



FIRST GRAPHENE LIMITED

ABN 50 007 870 760

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

First Graphene Limited ABN 50 007 870 760
ASX Half-year information – 31 December 2021

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2021 Annual Report

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First Graphene Limited
For the half-year ended 31 December 2021

Results for announcement to the market

Revenue from ordinary activities	Up	101%	\$ 185,225
Loss from continuing ordinary activities after tax attributable to members	Up	18%	2,397,668
Net loss for the period attributable to members	Up	21%	2,482,589
Dividends			
No dividends have been paid or declared during the period			

	31 December 2021 Cents	31 December 2020 Cents
Net tangible asset backing per share	1.69	1.89

Explanation of results

Included further within the Half Year Report

Financial Performance Overview

	Half Ended 31 December 2021 A\$m	Half Ended 31 December 2020 A\$m	Variance A\$m	Variance %
Sales Revenue	0.18	0.09	0.09	+101%
Operating Loss	2.40	2.03	- 0.37	- 18%
Underlying Operating Loss	1.56	2.03	+0.47	+18%

The first half of the period ending 31 December 2021 saw a **101% increase in revenue**, closing the best first half sales performance in the company's history. This is a significant percentage jump in revenue resulting from the very early efforts of the new commercial strategy and sales team that have been in place for little under 6 months.

The underlying operating loss for the half was an improvement of **A\$0.47m or 18% improvement on the previous comparable period**.

The underlying performance excludes the significant impacts due to the timing of grant receipts and tax incentives that are yet to be realised in the 2022 financial year. It also excludes some cash and non-cash one-off restructuring expenditure.

The key timing impacts are the receipt of project grant income and research & development tax credits, both of which are expected to be received in March 2022. Furthermore, there are one-off restructuring costs incurred in the first half of 2022 in the amount of A\$0.3m, that have set-up a more than 20% reduction in on-going personnel costs.

Overall, the first half of the financial year 2022 marks a significant improvement in sales that have more than doubled from this time last year and a continued reduction in company's cost base. Whilst the sales numbers remain modest, First Graphene has a very healthy opportunity pipeline, which provides the basis for a strong H2 performance.

DIRECTOR'S REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of First Graphene Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

DIRECTORS

The following persons were Directors of First Graphene Limited during the half-year and up to the date of this report:

- Warwick Robert Grigor
- Michael Bell (Appointed Managing Director on 1 July 2021)
- Michael Quinert
- Dr Andy Goodwin

HIGHLIGHTS

Continued Innovation

- Development of Cavitation technology and Patent Acquisition
- PureGRAPH® Confirmed as pristine by University of Adelaide
- Product Launches: PureGRAPH® MB-EVA, PureGRAPH® Bitumen Masterbatch
- PureGRAPH® based supercapacitor materials developed and continued research into commercial applications
- Patent filing for graphene use in cement production
- PureGRAPH® enhanced conductive coating launched
- Collaboration agreements signed with Breedon group and Fosroc International to develop green cement and grinding aids

Commercial Strategy starts to deliver

- New Growth Strategy launched and completed recruitment of industry experience Commercial Managers
- Collaboration agreement signed with DSP Malaysia to develop HDPE enhancement
- Distribution agreement with GtM Action
- Distribution agreement with Gerdau
- newGen group extends contract and increases forecast orders
- Increased volume of opportunities moving to product trials across an increased number of new applications

OVERVIEW

Over the first half of FY22, the Company continued to pursue its commercial go-to-market strategy with a focus on five identified industry verticals while advancing research and development alongside a range of industry collaborations.

Those collaborations, many with formulators and material suppliers – coupled with the ongoing release of admixtures and masterbatch formulations for specific applications - clearly signals First Graphene's evolution to being an advanced materials technology company.

DIRECTOR'S REPORT

The distinction between manufacturing graphene product lines and highly targeted, graphene-enhanced formulations may appear subtle, but for industry it marks a step change in advancing graphene technologies to a commercially viable scale.

