

first graphene

The world's leading graphene company

ACN 007 870 760

ABN 50 007 870 760

ASX APPENDIX 4E

PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021

(INCORPORATING INFORMATION PURSUANT TO ASX LISTING RULE 4.3A)

ASX Appendix 4E

Details of the Reporting Period

| | |
|--|--------------------|
| Current reporting period: | 30 June 2021 |
| Previous corresponding reporting period: | 30 June 2020 |
| Functional Currency | Australian Dollars |

Results for Announcement to the Market

| | 30 June 2021 \$ | 30 June 2020 \$ | Change \$ | % |
|---|-----------------------|-----------------------|--------------|-------|
| Revenue from ordinary activities | 341,869 | 289,773 | 52,069 | 18% |
| Loss from ordinary activities after tax attributable to members | (6,255,830) | (5,349,867) | (905,964) | (17%) |
| Net Loss for the period attributable to members | (6,284,757) | (5,366,149) | (918,609) | (17%) |
| Basic & Diluted (loss) per share (cents per share) | (1.19) | (1.11) | (0.08) | (7%) |

Dividends

No dividends have been paid or are proposed to be paid by First Graphene Limited and there is no dividend reinvestment plan in place / operation for the year ended 30 June 2021 (2020:Nil)

Net Tangible Assets per share

| | 30 June 2021 Cents per Share | 30 June 2020 Cents per Share |
|-------------------------------|------------------------------------|------------------------------------|
| Net Tangible Assets per share | 1.72 | 2.27 |

Control Gained or Lost over Entities

There were no changes to control over entities by First Graphene limited or its subsidiaries during the financial year

Details of Associates and Joint Ventures

No material impact to the consolidated group result of First Graphene Limited from the investment noted below

| Name of Entity | Holding % |
|---------------------------|-----------|
| planarTECH (Holdings) Ltd | 2.1% |

Commentary on results for the period

Please refer to Results Review on Page 3

Compliance Statement

The attached Annual Financial Report has been prepared using Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB")

Audit Status

The attached Annual Financial Report for the year ended 30 June 2021 has been subject to an audit by our external auditor, BDO Audit (WA) Pty Ltd. A copy of the independent audit report to the members of First Graphene Limited is included in the accompanying Financial Report.

Results Review for Financial Year 2021

| Full Year ended 30 June | 2021 A\$000 | 2020 A\$000 | Variance % |
|---|----------------|----------------|---------------|
| Sales Revenue | 342 | 290 | 18% |
| Reported Operating Profit / (Loss) | (6,285) | (5,366) | (17%) |
| Underlying Operating Profit / (Loss) (Reported Operating Loss, less Non-Recurring/One-off Costs) | (5,066) | (5,366) | 6% |
| Non-Recurring / One-off Costs* | (1,219) | - | (0%) |

*Costs represented as a negative number

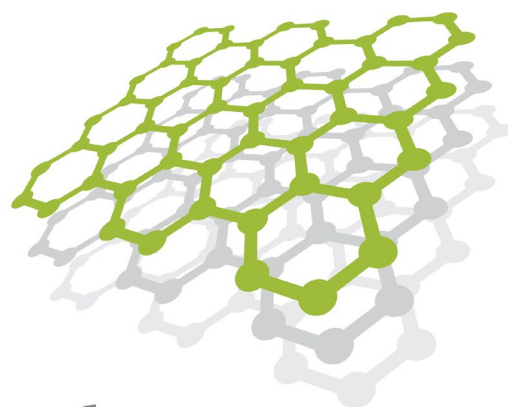
First Graphene Limited has a reported operating loss of AUD 6.3m before non-recurring/one off items for the Financial Year ended 30 June 2021.

Excluding these non-recurring / one-off items related to restructuring of the business, valued at AUD 1.2m, **the underlying operating result is a loss of AUD 5.0m**, which is a 6% improvement (AUD 0.3m) over Financial Year 2020. The primary drivers for this improved result include:

1. Improved sales in Q4 of FY 2021, setting a sound base for FY 2022
2. Cost reduction initiatives:
 - a. Change in ERP system, reducing cost by 50%
 - b. Reduced spend on consultants
 - c. Headcount reduction

The One-off costs incurred in FY 2021 are primarily as result of a business restructure, which (amongst others) includes contractual payments to retiring directors **(AUD 0.9m)**, recruitment costs for new leadership and commercial team **(AUD 0.1m)** and non-cash write-off of redundant intangible assets **(AUD 0.25m)**.

First Graphene's refocused strategy is committed to rapidly growing its sales portfolio, whilst keeping its cost base under strict control and commensurate to its growth.



first graphene

The world's leading graphene company

ACN 007 870 760
ABN 50 007 870 760

ANNUAL FINANCIAL REPORT

30 JUNE 2021

Corporate Directory

Directors

Warwick Grigor (Non-Executive Chairman)
Dr Andy Goodwin (Non-Executive Director)
Michael Quinert (Non-Executive Director)
Michael Bell (Managing Director and Chief Executive Officer)

Company Secretary

Aditya Asthana

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** under the trading code **FGR**

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

The Company is quoted on the **OTCQB** market in the USA under the trading code **FGPHF**.

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
www.automic.com.au

Auditor

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

Solicitors – Australia

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

EMK Lawyers
Suite 1, 519 Stirling Hwy, Cottesloe WA 6011
PO Box 103, Cottesloe WA 6011

Bankers – Australia

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

Table of Contents

| | |
|--|----|
| Corporate Directory | 2 |
| Table of Contents..... | 3 |
| First Graphene Group Executive | 5 |
| Directors' Report | 6 |
| Remuneration report (audited) | 10 |
| Auditor's Independence Declaration | 18 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 19 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued) | 20 |
| Consolidated Statement of Financial Position..... | 21 |
| Consolidated Statement of Changes in Equity | 22 |
| Consolidated Statement of Cash Flows | 23 |
| 1. Basis of Preparation..... | 24 |
| 2. Segment reporting | 28 |
| 3. Revenue from contracts with customers | 31 |
| 4. Operating expenses and other income | 31 |
| 5. Finance income and expense | 33 |
| 6. Income tax..... | 34 |
| 7. Loss per share..... | 35 |
| 8. Cash and cash equivalents | 36 |
| 9. Inventories | 36 |
| 10. Other assets..... | 37 |
| 11. Property, plant and equipment | 37 |
| 12. Right of use assets and liabilities..... | 39 |
| 13. Trade and other payables | 40 |
| 14. Financial liabilities | 40 |
| 15. Financial Risk Management..... | 42 |
| 16. Issued capital..... | 48 |
| 17. Share based payments | 49 |
| 18. Reserves and accumulated losses..... | 51 |
| 19. Statement of cash flow reconciliation | 51 |
| 20. Commitments | 52 |
| 21. Results of the parent company | 52 |
| 22. Events since the end of the financial year..... | 53 |

| | | |
|-----|---|-----------|
| 23. | Related party transactions..... | 53 |
| 24. | Auditors' remuneration..... | 54 |
| | Directors' Declaration | 55 |
| | Independent Auditor's Report..... | 56 |
| | Additional Securities Exchange Information | 60 |

First Graphene Group Executive



Michael Bell – Managing Director and Chief Executive Officer

Mike has over 20 years' experience in engineering and business management and significant international experience driving business growth.

He was with ST Engineering Group where he served as Senior Vice-President.

Mike has also held roles as Director for Navman Wireless, a global Telematics company, and as General Manager with Singapore-based shipbuilder Strategic Marine.



Paul Ladislaus – Research & Development Manager

Paul is a Chartered Chemical Engineer with 20 years' experience in operational, design, project management and research and development roles in the Chemicals Industry.

He has worked as a Chemical Engineer with Huntsman Pigments, Thomas Swan & Co Ltd and has also worked with the Royal Naval as a Reservist Officer. Paul holds a Master's Degree in Chemical Engineering from the University of Cambridge.



Aditya Asthana – Chief Financial Officer & Company Secretary

Aditya has more than 15 years' experience in finance and business management across Australia and Asia.

He has significant expertise in risk management, transformation and business turnarounds with Orica Ltd and its international subsidiaries and has held several CFO and Director roles in Australia, Singapore and Indonesia.

Directors' Report

The directors present their report together with the financial report of First Graphene Limited ('First Graphene' or 'Company') and the entities it controlled ('Consolidated Entity' or 'Group') for the year ended 30 June 2021.

Directors

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

Warwick Grigor BEc. LLB, MAusIMM, FAICD

Non-Executive Chairman

Mr Grigor is a highly respected and experienced mining analyst, with an intimate knowledge of all market related aspects of the mining industry. He is a graduate of the Australian National University having completed degrees in law and economics. His association with mining commenced with a position in the finance department of Hamersley Iron, and from there he moved to Sydney to become a mining analyst with institutional stockbrokers. Mr Grigor left County NatWest Securities in 1991 to found Far East Capital Limited which was established as a specialist mining company financier and corporate adviser, together with Andrew "Twiggy" Forrest.

