956,355	6,982,305
Liabilities		
Current liabilities		
Trade and other payables	1,408,068	898,511
Employee liabilities	63,221	-
	72,791	-
Total current liabilities	1,544,080	898,511
Non-current liabilities		
Lease liabilities	152,999	-
Total non-current liabilities	152,999	-
Total liabilities	1,697,079	898,511
Net Assets	12,259,276	6,083,794
Equity		
Issued capital	95,778,818	85,075,437
Share based payments reserve	5,416,167	4,703,404
Other reserves	467,202	467,202
Accumulated losses	(89,402,911)	(84,162,249)
Total equity	12,259,276	6,083,794
Results of the parent entity:		
Loss for the period	(5,240,662)	(6,537,749)
	(5,240,662)	(6,537,749)

Notes to the Consolidated Financial Statements

20. Events since the end of the financial year

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Group is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operations during FY2021.

Management is actively monitoring the global situation and its impact on the Group's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Group is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the 2021 financial year.

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

21. Related party transactions

Compensation for key management personnel

The key management personnel compensation included in employee benefits expense (Note 4) and share-based payments (Note 13), is as follows:

	2020 \$	2019 \$
Short term employee benefits	1,589,338	1,412,073
Share based payments	712,763	-
	2,302,101	1,412,073

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 2020 totalling \$170,425 (2019: \$197,868). There were no other payments to related parties.

There were no loans to/from related parties in 2020 (2019: Nil)

Subsidiaries

The consolidated financial statements include the financial statements of First Graphene Limited and the subsidiaries listed in the following table:

	Principal activity in the year	Proportion of voting rights and shares held		Class of shares held	Place of Incorporation
		2020	2019		
First Graphene (UK) Ltd	Graphene sales and R&D	100%	100%	Ordinary	England & Wales
MRL Investments (Pvt) Ltd	Holding company	100%	100%	Ordinary	Sri Lanka
MRL Graphene (Pvt) Ltd	Graphene Mining and exploration	100%	100%	Ordinary	Sri Lanka
2D Fluidics Pty Ltd ⁽¹⁾	Development and sale of VFD, TTF and other 2D devices and materials	66.67%	50%	Ordinary	Australia

2D Fluidics Pty Ltd has been fully consolidated in the Group due to the effective control exercised by First Graphene Limited. In fiscal 2020 First Graphene increased its shareholding in 2D Fluidics Pty Ltd from 50% to 66.67%

Notes to the Consolidated Financial Statements

22. 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	2020 \$	2019 \$
Remuneration of the auditor of the Group for:		
- Audit services – BDO Audit (WA) Pty Ltd	44,583	36,253
- Taxation services – BDO Corporate Tax (WA) Pty Ltd	33,794	27,038
	78,377	63,291

Directors' Declaration

The Directors declare:

1. the financial statements and notes, as set out on pages 36 to 81 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 2020 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 26 to 33 (as the audited Remuneration Report) comply with section 300A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to section 295 (5) of the Corporations Act 2001.

On behalf of the Directors



Craig McGuckin
Managing Director
31 August 2020

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 2020, 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 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

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.

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

Independent Auditor's Report



Valuation of Inventory

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

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 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, 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.

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.

Independent Auditor's Report



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 at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 33 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of First Graphene Limited, for the year ended 30 June 2020, 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, 31 August 2020

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 12 August 2020.

a) Distribution of Shareholdings – Fully Paid Ordinary Shares:

Size of Holding	Number of Shareholders	Number of Share
1 – 1,000	139	28,114
1,001 – 5,000	977	3,504,748
5,001 – 10,000	874	6,796,504
10,001 – 100,000	2,122	77,763,528
100,001 and over	591	437,601,091
	4,703	525,693,985

Equity Security	Quoted	Unquoted
Fully Paid ordinary shares	525,693,985	-
Options	107,445,242	15,000,000