One of the biggest challenges faced by material providers and end product manufacturers has been dispersing graphene effectively without the need for major changes to manufacturing processes. First Graphene's focus on developing ready-made formulations suited to a wide range of products and specific production methods allows for far simpler adoption of graphene.

The Company's early adopter customers continue to provide a growing revenue base, and is supplemented by a very strong pipeline of new customers and application opportunities in the thermally conductive plastics, geotextiles, and cement & concrete industries. In addition, part of the Company's go-to-market strategy includes a continued focus on building strategic industry collaborations to assist with uptake of graphene technologies which has advanced well.

Since 1 July 2021, First Graphene has made significant inroads across the five identified verticals. Some key milestones are highlighted below.

Energy Technology

The Company continued to advance its innovative cavitation process that converts petroleum feedstocks to synthetic graphene, graphite and clean hydrogen.

A key aspect of progressing the process was for First Graphene to acquire the patents for the technology from research and development partner Kainos Innovation Limited. This ensures the intellectual property for the process, which stands to transform the petroleum industry as it looks for alternative revenue streams, will be protected as First Graphene pursues commercial development opportunities. The Company also released a whitepaper to highlight the benefits and technical innovation of the cavitation process, adding a valuable tool to the suite of marketing assets to help attract industry partners.

First Graphene made significant breakthroughs in research and development into material technologies for **batteries and supercapacitors**, including the granting of a patent for next generation battery technologies. The additional patent was granted as an extension to the existing cavitation process patent family and described a simplified, green method for coating silicon anode particles with graphene.

Silicon anodes have the theoretical potential to increase energy density levels by up to 10 times compared to those of conventional graphite anodes.

The Company also announced in December that it had developed PureGRAPH®-based supercapacitor materials, with testing showing an 85 per cent improvement in energy density

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and 300 per cent better capacitance than the more typical activated carbon cells.

In January of this year, First Graphene also received government funding from Innovate UK to further its research into supercapacitor materials. The intention is to use the funding to develop and test high-energy, high-power density, commercial-scale supercapacitor cells.

In addition, the Company is actively building its energy sector R&D team to ensure we remain at the forefront of battery and supercapacitor development.

The supercapacitor device market is projected to grow from US\$409 million in 2020 to US\$720 million by 2025 at an expected CAGR of 12.0 per cent.

Cement and Concrete

The global cement and concrete sectors are booming but face a major challenge to reduce carbon dioxide emissions.

The cement sector alone is responsible for up to 8 per cent of total global CO₂ emissions and the Global Cement and Concrete Association, on behalf of 40 leading manufacturers, has committed to cutting carbon emissions by 25 per cent over the coming eight years.

First Graphene is actively growing its industry partner portfolio around the world, with research, development and commercialisation projects under way in the UK, South Africa and the Asia Pacific regions.

The Company has secured collaboration agreements with global construction chemicals manufacturer Fosroc International Limited to develop PureGRAPH®-enhanced cement additives or grinding aids, and with South African-based Nanoproof Glade Chemical Manufacturers JV to develop graphene technology for concrete admixtures.

Leading a consortium that includes Breedon Cement Ltd, Morgan Sindall Construction & Infrastructure Ltd and the University of Manchester, First Graphene secured a highly competitive Innovate UK grant to develop high performance, graphene-enhanced cement. The involvement of these key partners signals a concerted effort by the UK Government and industry to harness the known benefits that graphene can provide to the construction sector.

The collaborative project, which commenced in February 2022, is planned to run over a 12-month period and new technologies developed by the consortium will be piloted in a cement manufacturing facility and the performance evaluated through extensive testing against construction industry standards.

Additionally, research and development work led by New Zealand-based GtM Action, and research by Wollongong University, have seen further advances in various applications and concrete and cement applications including the potential for graphene to improve

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performance in harsh environments such as wastewater management and saltwater applications.