In 2008, Far East Capital Limited sponsored the formation of a stockbroking company, BGF Equities, and Mr Grigor assumed the position of Executive Chairman. This was re-badged as Canaccord Genuity Australia Limited when a 50% stake was sold to Canaccord Genuity Group Inc. Mr Grigor retired from Canaccord in October 2014, returning to Far East Capital Limited.

Former directorships in the last 3 years

None.

Interests in shares and options

| | |
|-----------------|------------|
| Ordinary shares | 18,883,772 |
| Options | 11,854,951 |

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 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 |

Michael Quinert

Non-Executive Director

Mr Quinert is a founding partner of Quinert Rodda & Associates which was established in July 2009. He has over 30-years' experience as a commercial and corporate lawyer, including three years with ASX and over 20 years as a partner in a Melbourne law firms.

Mr Quinert has extensive experience assisting and advising companies on IPO's, capital raising, cross border transactions, regulatory compliance and has regularly advised publicly listed mining companies.

Michael is a Non-Executive Chairman of West Wits Mining Limited and Non-Executive Director of listed First Au Limited (ASX:FAU).

Appointed 1 March 2021

Other Current Directorships

West Wits Mining Limited
First Au Limited

Former directorships in the last 3 years

Manalto Limited (ASX: MTL)
Covata Limited (ASX: CVT)

Interests in shares and options

None

Michael Bell

Managing Director and Chief Executive Officer

Mr Bell has over 20 years' experience in engineering and business management and significant international experience driving business growth.

He was with ST Engineering Group where he served as Senior Vice-President.

Mike has also held roles as Director for Navman Wireless, a global Telematics company, and as General Manager with Singapore-based shipbuilder Strategic Marine.

Appointed Managing Director on 1 July 2021

Other Current Directorships

None

Former directorships in the last 3 years

None

Interests in shares and options

| | |
|---------|-----------|
| Options | 5,000,000 |
|---------|-----------|

Craig McGuckin, Dip. Minsurv Class 1, Dip Surfmin

Managing Director

Mr McGuckin 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.

Retired 8 January 2021.

Former directorships in the last 3 years

None

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.

Retired 28 April 2021

Other Current Directorships

None.

Former directorships in the last 3 years

Non-Executive Director: Haranga Resources Limited

Results and Dividends

The Group result for the year was a loss of \$6,284,757 (2020: loss of \$5,366,149).

No final dividend has been declared or recommended as at 30 June 2021 or as at the date of this report (2020: \$ nil).

No interim dividends have been paid (2020: nil).

Principal Activities

During the financial year the principal continuing activities of the Consolidated Entity was as the leading supplier of high-performing graphene products with a robust manufacturing platform and an established 100 tonne/year graphene production capacity. PureGRAPH® graphene is easy to use and is enhancing the properties of customers' products and materials across industries and applications worldwide.

First Graphene Limited has a primary manufacturing base in Henderson, near Perth, WA. The Company is incorporated in the UK as First Graphene (UK) Ltd. and is a Tier 1 partner at the Graphene Engineering and Innovation Centre (GEIC), Manchester, UK.

Events Since the End of the Financial Year

From the 1st of July 2021 to the 9th of August 2021, 6.7 million options were exercised by option-holders resulting in approximately \$1.68 million of cash influx for First Graphene.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

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 10) 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 Australian Industrial Chemicals Introduction Scheme (AICIS) 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.

Share Options

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

| 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 | 1,000,000 |
| Share option | 8 November 2019 | 8 November 2023 | \$0.25 each, if exercised on or before 8 November 2023 | 14,300,000 |

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 | 8 | 8 |
| Dr Andy Goodwin | 7 | 8 |
| Michael Quinert | 3 | 3 |
| Craig McGuckin | 4 | 4 |
| Peter Youd | 6 | 6 |

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.

Remuneration report (audited)

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2001.

This report outlines the remuneration arrangements in place for Directors of First Graphene Limited and Executives of the Group.

Key Management Personnel ('KMP') disclosed in this report:

Mr Warwick Grigor
Dr Andy Goodwin (Appointed 1 July 2020)
Mr Michael Bell (Appointed 11 January 2021)
Mr Aditya Asthana (Appointed 22 March 2021)
Mr Michael Quinert (Appointed 1 March 2021)
Mr Craig McGuckin (Retired 8 January 2021)
Mr Peter Youd (Retired 28 April 2021)

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 First Graphene. 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 First Graphene or for attending Board meetings.

All Executive Directors, Non-Executive Directors and responsible executives of First Graphene 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 First Graphene.

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:

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.

Details of remuneration for the year ended 30 June 2021

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 (viii) | Post-Employment Entitlements | Termination Payment | Share based payments | Total | Value of remuneration which is performance related |
| 30 June 2021 | A\$ | A\$ | A\$ | A\$ | A\$ | A\$ | A\$ | A\$ | A\$ | % |
| Executive Directors | | | | | | | | | | - |
| Craig McGuckin ^{(i) (ii)} | 315,472 | 7,290 | - | - | 100,000 | - | 392,887 | - | 815,649 | - |
| Peter Youd ^{(i) (iii)} | 407,311 | 10,843 | - | - | 100,000 | - | 274,919 | - | 793,073 | - |
| Non-Executive Directors | | | | | | | | | | |
| Warwick Grigor ⁽ⁱ⁾ | - | - | 30,000 | 90,000 | 100,000 | 11,450 | - | - | 231,450 | - |
| Dr Andy Goodwin ^{(i), (iv)} | - | - | 25,000 | 122,142 | - | - | - | - | 147,142 | - |
| Michael Quinert ^(v) | - | - | 11,664 | - | - | - | - | - | 11,664 | - |
| Other Key Management Personnel | | | | | | | | | | |
| Michael Bell ^{(vi) (ix)} | - | - | - | 151,563 | - | 2,375 | - | 216,556 | 370,494 | 58% |
| Aditya Asthana ^(vii) | - | - | - | 61,111 | - | 6,111 | - | 3,150 | 70,372 | 4% |
| Total | 722,783 | 18,133 | 66,664 | 424,816 | 300,000 | 19,936 | 667,806 | 219,706 | 2,439,844 | |

- Mr Craig McGuckin and Mr Peter Youd do not receive director's fees however are compensated in accordance with their respective consultant agreement. Mr Warwick Grigor and Mr Andy Goodwin receive a salary for their director services.
- Mr McGuckin retired on 8 January 2021
- Mr Peter Youd retired on 28 April 2021
- Dr Andy Goodwin was appointed a Non-Executive Director on 1 July 2020
- Mr Michael Quinert was appointed a Non-Executive Director on 1 March 2021
- Mr Michel Bell commenced as Chief Executive Officer on 11 January 2021
- Mr Aditya Asthana commenced as Chief Financial Officer & Company Secretary on 22 March 2021
- Bonus payments reflects entitlements due under appointment contracts for performance in 2020.
- The share based payment represents the fair value of the 5,000,000 options granted to Michael Bell upto June 2021, which he can choose to exercise by paying \$0.25 per share to the company. Refer Page 15 for details

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 | 498,425 | 12,000 | - | - | 50,000 | - | 216,352 | 776,777 | - |
| Peter Youd (i) | 389,758 | 12,000 | - | - | 50,000 | - | 216,352 | 668,110 | - |
| Non-Executive Directors | | | | | | | | | |
| Warwick Grigor | - | - | 30,000 | 90,000 | 50,000 | 11,400 | 216,352 | 397,752 | - |
| Other Key Management Personnel | | | | | | | | | |
| Dr Andy Goodwin (ii) | - | - | - | 395,755 | - | - | 63,707 | 459,462 | - |
| Total | 888,183 | 24,000 | 30,000 | 485,755 | 150,000 | 11,400 | 712,763 | 2,302,101 | |

- i. Mr Craig McGuckin and Mr Peter Youd do not receive director's fees however are compensated in accordance with their respective consultant agreement.
- ii. 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.
- iii. Bonus payments reflects entitlements due under appointment contracts for performance in 2020.