Additional Securities Exchange Information

b) Top 20 Security Holders – Fully Paid Ordinary Shares (FGR) at 12 August 2020

	Name of Holder	Number of Shares	%
1	J P Morgan Nominees Australia Pty Limited	90,972,317	17.31
2	Twynam Investments Pty Ltd	24,013,177	4.57
3	IPS Holdings	16,888,011	3.21
4	Building On The Rock Limited	16,666,667	3.17
5	Gregorach Pty Ltd	16,396,541	3.12
6	Citicorp Nominees Pty Limited	12,947,427	2.46
7	Debt Management Asia Corporation	10,813,267	2.06
8	Mr Craig Robert McGuckin & Mrs Lee Ann McGuckin<McGuckin Family A/C>	7,874,365	1.50
9	Ginga Pty Ltd	7,854,854	1.49
10	Hallidaf Management Ltd	6,704,274	1.28
11	William Taylor Nominees Pty Ltd	4,465,959	0.85
12	Sunset Capital Management Pty Ltd <Sunset Superfund A/C>	4,000,000	0.76
13	HSBC Custody Nominees (Australia) Limited	3,919,503	0.75
14	Bissapp Software Pty Ltd <Super Fund Account>	3,535,056	0.67
15	Mr Kie Chie Wong	3,141,552	0.60
16	Ms Fadillah Burhan Hasibuan	3,089,230	0.59
17	Mr Ryan Jehan Rockwood	3,000,000	0.57
18	Mr Richard Hopetoun Bitcon	2,860,000	0.54
19	Pavarai Pty Ltd <The Sayers Super Fund A/C>	2,789,000	0.53
20	Mrs Gayle Teresa Crabbe	2,708,500	0.52
	Total	244,639,700	46.54
	Total issued capital	525,693,985	100.00

Shareholders with less than a marketable parcel

At 12 August 2020, there were 702 shareholders holding less than a marketable parcel of shares (\$0.13 cents on this date) in the Company totalling 1,639,691 ordinary shares. This represented 0.31% of the issued capital.

Additional Securities Exchange Information

c) Top 20 Security Holders – Options (FGROC) at 12 August 2020

	Name of Holder	Number of Shares	%
1	Mrs Gayle Teresa Crabbe	6,531,388	6.08
2	Gregorach Pty Ltd <Grigor Superfund A/C>	5,253,612	4.89
3	Gregorach Pty Ltd	3,353,839	3.12
4	J P Morgan Nominees Australia Pty Limited	2,905,440	2.70
5	Ms Fadillah Burhan Hasibuan	2,850,979	2.65
6	Mr Christopher James Bellew	2,784,788	2.59
7	IPS Holdings	2,375,829	2.21
8	Pavarai Pty Ltd <The Sayers Super Fund A/C>	2,033,750	1.89
9	Mr Gregory John Keir	2,010,000	1.87
10	Mr Alan Wesley Patterson-Kane	2,000,000	1.86
11	Thirty Sixth Vilmar Pty Ltd	1,684,615	1.57
12	Bolam Materials Research Ltd	1,550,000	1.44
13	BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	1,540,233	1.43
14	Beirne Trading Pty Ltd	1,507,635	1.40
15	Geo Ban Consulting Pty Ltd	1,459,091	1.36
16	Ginga Pty Ltd	1,392,555	1.30
17	Mr Shaun Phillip Van Dyk	1,376,131	1.28
18	CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	1,160,762	1.08
19	Mrs Terri Frances Youd	1,085,343	1.01
20	Debt Management Asia Corporation	1,027,805	0.96
	Total	45,883,795	42.70
	Total issued options	107,445,242	100.00

d) Licence Position as at 12 August 2020

All granted licences are in good standing and comply with the reporting requirements of the relevant licence.

Licence Number	FGR Interest - %	Status	General Location
IML/A/HO/9405/R/2	100	Granted	Central
IML/A/HO/8416/R4	100	Granted	Western
EL/225/R3	100	Granted	Central
EL/228/R3	100	Granted	Central
EL/243/R3	100	Granted	Central
EL/321/R1	100	Granted	Central
EL/227/R3	100	Granted	South Central
EL/262/R2	100	Granted	Central
EL/325/R1	100	Granted	Central
EL/326/R1	100	Granted	Central

Corporate Directory

Directors

Warwick Grigor (Non-Executive Chairman)

Craig McGuckin (Managing Director)

Peter R. Youd (Executive Director)

Dr Andy Goodwin (Non-Executive Director)

Company Secretaries

Peter R. Youd

Nerida Schmidt

Principal Registered Office in Australia

1 Sepia Close
Henderson WA 6166

Telephone: +61 1300 660 448

Email: info@firstgraphene.net

Website: 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

Contact:

P: 1300 288 664 (within Australia)

P: +61 (0)8 9324 2099 (outside Australia)

E: hello@automic.com.au

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Auditor

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

Solicitors - Australia

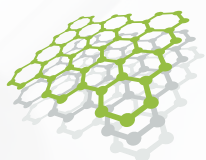
Steinepreis Paganin
Lawyers and Consultants
Level 4,
The Read Buildings
16 Milligan Street
Perth WA 6000

Bankers - Australia

Westpac Banking Corporation
Level 6
109 St Georges Terrace
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