Once again, the Company has moved to protect its intellectual property by filing a patent in the UK regarding the scale up of graphene-enhanced cement admixtures.

As announced to the market in the Company's New Growth Strategy¹, the global cement and concrete market is of key significance, with a predicted market value of US\$774 billion by 2027.

Rubbers and Elastomers

During the first half of the financial year, foundation customer newGen Group increased its volume order of PureGRAPH[®] following successful field trials of its ArmourGRAPH[®] mining wear applications.

A Deed of Variation was executed with newGen, ensuring a minimum phased commitment to First Graphene of 4,800kg of PureGRAPH[®] over three years. The Deed of Variation terms are worth between AU\$1.2m and \$1.44m in additional revenue for the Company.

In September, First Graphene released a new masterbatch product targeted to rubber and plastics manufacturers. PureGRAPH[®] MB-EVA is designed to readily fit into existing production lines, enabling greater ease of use and faster industry adoption of graphene solutions.

First Graphene also secured a funded development project to look into the feasibility of enhancing long rubber gloves, or gauntlets, used in the nuclear decommissioning industry. The project, conducted through Sellafield's Game Changers Program which connects innovative solutions to complex nuclear industry challenges, aims to develop needlestick and puncture-resistant rubber gauntlets for operators who are using decommissioning gloveboxes at the United Kingdom's Sellafield Nuclear Site.

Inks and Coatings

Significant progress has been made in the inks and coatings segment, with several key milestones achieved.

The Company recently received an initial purchase order, worth AUD45,000, from an Australia based customer in the textiles sector. The order, expected to be part of larger multi-tonne deal for an optimised PureGRAPH[®] geotextile variant, is a major step in growing the Company's penetration into the coatings and inks market segment. The opportunity came about following accelerated development and trials of a PureGRAPH[®] application designed to enhance the properties of textile products.

A commercial agreement with nanotechnology developer Protectology Ltd saw the launch

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of a range of PureGRAPH®-enhanced conductive coatings, opening the way to the lucrative European coatings market. Protectology is a UK-based specialist manufacturer of protective coatings for applications across multiple sectors include automotive and multi-media surface protection. The agreement includes a commitment to grow Protectology's range of PureGRAPH®-enhanced coatings, which are marketed under the PROGRAPH® brand, and increase market share.

The global coatings and inks market is valued at US\$151 billion and the addition of a suitable graphene formulation has been proven to enhance resistance against water, corrosion, abrasion and fire, while imparting increased flexibility and strength to the product.

Plastics & Composites

Following the commercial launch of Aquatic Leisure Technologies' PureGRAPH®-enhanced Graphene Nano-Tech pool range in the previous half, progress has continued in the composites space.

First Graphene entered into a collaboration agreement with High Density PolyEthylene (HDPE) sheet extrusion specialist DSP (M) Sdn Bhd. The collaboration will be focused on the development of PureGRAPH®-enhanced HDPE sheet and welding wire to provide increased durability, abrasion resistance and fire retardancy of fabricated HDPE components.

In addition, the range of PureGRAPH® products continued to grow with the launch of several new formulations including a bitumen masterbatch. Especially relevant to the plastics and composites sector is the on-going development of a liquid medium aimed at significantly improving the customer's ability to incorporate graphene into their product range.

Other Progress

In August, First Graphene announced the publication of a scientific paper written by researchers at Australian Research Council's Graphene Research Hub (ARC Hub), which described a robust analytical process that can be used to detect "counterfeit" graphene materials. First Graphene's PureGRAPH® was used as the pristine graphene that provided the control sample during the test development.

First Graphene announced it had entered into a distribution agreement with Brazil-based Gerdau Graphene, providing the industrial giant with a two-year agreement comprising non-exclusive distribution rights to sell PureGRAPH® products into the Americas, as well as enabling Gerdau Graphene to develop new applications and opportunities using PureGRAPH®.