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 | 2021 | 2020 | 2019 | 2018 | 2107 |
|--------------------------------------|--------------------|-------------|-------------|-------------|-------------|
| Sales revenue \$ | 341,869 | 289,773 | 22,771 | 7,180 | - |
| Loss before tax \$ | (6,284,757) | (5,366,149) | (6,986,738) | (7,024,612) | (4,259,960) |
| Basic loss per shares (cents) | (1.19) | (1.11) | (1.78) | (1.65) | (1.32) |
| Increase/(decrease) in share price % | 133.1 | (45.1) | 134.2 | 275.3 | (57.5) |

Relationship between Remuneration and Company Performance

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

| Name | % Fixed remuneration | % Short Term Incentive | % Long Term Incentive |
|-----------------|----------------------|------------------------|-----------------------|
| Warwick Grigor | 57% | 43% | |
| Dr Andy Goodwin | 100% | | |
| Michael Quinert | 100% | | |
| Michael Bell | 42% | | 58% |
| Aditya Asthana | 96% | 4% | |
| Craig McGuckin | 40% | 12% | 48% |
| Peter Youd | 53% | 13% | 35% |

Contractual Arrangements with KMP

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

| Name | Base Salary | Duration of Service Agreement | Notice Period | | Severance Payment Entitlement |
|----------------|-------------|-------------------------------|---------------|------------|-------------------------------|
| | | | By Executive | By Company | |
| Michael Bell | 350,000 | Ongoing | 3 months | 3 months | No entitlement |
| Aditya Asthana | 220,000 | Ongoing | 3 months | 3 months | No entitlement |

There are no other service agreements in place.

Share-based compensation

Shares issued as part of remuneration for the year ended 30 June 2021

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 2021

Options were issued to 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 CEO Options were ascribed the following value:

Assumptions:

| | |
|---|------------------------------|
| Valuation date | 17 December 2020 |
| Market price of shares | \$0.245 |
| Exercise price | \$0.250 |
| Expiry date (length of time from issue) | 8 November 2023 – 2.89 years |
| Risk free interest rate | 0.25% |
| Volatility | 75% |

Indicative Value of CEO Option (cents) 0.1158

Total Value of CEO Options \$579,069

Options holdings held by key management personnel

| Directors | Balance 01.07.20 | Granted | Exercised | Other (i) | Balance 30.06.21 | Total vested 30.06.21 | Vested & exercisable 30.06.21 | Vested & un- exercisable 30.06.21 |
|-----------------|---------------------|-----------|-----------|--------------|---------------------|-----------------------------|-------------------------------------|--|
| Warwick Grigor | 11,854,951 | - | - | - | 11,854,951 | - | 11,854,951 | - |
| Dr Andy Goodwin | 3,108,993 | - | - | - | 3,108,993 | 3,108,993 | 3,108,993 | - |
| Michael Quinert | - | - | - | - | - | - | - | - |
| Michael Bell | - | 5,000,000 | - | - | 5,000,000 | - | - | - |
| Aditya Asthana | - | - | - | - | - | - | - | - |
| Craig McGuckin | 3,715,852 | - | - | (715,852) | - | 3,000,000 | 3,000,000 | - |
| Peter Youd | 3,703,244 | - | - | (703,244) | - | 3,000,000 | 3,000,000 | - |

(i) Comprise amounts held at date of appointment and date of resignation

Performance rights issued as part of remuneration for the year ended 30 June 2021

Performance rights were issued to key management personnel as part of compensation during the year. The performance rights were valued at the share price on the date of grant and will vest over the term of 12 months. Please refer Note 17 for full details of the Performance Rights.

Performance rights holdings held by key management personnel

| Directors | Balance 01.07.20 | Granted | Exercised | Other | Balance 30.06.21 | Total vested 30.06.21 | Vested & exercisable 30.06.21 | Vested & un- exercisable 30.06.21 |
|-----------------|---------------------|---------|-----------|-------|---------------------|-----------------------------|-------------------------------------|--|
| Warwick Grigor | - | - | - | - | - | - | - | - |
| Dr Andy Goodwin | - | - | - | - | - | - | - | - |
| Michael Quinert | - | - | - | - | - | - | - | - |
| Michael Bell | - | - | - | - | - | - | - | - |
| Aditya Asthana | - | 60,000 | - | - | 60,000 | - | - | - |
| Craig McGuckin | - | - | - | - | - | - | - | - |
| Peter Youd | - | - | - | - | - | - | - | - |

Shareholdings held by key management personnel

| Directors | Balance 01.07.20 | Granted | Exercise of options | Acquired | Other | Balance 30.06.21 |
|-----------------|---------------------|---------|------------------------|----------|-------------|---------------------|
| Warwick Grigor | 18,883,772 | - | - | - | - | 18,883,772 |
| Dr Andy Goodwin | 2,008,993 | - | - | - | - | 2,008,993 |
| Michael Quinert | - | - | - | - | - | - |
| Michael Bell | - | - | - | - | - | - |
| Aditya Asthana | - | - | - | - | - | - |
| Craig McGuckin | 8,597,092 | - | - | - | (1,600,000) | 6,997,092- |
| Peter Youd | 7,162,674 | - | - | - | (49,000) | 7,113,674- |

Transactions with other 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 2020 Annual General Meeting held on 9 October 2020 there were 18.75% of the votes against the adoption of the remuneration report.

End of audited Remuneration Report

Auditor's independence

The Directors received the independence declaration from the auditor of First Graphene Limited as stated on page 18.

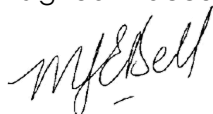
Non-audit services

During the period BDO Corporate Tax (WA) Pty Ltd was paid \$50,454 for the provision of taxation services (2020: \$33,794). BDO Corporate Tax (WA) Pty Ltd is an affiliate member of BDO Audit (WA) Pty Ltd. Refer to Note 24 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 24, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*

Signed in accordance with a Resolution of the Directors.



Michael Bell
Managing Director

Dated at Perth this 30th day of August 2021

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 in November 2021.

Details will be included in the Annual report and the Notice of Meeting, which will be issued in due course.

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 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of First Graphene Limited and the entities it controlled during the period.



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 30 August 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

| | Note | 2021 \$ | 2020 \$ |
|---|------|--------------------|--------------------|
| Continuing operations | | | |
| Revenue from contracts with customers | 3 | 341,869 | 289,773 |
| Cost of goods sold | | (266,236) | (262,896) |
| Gross profit/(loss) | | 75,633 | 26,877 |
| Other income | 4(a) | 962,301 | 1,444,990 |
| Research & development | 4(b) | (2,614,609) | (3,229,900) |
| Selling & marketing | 4(c) | (486,502) | (290,548) |
| Mineral lease maintenance | 4(d) | (272,278) | (252,562) |
| General & administrative | 4(e) | (3,920,375) | (3,048,724) |
| Operating loss | | (6,255,830) | (5,349,867) |
| Finance income | 5(a) | 1,892 | 7,337 |
| Finance expense | 5(b) | (30,819) | (23,619) |
| Loss from continuing operations before tax | | (6,284,757) | (5,366,149) |
| Income tax (expense)/benefit | 6 | - | - |
| Loss for the year | | (6,284,757) | (5,366,149) |
| Other comprehensive income | | | |
| <i>Items which may be reclassified to profit or loss</i> | | | |
| Exchange differences arising on translation of foreign operations | | 9,488 | 26,609 |
| Other comprehensive income for the year | | 9,488 | 26,609 |
| Total comprehensive loss for the year | | (6,275,269) | (5,339,540) |

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

For the year ended 30 June 2021

Loss for the year attributable to:

| | | |
|----------------------------------|--------------------|--------------------|
| Owners of First Graphene Limited | (6,297,424) | (5,239,650) |
| Non-Controlling interests | 12,667 | (126,499) |
| | (6,284,757) | (5,366,149) |

Total comprehensive loss for the year attributable to:

| | | |
|----------------------------------|--------------------|--------------------|
| Owners of First Graphene Limited | (6,287,936) | (5,213,041) |
| Non-Controlling interests | 12,667 | (126,499) |
| | (6,275,269) | (5,339,540) |

Loss per share for the year attributable to the owners of First Graphene Limited

| | | | |
|--|---|--------|--------|
| Basic (loss) per share (cents per share) | 7 | (1.19) | (1.11) |
| Diluted (loss) per share (cents per share) | 7 | (1.19) | (1.11) |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Consolidated Statement of Financial Position

At 30 June 2021

| | Note | 2021 \$ | 2020 \$ |
|--|------|-------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 8 | 7,076,580 | 8,053,134 |
| Inventories | 9 | 1,152,872 | 1,601,522 |
| Trade and other receivables | | 86,015 | 65,568 |
| Other current assets | 10 | 817,234 | 332,495 |
| Total current assets | | 9,132,701 | 10,052,719 |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 2,666,643 | 2,314,167 |
| Right of use asset | 12 | 342,590 | 219,067 |
| Inventories | 9 | 3,528,896 | 1,009,200 |
| Intangible assets | | 101,652 | 294,811 |
| Other assets | | 220,805 | 215,102 |
| Total non-current assets | | 4,681,768 | 4,052,347 |
| Total assets | | 15,993,287 | 14,105,066 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | 1,321,261 | 1,569,670 |
| Employee liabilities | | 154,117 | 63,221 |
| Financial liabilities | 14 | 4,934,817 | - |
| Lease liabilities | 12 | 359,297 | 72,791 |
| Total current liabilities | | 6,769,492 | 1,705,682 |
| Non-current liabilities | | | |
| Lease liabilities | | - | 152,999 |
| Total non-current liabilities | | - | 152,999 |
| Total liabilities | | 6,769,492 | 1,858,681 |
| Net assets | | 9,223,795 | 12,246,385 |
| Equity | | | |
| Issued capital | 16 | 98,808,042 | 95,778,819 |
| Reserves | 18 | 5,607,362 | 5,887,471 |
| Accumulated losses | | (95,361,902) | (89,531,680) |
| Capital and reserves attributable to owners of First Graphene Limited | | 9,053,502 | 12,134,610 |
| Non-controlling interest | | 170,293 | 111,775 |
| Total equity | | 9,223,795 | 12,246,385 |

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 2021

| | Share bas | | | | | | | |
|---|-------------------------|------------------------------|----------------------|------------------------------|------------------------|-----------------------------|--|--------------------|
| | Issued Capital \$ | ed payments reserve \$ | Option reserve \$ | Translation reserve \$ | Other Reserve \$ | Accumulated losses \$ | Non- controlling interests \$ | Total \$ |
| As at 1 July 2020 | 95,778,819 | 5,416,167 | 467,202 | 4,102 | (71,057) | (89,531,680) | 182,832 | 12,246,385 |
| Loss for the year | - | - | - | - | - | (6,297,424) | 12,667 | (6,284,757) |
| Foreign currency translation | | | | 9,488 | | | | 9,488 |
| Total comprehensive loss for the year | - | - | - | 9,488 | - | (6,297,424) | 12,667 | (6,275,269) |
| Transactions with owners in their capacity as owners | | | | | | | | |
| Share placements during the year | 898,000 | - | - | - | - | - | - | 898,000 |
| Shares issued | 2,197,825 | - | - | - | - | - | - | 2,197,825 |
| Transactions with non-controlling interest | - | - | - | - | 25,206 | - | (25,206) | - |
| Share issue costs | (262,977) | - | - | - | - | - | - | (262,977) |
| Share based payment transactions | 196,375 | 223,456 | - | - | - | - | - | 419,831 |
| Transfer to accumulated losses | - | - | (467,202) | - | - | 467,202 | - | - |
| 30 June 2021 | 98,808,042 | 5,639,623 | - | 13,590 | (45,851) | (95,361,902) | 170,293 | 9,223,795 |
| 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 | - | (89,531,680) | 111,775 | 12,246,385 |

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 2021

| | Note | 2021 \$ | 2020 \$ |
|--|------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Revenue from sales | | 334,087 | 448,161 |
| Payments to suppliers and employees | | (8,337,427) | (6,758,025) |
| Interest received | | 1,892 | 7,337 |
| Interest paid | | (20,052) | (13,460) |
| R&D and grant funding received | | 593,316 | 1,397,112 |
| Other income | | 353,226 | 179,521 |
| Net cash outflows from operating activities | 19 | (7,074,958) | (4,739,354) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (1,468,502) | (1,122,133) |
| Proceeds from sale of property, plant and equipment | | 15,759 | 1,864 |
| Payments for intellectual property | | (71,741) | (49,850) |
| Payments for investment in third party | | - | (215,102) |
| Net cash outflows from investing activities | | (1,524,484) | (1,385,221) |
| Cash flow from financing activities | | | |
| Proceeds from placement of shares | | 898,000 | 6,424,171 |
| Proceeds from the exercise of options | | 2,790,642 | 4,333,967 |
| Payment of share issue/capital raising costs | | (19,133) | (259,280) |
| Proceeds from non-controlling interest | | - | 75,000 |
| Proceeds from convertible note | | 4,102,000 | - |
| Finance lease payments | | (151,487) | (68,385) |
| Net cash inflows from financing activities | | 7,620,022 | 10,505,473 |
| Net (decrease)/increase in cash and cash equivalents | | (979,420) | 4,380,898 |
| Cash and cash equivalents at beginning of the year | | 8,053,134 | 3,664,137 |
| Effect of exchange rate fluctuations on cash held | | 2,866 | 8,099 |
| Cash and cash equivalents at end of the year | 8 | 7,076,580 | 8,053,134 |

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

Notes to the Consolidated Financial Statements

1. Basis of Preparation

First Graphene Limited ("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 Chief Executive Officer's Report, which is not part of these financial statements.

The financial statements were authorised for issue in accordance with a resolution of the directors on 30 August 2021.

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;

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 2020, except for the adoption of new accounting standards and interpretations effective for annual periods beginning 1 July 2020. The effect 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

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 2021. Unless otherwise stated, the Group has yet to fully assess the impact of these Standards and Interpretations when applied in future periods.

Basis of consolidation

The consolidated financial statements comprise the financial statements of First Graphene Limited and its subsidiaries as at 30 June 2021 (the **Group**).

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

- 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.

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.

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:

Notes to the Consolidated Financial Statements

- 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.

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.

Share Based Payments Estimates

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

Convertible notes carried at fair value

On initial recognition, the value of the convertible notes was calculated based on the proceeds received. At the reporting date, the fair value of the conversion options within the convertible loan has been assessed to be nil and credit risk has not changed from inception of the loan.

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 2021 relates to raw material, work in progress and finished goods and is held at net realisable value.

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

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

As the Company expands its graphene production and inventory, the Board monitors the Company based on actual verses budgeted expenditure incurred.

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 \$ | | Research & Development \$ | | Corporate Services \$ | | Mining Asset Maintenance \$ | | Total \$ | |
|---------------------------------|---------------------------|-----------|------------------------------|-------------|--------------------------|-------------|--------------------------------|-----------|--------------------|-------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenue from external customers | 341,869 | 289,773 | - | - | - | - | - | - | 341,869 | 289,773 |
| Point in time | 341,869 | 289,773 | - | - | - | - | - | - | 341,869 | 289,773 |
| Interest revenue | - | - | - | - | 1,892 | 7,337 | - | - | 1,892 | 7,337 |
| Operating loss | 39,929 | (2,487) | (2,572,559) | (1,793,438) | (3,513,898) | (3,317,662) | (238,229) | (252,562) | (6,284,757) | (5,366,149) |
| Depreciation expense | 667,421 | 556,869 | 80,319 | 198,047 | 41,073 | 29,842 | - | 58,414 | 788,813 | 843,172 |
| Amortisation expense | - | - | 18,075 | - | - | - | - | - | 18,075 | - |
| Segment assets | 4,738,136 | 2,666,111 | 3,406,311 | 3,043,192 | 7,816,571 | 8,377,078 | 32,269 | 18,685 | 15,993,287 | 14,105,066 |
| Segment liabilities | 179,708 | 196,990 | 239,557 | 166,308 | 6,342,001 | 1,489,067 | 8,225 | 6,316 | 6,769,491 | 1,858,681 |

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.

| | 2021 | | 2020 | |
|-----------------------|---------|--------------|---------|--------------|
| | \$ | | \$ | |
| Geographical segments | Revenue | Total Assets | Revenue | Total Assets |
| Australia | 341,869 | 9,252,761 | 285,784 | 13,974,972 |
| United Kingdom | - | 482,374 | 3,989 | 113,112 |
| Sri Lanka | - | 6,258,152 | - | 16,982 |
| Total | 341,869 | 15,993,287 | 289,773 | 14,105,066 |

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

Reconciliation of segment assets to the Statement of Financial Position

| | 2021 | 2020 |
|--|-------------|-------------|
| | \$ | \$ |
| Total segments assets | 23,160,997 | 21,832,721 |
| Inter-segment elimination | (7,167,710) | (7,727,655) |
| Total assets per statement of financial position | 15,993,287 | 14,105,066 |

Reconciliation of segment liabilities to the Statement of Financial Position

| | 2021 | 2020 |
|---|--------------|--------------|
| | \$ | \$ |
| Total segments liabilities | 23,255,662 | 17,421,874 |
| Inter-segment elimination | (16,486,171) | (15,563,193) |
| Total liabilities per statement of financial position | 6,769,491 | 1,858,681 |

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.

| | Notes | 2021 \$ | 2020 \$ |
|---|-------|------------|------------|
| Types of goods | | | |
| Sale of graphene | | 341,869 | 289,773 |
| Total revenue from contracts with customers | | 341,869 | 289,773 |

4. Operating expenses and other income

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 income received due to COVID-19 during the year which has been presented as other income