The ongoing industry collaborations, research and development work continues to position First Graphene as the world's leading provider of commercial-grade graphene solutions, while setting the Company on a definite path to achieving its commercial goals over the remainder

DIRECTOR'S REPORT

of the financial year and into the future.

There are no other known subsequent events of a material nature.

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 14.

Signed in accordance with a resolution of Directors and on behalf of the Directors by:



Michael Bell

CEO & Managing Director
Singapore, 25 February 2022

Auditor's Independence Declaration



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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF FIRST GRAPHENE LIMITED

As lead auditor for the review of First Graphene Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'J Prue', is written over a light grey circular watermark.

Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 25 February 2022

¹
BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2021

	Note	Half-Year	
		2021 \$	2020 \$
Continuing operations			
Revenue from contracts with customers		185,225	92,372
Cost of goods sold		(192,661)	(61,119)
Gross profit/(loss)		(7,436)	31,253
Other income	2	612,464	873,041
Research & development	3(a)	(767,057)	(1,124,062)
Selling & marketing	3(b)	(510,490)	(222,163)
Mineral lease maintenance	3(c)	(88,195)	(156,722)
General & administrative	3(d)	(1,636,974)	(1,433,727)
Loss from continuing operations before tax expense and finance		(2,397,688)	(2,032,380)
Finance income		1,246	1,433
Finance expense		(88,685)	(14,531)
Loss from continuing operations before tax expense		(2,485,127)	(2,045,478)
Income tax benefit/(expense)		-	-
Loss after tax from continuing operations		(2,485,127)	(2,045,478)
Other comprehensive income			
<i>Items which may be reclassified to the profit or loss</i>			
Foreign currency translation difference on foreign operations		2,538	(6,789)
Total comprehensive loss for the period attributable to the owners of First Graphene Limited		(2,482,589)	(2,052,267)
Loss for the period attributable to:			
Owners of First Graphene Limited		(2,485,810)	(2,057,531)
Non-controlling interests		3,221	12,053
		(2,482,589)	(2,045,478)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2021

		Half-Year	
	<u>Note</u>	2021 \$	2020 \$
Total comprehensive loss for the period attributable to:			
Owners of First Graphene Limited		(2,485,810)	(2,064,320)
Non-controlling interests		3,221	12,053
		(2,482,589)	(2,052,267)
Loss per share for the period attributable to the owners of First Graphene Limited:			
Basic loss per share (cents per share)		(0.45)	(0.39)
Diluted loss per share (cents per share)		(0.45)	(0.39)

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

As at 31 December 2021

	Note	31 December 2021 \$	30 June 2021 \$
Current Assets			
Cash and cash equivalents		8,431,713	7,076,580
Inventories	4	1,590,409	1,152,872
Trade and other receivables		299,080	86,015
Other current assets	5	792,956	817,234
Total Current Assets		11,114,158	9,132,701
Non-Current Assets			
Property, plant, and equipment		2,427,877	2,666,643
Inventories	4	3,465,813	3,528,896
Intangible assets		138,623	101,652
Right of use asset		253,219	342,590
Other Assets		223,556	220,805
Total Non-Current Assets		6,509,087	4,681,768
Total Assets		17,523,245	15,993,287
Current Liabilities			
Trade and other payables		263,687	1,321,261
Lease liabilities		270,647	359,297
Employee liabilities		211,896	154,117
Borrowings	6	7,432,977	4,934,817
Total Current Liabilities		8,179,207	6,769,491
Total Liabilities		8,179,207	6,769,491
Net Assets		9,444,038	9,223,795
Equity			
Issued capital	7	101,305,609	98,808,042
Reserves		5,869,023	5,607,362
Accumulated losses		(97,858,258)	(95,361,902)
Capital and reserves attributable to the owners of First Graphene Limited		9,316,375	9,053,502
Non-controlling interest		127,663	170,293
Total Equity		9,444,038	9,223,795