Notes to the Consolidated Financial Statements

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 | 2021 \$ | 2020 \$ |
|---|-------|------------------|------------------|
| (a) Other income | | | |
| R&D and grant income | | 684,186 | 1,263,583 |
| Government grants related to COVID19 | | 262,356 | 179,521 |
| Profit on sale of property, plant & equipment | | 15,759 | 1,886 |
| | | 962,301 | 1,444,990 |
| (b) Research & development | | | |
| Employee expenses | | 938,419 | 1,013,331 |
| Consultant and research programs | | 933,307 | 1,338,571 |
| Legal and taxation expenses | | 67,286 | 154,444 |
| Depreciation | | 64,148 | 178,050 |
| Amortisation | | 18,075 | 19,997 |
| Impairment of intangible assets | | 250,000 | - |
| Impairment of inventory | | (4,680) | 46,800 |
| Other | | 348,054 | 478,707 |
| | | 2,614,609 | 3,229,900 |
| (c) Selling & marketing | | | |
| Employee expenses | | 182,125 | 115,642 |
| Advertising & promotion | | 202,074 | 174,906 |
| Depreciation | | 1,101 | - |
| Other | | 101,203 | - |
| | | 486,502 | 290,548 |
| (d) Mining lease maintenance | | | |
| Employee expenses | | 63,118 | 40,473 |
| Depreciation | | - | 44,900 |
| Rent of premises | | 57,919 | 50,785 |
| Other | | 151,241 | 116,404 |
| | | 272,278 | 252,562 |
| (e) General & administrative | | | |
| Employee expenses | | 1,362,164 | 299,193 |
| Director, finance & company secretarial fees | | 573,168 | 576,107 |
| Legal & other professional fees | | 863,860 | 571,446 |
| ASX listing, share registry and other corporate costs | | 153,011 | 145,592 |
| Depreciation | | 39,972 | 22,215 |
| Amortisation | | - | 7,627 |
| Share based payment expense | | 419,831 | 52,500 |
| Option expenses | | - | 712,763 |
| Rent of premises | | 15,740 | 62,942 |
| Insurances | | 71,269 | 105,613 |
| Other | | 421,360 | 492,724 |
| | | 3,920,375 | 3,048,724 |

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.

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

| | Notes | 2021 \$ | 2020 \$ |
|---|-------|-----------------|-----------------|
| (a) Finance income | | | |
| Interest income on bank deposits | | 1,892 | 7,337 |
| | | 1,892 | 7,337 |
| (b) Finance expense | | | |
| Interest expense | | (20,052) | (13,460) |
| Foreign exchange (loss)/gain - unrealised | | (10,767) | (10,159) |
| | | (30,819) | (23,619) |

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 | 2021 \$ | 2020 \$ |
|--|--------------------|-------------|
| (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 in equity | | |
| Current tax | - | - |
| Deferred tax | - | (155,601) |
| | - | (155,601) |
| (c) Reconciliation of income tax expense to prima facie tax payable | | |
| - Loss before income tax from all activities | (8,379,866) | (5,366,254) |
| - Prima facie income tax benefit on loss before income tax at 30% (2020:30%) | (2,513,960) | (1,609,876) |
| - Entertainment | 3,935 | 1,972 |
| - Share based payments | 125,949 | 229,579 |
| - Non-assessable income | (139,196) | (220,832) |
| - Other permanent differences | 761,472 | 190,825 |
| - Deferred tax assets not brought to account | 130,016 | 1,408,332 |
| Income tax expense/(benefit) | - | - |
| The applicable weighted average effective tax rates | 0% | 0% |
| (d) Deferred tax liability | | |
| Prepaid expenditure | - | 94,110 |
| PPE | - | - |
| Other temporary differences | - | 31,206 |
| | - | 125,136 |
| Off-set of deferred tax assets | - | (125,136) |
| Net deferred tax liability recognised | - | - |

Notes to the Consolidated Financial Statements

| Income tax expense | 2021 \$ | 2020 \$ |
|---|-------------------|------------|
| (e) Unrecognised deferred tax asset | | |
| Tax losses | 6,335,089 | 5,962,227 |
| Capital losses | 8,772,623 | 8,772,623 |
| PPE & Leases | 5,012 | 14,520 |
| Other temporary differences | 1,068,198 | 388,722 |
| | 16,180,921 | 15,138,092 |
| Off-set of deferred tax liabilities | - | (125,136) |
| Net deferred tax assets unrecognised | 16,180,921 | 15,012,956 |

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.

7. Loss per share

Accounting Policy

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

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

| | Number of shares 2021 | Number of shares 2020 |
|---|--------------------------|--------------------------|
| Weighted average ordinary shares used in calculating basic earnings per share | 530,130,203 | 474,147,509 |
| Weighted average ordinary shares used in calculating diluted earnings per share | 530,130,203 | 474,147,509 |
| Basic loss per share - cents per share | (1.19) | (1.11) |
| Diluted loss per share - cents per share | (1.19) | (1.11) |

| | 2021 \$ | 2020 \$ |
|--|-------------|-------------|
| Loss attributable to the owners of First Graphene used in calculating basic loss per share | (6,297,424) | (5,239,650) |
| Loss attributable to the owners of First Graphene used in calculating diluted loss per share | (6,297,424) | (5,239,650) |

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

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:

| | 2021 | 2020 |
|--------------------------|------------------|------------------|
| | \$ | \$ |
| Cash at bank and in hand | 7,076,580 | 8,053,134 |
| | 7,076,580 | 8,053,134 |

The Group's maximum exposure to financial risk is disclosed in note 15.

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 41.

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.

Notes to the Consolidated Financial Statements

Inventories (continued)

| Total Inventories | 2021 | 2020 |
|--------------------------------|------------------|------------------|
| | \$ | \$ |
| Raw materials | 1,859,988 | 1,328,904 |
| Work in progress | 350,689 | 272,618 |
| Finished goods | 2,513,211 | 1,056,000 |
| Inventories Gross | 4,723,887 | 2,657,522 |
| Less: Provision for impairment | (42,120) | (46,800) |
| Carrying amount | 4,681,768 | 2,610,722 |
| <i>Disclosed as:</i> | | |
| Current | 1,152,872 | 1,601,522 |
| Non-current | 3,528,896 | 1,009,200 |
| Total inventory | 4,681,768 | 2,610,722 |

10. Other assets

| | 2021 | 2020 |
|---------------------------|----------------|----------------|
| | \$ | \$ |
| Prepayments | 817,234 | 325,455 |
| Security Deposits | - | 7040 |
| Total other assets | 817,234 | 332,495 |

11. Property, plant and equipment

Accounting Policy

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure which is directly attributable to the acquisition of the items.

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

Plant and equipment 3-7 years

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

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to the profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Notes to the Consolidated Financial Statements

Property, plant and equipment (continued)

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).

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

| | 30 June 2021 | | | | |
|---|-----------------------|---------------------------|------------------|----------------|-----------|
| | Exploration equipment | \$ Plant and equipment | Office equipment | Motor vehicles | Total |
| Carrying amount at beginning of year | - | 2,293,523 | 8,703 | 11,941 | 2,314,167 |
| Additions | - | 921,996 | 56,808 | - | 978,804 |
| Depreciation | - | (615,689) | (9,081) | (2,572) | (627,342) |
| Movement due to foreign exchange | - | 1,002 | 12 | - | 1,014 |
| Carrying amount at end of year | - | 2,600,832 | 56,442 | 9,369 | 2,666,643 |

| | 30 June 2020 | | | | |
|---|-----------------------|---------------------------|------------------|----------------|-----------|
| | Exploration equipment | \$ Plant and equipment | Office equipment | Motor vehicles | Total |
| Carrying amount at beginning of year | 30,042 | 1,326,534 | 239,464 | 31,462 | 1,627,502 |
| Additions | - | 1,448,574 | 5,697 | - | 1,454,271 |
| Transfers | - | 233,091 | (233,091) | - | - |
| Depreciation | (30,290) | (714,665) | (3,369) | (19,739) | (768,063) |
| Movement due to foreign exchange | 248 | (11) | 2 | 218 | 457 |
| Carrying amount at end of year | - | 2,293,523 | 8,703 | 11,941 | 2,314,167 |

Notes to the Consolidated Financial Statements

12. Right of use assets and liabilities

Accounting Policy

The Company, as a lessee, will assess whether a contract is, or contains, a lease under AASB 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the contract is assessed to be, or contains, a lease, the Company will recognise a right-of-use asset (Note 1(r)) and a lease liability at the lease commencement date.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

| | 2021 \$ | 2020 \$ |
|-------------------------------------|------------|------------|
| Right of Use Assets: | | |
| Cost | 579,170 | 294,175 |
| Accumulated depreciation | (236,580) | (75,108) |
| Net carrying amount | 342,590 | 219,067 |
| Movement in Right of use asset: | | |
| Opening balance | 219,067 | - |
| Addition | 284,994 | 294,175 |
| Depreciation | (161,471) | (75,109) |
| Closing balance | 342,590 | 219,067 |
| Lease Liabilities: | | |
| Current | 196,213 | 72,791 |
| Non-current | 163,084 | 152,999 |
| Total | 359,297 | 225,790 |
| Movement in Lease liabilities: | | |
| Opening balance | 225,790 | - |
| Addition | 284,994 | 294,175 |
| Reduction in lease liabilities | (151,487) | (68,385) |
| Closing balance | 359,297 | 225,790 |

Notes to the Consolidated Financial Statements

13. Trade and other payables

Accounting Policy

Trade and other payables represent the liabilities for goods and services received by the entity which remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

| | 2021 \$ | 2020 \$ |
|--------------------------|------------------|------------------|
| Current | | |
| Trade and other payables | 1,141,853 | 1,372,680 |
| Customer deposits | 179,508 | 196,990 |
| | 1,321,361 | 1,569,670 |

14. Financial liabilities

Accounting Policy

Convertible notes were issued by the Group which include embedded derivatives. Convertible notes are initially recognised as financial liabilities at fair value.

On initial recognition the fair value of the convertible notes equated to the proceeds received and subsequently the convertible note is measured at fair value. The movements are recognised in profit and loss as finance costs except to the extent the movement is attributed to changes in the group's own credit risk status in which case, it is recognised in Other Comprehensive Income.

Terms and Conditions

The Company entered into a Share Placement Agreement with Specialty Materials Investments, LLC (the Investor) on the 27th of May 2021.

- Total AUD amount that can be drawn down: \$8,000,000
- Initial deposit shares issued: 2,800,000 shares at \$0.235 per share
- Fee paid: 1,021,276 shares at \$0.235 per share
- Final AUD value of shares to be issued: \$8,480,000 ("subscription amount")
- Other Terms:
- The final number of shares to be issued by the Company will be determined by applying the Purchase Price (as set out below) to the subscription amount. The Purchase Price will initially be equal to \$0.30 per share and will reset after 10 August 2021 to the average of the five daily volume-weighted average prices selected by the Investor during the 20 consecutive trading days immediately prior to the date of the Investor's notice to issue shares, rounded down to the next half a cent if the share price is at below 50 cents and whole cent if the share price is at above 50 cents, with no discount applicable to this formula. To the extent that Placement Shares are issued after six months, or 12 months, the Investor will receive a discount of, respectively, 3% or 6% to the foregoing Purchase Price formula.
- The Purchase Price will be the subject of a Floor Price of \$0.16. If the Purchase Price formula were to result in a purchase price that is less than the Floor Price, the Company may refuse to issue shares and instead opt to repay the relevant subscription amount in cash (with a 5% premium), subject to the Investor's right to receive Placement Shares at the Floor Price in lieu of such cash repayment. The Purchase Price will not be the subject of a cap.

Notes to the Consolidated Financial Statements

- The Company will issue the Placement Shares in relation to all or part of each of the above investments on the Investor's request, during the period ending 24 months after the date of the investment.
- The Company has retained the right (but has no obligation) to repay the subscription amount in cash in lieu of issuing shares by way of a repayment of the subscription amount together with the difference between the market price of the shares and the Purchase Price (if any) in relation to the shares that would otherwise have been issued.

| | 2021 \$ | 2020 \$ |
|-------------------------|------------------|------------|
| Current | | |
| Convertible liabilities | 4,934,817 | - |
| | 4,934,817 | - |

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS AND RISK

This section outlines how the Group manages its capital, related financing costs and its exposure to various financial risks. It explains how these risks affect the Group's financial position and performance and what the Group does to manage these risks.

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an efficient capital structure to reduce the cost of capital.

The Board's policy in relation to capital management is to regularly and consistently monitor future cash flows against expected expenditures for a rolling period of up to 12 months in advance. The Board determines the Group's need for additional funding by way of either share issues or loan funds depending on market conditions at the time. The Board defines working capital in such circumstances as its excess liquid funds over liabilities, and defines capital as being the ordinary share capital of the Company, plus retained earnings, reserves and net debt. In order to maintain or adjust the capital structure, the Board may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or reduce debt.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirement.

Notes to the Consolidated Financial Statements

15. Financial Risk Management

(a) Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (currency risk and interest rate risk). The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade and other receivables, deposits with banks, local money market instruments and short-term investments. The accounting policy with respect to these financial instruments is described in note 1.

Financial risk management structure:

Board of Directors

The Board is ultimately responsible for ensuring there are adequate policies in relation to risk oversight and management and internal control systems. The Group's policies are designed to ensure financial risks are identified, assessed, addressed and monitored to enable achievement of the Group's business objectives.

(b) Financial risks

Credit risk

Credit risk refers to the risk a counterparty will default on its contractual obligation resulting in financial loss to the Group. Credit risk is managed on a group basis and structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or group of counterparties. The Group has no significant concentrations of credit risk.

It is the Group's policy to place funds generated internally and from deposits with clients with high quality financial institutions. The Group does not employ a formalised internal ratings system for the assessment

of credit exposures. Amounts due from and to clients and dealers represents

receivables sold and payables for securities purchased which have been contracted for but not yet settled on the reporting date, respectively. The majority of these transactions are carried out on a delivery versus payment basis, which results in securities and cash being exchanged within a very close timeframe. Settlement balances outside standard terms are monitored on a daily basis.

Exposure to credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the reporting date to recognised financial assets, is the carrying amount, net of any provision for impairment of those assets, as disclosed in the statement of financial position and the notes to the financial statements. The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

The Group's maximum exposure to credit risk without taking account of any collateral or other credit enhancements at the reporting date was \$7,076,580 (2020: \$8,053,134).

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 | |
|---------------------------|------------------|------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Cash and cash equivalents | 7,076,580 | 8,053,134 |
| | 7,076,580 | 8,053,134 |

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, the identified impairment loss was immaterial.

Trade receivables

The group applies the AASB 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected credit losses have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 30 June 2021 was determined to be nil.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group and failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

For the purposes of the Group's disclosures regarding credit quality, its financial assets have been analysed as follows:

| | Neither Past Due nor individually impaired \$ | Past due but not individually impaired \$ | Individually impaired \$ | Total \$ | Impairment allowance \$ | Total carrying amount \$ |
|--------------------------------------|--|---|--------------------------------|-------------|-------------------------------|-----------------------------------|
| Consolidated 30 June 2021 | | | | | | |
| Trade receivables | 86,015 | - | - | 86,015 | - | 86,015 |
| | 86,015 | - | - | 86,015 | - | 86,015 |
| Consolidated 30 June 2020 | | | | | | |
| Trade receivables | 55,388 | - | - | 55,388 | - | 55,388 |
| | 55,388 | - | - | 55,388 | - | 55,388 |

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 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.

Notes to the Consolidated Financial Statements

Collateral pledged or held

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

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 2021 | | | | | | | |
| Financial assets | | | | | | | |
| Cash and cash equivalents | 0.01 | 7,076,580 | - | - | - | - | 7,076,580 |
| Total Financial assets at 30 June 2021 | | 7,076,580 | - | - | - | - | 7,076,580 |
| | | | | | | | |
| Trade and other payables | | - | - | - | 1,321,361 | - | 1,321,361 |
| Financial liabilities | | - | - | - | 4,934,817 | - | 4,934,817 |
| Total financial liabilities at 30 June 2021 | | - | - | - | 6,256,178 | - | 6,256,178 |
| | | | | | | | |
| 30 June 2020 | | | | | | | |
| Financial assets | | | | | | | |
| Cash and cash equivalents | 0.47 | 8,053,134 | - | - | - | - | 8,053,134 |
| Total Financial assets at 30 June 2020 | | 8,053,134 | - | - | - | - | 8,053,134 |
| | | | | | | | |
| Trade and other payables | | - | - | - | 1,569,670 | - | 1,569,670 |
| Total financial liabilities at 30 June 2020 | | - | - | - | 1,569,670 | - | 1,569,670 |

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 2021 | | | | |
| Trade and other payables (refer note 13) | 1,321,361 | - | - | - |
| Financial liabilities (refer note 14) | 4,934,817 | | | |
| | 6,256,178 | - | - | - |
| 30 June 2020 | | | | |
| Trade and other payables (refer note 13) | 1,569,669 | - | - | - |
| | 1,569,669 | - | - | - |

Market Risk

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

(i) Foreign exchange risk

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

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

The Group's profitability can be significantly affected by movements in the \$US/\$A exchange rates, and to a lesser degree, though movements in the Sri Lankan Rupee versus 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 2021 to foreign exchange risk, based on foreign exchange rates as at 30 June 2021 and sensitivity of +/-5%:

| | 30 June 2021 rate (cents) |
|----------|--------------------------------------|
| US\$/A\$ | 0.7501 |
| GBP/A\$£ | 0.5434 |
| LKR/A\$ | 149.34 |

Notes to the Consolidated Financial Statements

| | Foreign exchange risk | |
|--------------------------------------|-----------------------|------------|
| | 2021 \$ | 2020 \$ |
| Change in profit/loss due to: | | |
| Improvement in AUD by 5% | (49,021) | (100,732) |
| Decline in AUD by 5% | 49,021 | 100,732 |
| Change in equity due to: | | |
| Improvement in AUD by 5% | (49,021) | (100,732) |
| Decline in AUD by 5% | 49,021 | 100,732 |

(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 10 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:

| | 2021 \$ | Interest rate risk | | | |
|---------------------------|------------|--------------------|--------|------------------|--------|
| | | -10bps Profit | Equity | +10bps Profit | Equity |
| Floating rate instruments | | | | | |
| Cash at bank | 7,076,580 | (6,624) | - | 6,624 | - |
| | 7,076,580 | (6,624) | - | 6,624 | - |
| | | | | | |
| | 2020 \$ | | | | |
| Floating rate instruments | | | | | |
| Cash at bank | 8,053,134 | (7,830) | - | 7,830 | - |
| | 8,053,134 | (7,830) | - | 7,830 | - |

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 2021 | | 30 June 2020 | |
|--|------|--------------------------|-------------------------|--------------------------|-------------------------|
| | | Carrying amount \$ | Net fair value \$ | Carrying amount \$ | Net fair value \$ |
| Assets carried at amortised cost | | | | | |
| Trade and other receivables | | 85,815 | 85,815 | 65,568 | 65,568 |
| Total financial assets | | 85,815 | 85,815 | 65,568 | 65,568 |
| Liabilities carried at amortised cost | | | | | |
| Trade and other payables | 13 | 1,321,361 | 1,321,361 | 1,569,670 | 1,569,670 |
| Financial liabilities | 14 | 4,934,817 | 4,934,817 | - | - |
| Total Financial Liabilities | | 6,256,178 | 6,256,178 | 1,569,670 | 1,569,670 |

Fair value hierarchy

The Group classified the fair value of the financial instruments in the table below 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.

| | | Fair value measurement using: | | | |
|---|------|-------------------------------|---------|-----------|---------|
| | Note | Total | Level 1 | Level 2 | Level 3 |
| | | \$ | \$ | \$ | \$ |
| Financial liabilities measured at fair value - 2021 | | | | | |
| Convertible liabilities | 14 | 4,934,817 | - | 4,934,817 | - |
| Total financial assets | | 4,934,817 | - | 4,934,817 | - |

There were no transfers between Level 1, Level 2 and Level 3 during 2021. There is no comparative balances reported in 2020.

Notes to the Consolidated Financial Statements

16. Issued capital

Accounting Policy

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

| (a) Ordinary shares | 2021 | 2020 | 2021 | 2020 |
|-------------------------------------|-------------------|-------------|--------------------|---------------|
| | \$ | \$ | Number | Number |
| Issued and fully paid | 98,808,042 | 95,778,819 | 539,900,237 | 525,667,829 |
| <i>Movements in shares on issue</i> | | | | |
| At the beginning of the period | 95,778,819 | 85,068,406 | 525,667,829 | 445,849,952 |
| Exercise of options | 2,197,825 | 4,341,498 | 9,636,632 | 28,885,129 |
| Shares issued to employees | 67,375 | 52,500 | 275,000 | 350,000 |
| Entitlement issue | 898,000 | 6,575,695 | 3,821,276 | 50,582,248 |
| Shares issued to third party | 129,000 | - | 500,000 | - |
| Share issue costs | (262,977) | (259,280) | | - |
| | | - | | - |
| At the end of the period | 98,808,042 | 95,778,819 | 539,900,237 | 525,667,829 |

(b) Share options

Listed share options

| | 2021 | 2020 |
|--------------------------------|--------------------|--------------|
| | Number | |
| At the beginning of the period | 107,471,898 | 85,774,779 |
| Options issued | 120,000 | 50,582,248 |
| Options exercised | (6,636,632) | (28,885,129) |
| At the end of the period | 100,955,266 | 107,471,898 |

(c) Share options

Unlisted share options

| | 2021 | 2020 |
|--------------------------------|--------------------|---------------|
| | Number | Number |
| At the beginning of the period | 15,000,000 | 5,000,000 |
| Options issued | 5,000,000 | 10,000,000 |
| Options exercised | (3,000,000) | - |
| At the end of the period | 17,000,000 | 15,000,000 |

Refer note 17 for further details on share options issued.

(d) Performance rights

Unlisted performance rights

| | 2021 | 2020 |
|--------------------------------|----------------|---------------|
| | Number | Number |
| At the beginning of the period | - | - |
| Performance rights issued | 120,000 | - |
| Performance rights converted | - | - |
| At the end of the period | 120,000 | - |

Refer note 17 for further details on performance rights issued.

Notes to the Consolidated Financial Statements

17. Share based payments

Accounting Policy

The value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options (the vesting period), ending on the date on which the relevant employees become fully entitled to the option (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

- The grant date fair value of the option;
- The current best estimate of the number of options that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- The expired portion of the vesting period.

Until an option has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so.

Share based payment expense

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

| | 2021 \$ | 2020 \$ |
|--|------------|------------|
| Shares issued to employees | 67,375 | 52,500 |
| Option issued to employees | 216,555 | 63,707 |
| Performance rights issued to employees | 6,900 | - |
| Shares issued to Advisors | 128,500 | - |
| Options issued to directors | - | 649,056 |
| Total | 419,330 | 765,263 |

Shares Issued to Employees

On 23 December 2020, the Company issued 275,000 shares at a nominal value of \$0.245 per share to various employees. The total of \$67,375 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.

| | 2021 | | 2020 | |
|---------------------|----------------------|--|----------------------|--|
| | Number of Options | Weighted average exercise price (cents) | Number of Options | Weighted average exercise price (cents) |
| Outstanding 1 July | 37,050,000 | 21.1 | 27,500,000 | 15.5 |
| Issued | 5,000,000 | 25.0 | 10,000,000 | 25.0 |
| Exercised | (3,000,000) | 18.0 | (450,000) | 15.0 |
| Traded / Sold | (1,419,096) | 25.0 | - | - |
| Lapsed | - | - | - | - |
| Outstanding 30 June | 37,630,904 | 21.6 | 37,050,000 | 21.1 |

Notes to the Consolidated Financial Statements

Share-based payments – Options issued

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 | - | (3,000,000) | - | 2,000,000 | 2,000,000 |
| 8 Nov 2019 | 8 Nov 2023 | \$0.25 | 9,000,000 | - | - | - | 9,000,000 | 9,000,000 |
| 6 Jan 2020 | 8 Nov 2023 | \$0.25 | 1,000,000 | - | - | - | 1,000,000 | 1,000,000 |
| 17 Dec 2020 | 8 Nov 2023 | \$0.25 | - | 5,000,000 | - | - | 5,000,000 | - |
| Listed options: | | | | | | | | |
| 31 Oct 2017 | 8 Aug 2021 | Various | 1,550,000 | - | - | - | 1,550,000 | 1,550,000 |
| 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 0.98 years (2020: 1.79 years).

The issue of unlisted options to the Chief Executive Officer (CEO Options) was approved at the Board of Directors on 17 December 2020.

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

Assumptions:

| | |
|---|------------------------------|
| Valuation date | 17 December 2020 |
| Market price of shares | \$0.245 |
| Exercise price | \$0.250 |
| Expiry date (length of time from issue) | 8 November 2023 – 2.89 years |
| Risk free interest rate | 0.25% |
| Volatility | 75% |

| | |
|--|------------------|
| Indicative Value of CEO Options (cents) | 0.11581 |
| Number of options issued | 5,000,000 |
| Total Value of CEO Options | \$579,069 |
| Vested to date | \$216,555 |

Notes to the Consolidated Financial Statements

2,000,000 of the options will vest on the first anniversary of employment and 3,000,000 of the options will vest on the second anniversary of employment, subject to the CEO remaining in the employ of First Graphene Limited or any entity associated with First Graphene Limited.

Share-based payments – Performance rights issued

The following performance rights were granted to employees:

| Employee | Number of Performance Rights | Date of Grant | Share Price A\$ | Value A\$ | Vesting Date |
|----------------|------------------------------|---------------|-----------------|---------------|--------------|
| Aditya Asthana | 60,000 | 07/04/2021 | 0.21 | 12,600 | 22/03/2022 |
| Todd McGurgan | 60,000 | 12/04/2021 | 0.25 | 15,000 | 13/04/2022 |
| | 120,000 | | | 27,600 | |

Total vesting expense was recognised in the current year of \$6,900. Vesting of these performance rights is based on completing 12 months of continuous service.

18. 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.

19. Statement of cash flow reconciliation

| | 2021 \$ | 2020 \$ |
|---|--------------------|--------------------|
| (a) Reconciliation of net loss after tax to net cash flows from operations | | |
| Net Loss | (6,284,757) | (5,366,149) |
| Adjusted for: | | |
| Depreciation | 76,153 | 245,165 |
| Amortisation | 18,075 | 27,624 |
| Impairment of intangible asset | 250,000 | - |
| Write back/impairment of inventory | (4,680) | 46,800 |
| (Gain)/loss on sale of property, plant and equipment | (15,759) | (1,886) |
| Share based payments expensed | 419,831 | 52,500 |
| Options expensed | - | 712,763 |
| Shares issued to employees as payment for deferred salaries | - | 152,025 |
| Foreign exchange loss/(gains) | (10,767) | 10,049 |
| Changes in assets/liabilities | | |
| (Increase)/decrease in trade and other receivables | (20,447) | 116,682 |
| (Increase)/decrease in inventory | (1,364,264) | (1,034,700) |
| (Increase)/decrease in prepayments | (129,516) | (66,177) |
| Decrease in other assets | 7,040 | - |
| (Decrease)/increase in trade and other payables | (15,867) | 365,950 |
| Net cash (used in) operating activities | (7,074,958) | (4,739,354) |

(b) Non-cash investing and financing activities

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

Notes to the Consolidated Financial Statements

20. Commitments

The Group has no commitments which are not recorded on the statement of financial position as at 30 June 2021. (2020: Nil)..

21. Results of the parent company

| | 2021 \$ | 2020 \$ |
|--------------------------------------|--------------------|--------------------|
| Current Assets | | |
| Cash and cash equivalents | 6,598,192 | 7,621,249 |
| Trade and other receivables | 56,368 | 55,388 |
| Inventory | 1,152,872 | 1,601,522 |
| Other current assets | 687,442 | 320,742 |
| Total current assets | 8,494,874 | 9,598,901 |
| Non-current assets | | |
| Property, plant and equipment | 2,630,599 | 2,246,962 |
| Right of use asset | 342,590 | 219,067 |
| Intercompany loans receivable | - | - |
| Inventory | 3,528,896 | 1,009,201 |
| Investment in subsidiaries | 650,000 | 650,000 |
| Investment | 220,805 | 215,102 |
| Total non-current assets | 7,372,890 | 4,357,454 |
| Total assets | 15,867,764 | 13,956,355 |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 6,030,222 | 1,408,068 |
| Employee liabilities | 132,190 | 63,221 |
| Lease Liabilities | 196,213 | 72,791 |
| Total current liabilities | 6,358,625 | 1,544,080 |
| Non-current liabilities | | |
| Lease Liabilities | 163,084 | 152,999 |
| Total non-current liabilities | 163,084 | 152,999 |
| Total liabilities | 6,521,709 | 1,697,079 |
| Net Assets | 9,346,055 | 12,259,276 |
| Equity | | |
| Issued capital | 98,808,042 | 95,778,818 |
| Share based payments reserve | 5,639,623 | 5,416,167 |
| Other reserves | - | 467,202 |
| Accumulated losses | (95,101,610) | (89,402,911) |
| Total equity | 9,346,055 | 12,259,276 |
| Results of the parent entity: | | |
| Loss for the period | (6,165,899) | (5,240,662) |
| | (6,165,899) | (5,240,662) |

Notes to the Consolidated Financial Statements

22. Events since the end of the 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.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

23. 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 17), is as follows:

| | 2021 \$ | 2020\$ |
|------------------------------|------------------|------------------|
| Short term employee benefits | 2,220,138 | 1,589,338 |
| Share based payments | 219,706 | 712,763 |
| | 2,439,844 | 2,302,101 |

Transactions with other related parties

There were no loans to/from related parties in 2021 (2020: 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 |
|---------------------------|---|---|--------|----------------------|------------------------|
| | | 2021 | 2020 | | |
| 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 | Development and sale of VFD, TTF and other 2D devices and materials | 66.67% | 66.67% | Ordinary | Australia |

Notes to the Consolidated Financial Statements

24. 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 | 2021 \$ | 2020 \$ |
|--|---------------|---------------|
| Remuneration of the auditor of the Group for: | | |
| - Audit services – BDO Audit (WA) Pty Ltd | 44,776 | 44,583 |
| - Taxation services – BDO Corporate Tax (WA) Pty Ltd | 50,454 | 33,794 |
| | 95,230 | 78,377 |

Directors' Declaration

The Directors declare:

1. the financial statements and notes, as set out on pages 19 to 54 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 2021 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 10 to 16 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



Michael Bell
Managing Director
30 August 2021

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 2021, 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 2021 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.

Valuation of Inventory

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|--|---|
| <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 customer 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 contained in annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

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 10 to 16 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of First Graphene Limited, for the year ended 30 June 2021, 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

A stylized, handwritten-style 'BDO' logo in grey.A handwritten signature in grey ink, appearing to read 'J Prue'.

Jarrad Prue

Director

Perth, 30 August 2021

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 24 August 2021.

a) Distribution of Shareholdings – Fully Paid Ordinary Shares:

| Size of Holding | Number of Shareholders | Number of Share |
|------------------|------------------------|--------------------|
| 1 – 1,000 | 164 | 30,996 |
| 1,001 – 5,000 | 1,456 | 4,868,525 |
| 5,001 – 10,000 | 995 | 7,973,035 |
| 10,001 – 100,000 | 2,112 | 74,315,806 |
| 100,001 and over | 515 | 462,532,324 |
| | 5,242 | 549,720,986 |

| Equity Security | Quoted | Unquoted |
|----------------------------|-------------|------------|
| Fully Paid ordinary shares | 549,720,986 | 0 |
| Options | 0 | 15,300,000 |

Additional Securities Exchange Information

b) Top 20 Security Holders – Fully Paid Ordinary Shares (FGR) at 24 August 2021

| Position | Holder/Group Name | Number of Shares | % |
|-----------------------------|---|--------------------|----------------|
| 1 | BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM | 120,167,300 | 21.86% |
| 2 | TWYNAM INVESTMENTS PTY LTD | 22,447,082 | 4.08% |
| 3 | CITICORP NOMINEES PTY LIMITED | 20,972,025 | 3.81% |
| 4 | BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C> | 18,463,451 | 3.36% |
| 5 | GREGORACH PTY LTD | 15,905,946 | 2.89% |
| 6 | BUILDING ON THE ROCK LIMITED | 15,781,850 | 2.87% |
| 7 | IPS Holdings | 13,828,400 | 2.52% |
| 8 | DEBT MANAGEMENT ASIA CORPORATION | 11,696,267 | 2.13% |
| 9 | BNP PARIBAS NOMS PTY LTD <DRP> | 8,967,971 | 1.63% |
| 10 | MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 7,335,253 | 1.33% |
| 11 | GINGA PTY LTD | 6,771,374 | 1.23% |
| 12 | HALLIDAF MANAGEMENT LIMITED | 6,704,274 | 1.22% |
| 13 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 5,519,866 | 1.00% |
| 14 | WILLIAM TAYLOR NOMINEES PTY LTD | 4,465,959 | 0.81% |
| 15 | BISSAPP SOFTWARE PTY LTD <SUPER FUND ACCOUNT> | 3,325,056 | 0.60% |
| 16 | IPS NOMINEES LIMITED | 3,259,611 | 0.59% |
| 17 | MS FADILLAH BURHAN HASIBUAN | 3,089,230 | 0.56% |
| 18 | MR RICHARD HOPETOUN BITCON | 2,860,000 | 0.52% |
| 19 | MR RYAN JEHAN ROCKWOOD | 2,500,000 | 0.45% |
| 20 | MR GREGORY JOHN KEIR | 2,000,000 | 0.36% |
| Total | | 296,060,915 | 53.86% |
| Total Issued Capital | | 549,720,986 | 100.00% |

Shareholders with less than a marketable parcel

At 24 August 2021, there were 526 shareholders holding less than a marketable parcel of shares (\$0.21 cents on this date) in the Company totalling 743,893 ordinary shares. This represented 0.1% of the issued capital.

Additional Securities Exchange Information

c) Licence Position as at 24 August 2021

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 |