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

Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2021

	Issued capital	Share based payments reserve	Options reserve	Translation reserve	Other Reserve	Accumulated losses	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
As at 1 July 2021	98,808,042	5,639,623	-	13,590	(45,741)	(95,361,903)	170,183	9,223,794
Profit/(loss) for the period	-	-	-	-	-	(2,485,810)	3,221	(2,482,589)
Other comprehensive income	-	-	-	3,229	-	(10,545)	-	(7,316)
Total comprehensive income for the period	-	-	-	3,229	-	(2,496,354)	3,221	(2,489,905)
Transactions with owners in their capacity as owners								
Shares issued	2,502,187	-	-	-	-	-	-	2,502,187
Share issue costs	(4,620)	-	-	-	-	-	-	(4,620)
Transactions with non-controlling interest	-	-	-	-	6,460	-	(6,460)	-
Share based payment	-	212,581	-	-	-	-	-	212,581
Balance at 31 December 2021	101,305,609	5,852,204	-	16,819	(39,281)	(97,858,257)	166,944	9,444,038

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

Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2020

	Issued capital	Share based payments reserve	Options reserve	Translation reserve	Other Reserve	Accumulated losses	Non- controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
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
Profit/(loss) for the period	-	-	-	-	-	(2,057,531)	12,053	(2,045,478)
Other comprehensive income	-	-	-	(6,789)	-	-	-	(6,789)
Total comprehensive income for the period	-	-	-	(6,789)	-	(2,057,531)	12,053	(2,052,267)
<i>Transactions with owners in their capacity as owners</i>								
Shares issued	72,706	-	-	-	-	-	-	72,706
Share issue costs	(7,028)	-	-	-	-	-	-	(7,028)
Transactions with non-controlling interest	-	-	-	-	(18)	-	18	-
Share based payment	-	15,548	-	-	-	-	-	15,548
Balance at 31 December 2020	95,844,497	5,431,715	467,202	(2,687)	(71,075)	(91,589,211)	194,903	10,275,344

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

Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2021

	Note	Half-Year	
		2021 \$	2020 \$
Cash flows from operating activities			
Revenue from sales		157,863	118,706
Payments to suppliers and employees		(3,482,149)	(4,082,106)
Interest received		1,246	1,433
Interest expense		-	(9,890)
Other income – R&D credit received		222,349	873,042
Net cash outflows from operating activities		(3,100,692)	(3,098,815)
Cash flows from investing activities			
Payments for property, plant, and equipment		(30,379)	(813,204)
Proceeds from the sale of property, plant, and equipment		-	-
Payments for intellectual property		(46,000)	(44,224)
Net cash outflows from investing activities		(76,379)	(857,428)
Cash flow from financing activities			
Proceeds from exercise of options		1,617,371	5,331
Payment for share issue costs		(4,620)	(5,106)
Proceeds received from third party	6	3,000,000	-
Payments of lease liabilities		(88,650)	(66,880)
Net cash inflows/(outflows) from financing activities		4,524,101	(66,655)
Net Increase/(decrease) in cash and cash equivalents		1,347,030	(4,022,898)
Exchange rate adjustments		8,102	2,610
Cash and cash equivalents at beginning of the period		7,076,580	8,053,134
Cash at the end of the period		8,431,713	4,032,846

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

Notes to the Consolidated Financial Statements

1. Basis of preparation of half-year financial statements

This interim consolidated financial report for the half-year reporting period ended 31 December 2021 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim consolidated financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Financial Statements of First Graphene Limited as at 30 June 2021 and any public announcements made by First Graphene Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

These interim financial statements were authorised for issue in accordance with a resolution of directors on 25 February 2022.

Accounting policies

New standards, interpretation and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed 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 2021, except for the adoption of new standards effective as of 1 July 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations applied for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements

2. Other income

	31 December 2021 \$	31 December 2020 \$
Research & Development grants and tax incentives	612,464	873,041
Total other income	612,464	873,041

Notes to the Consolidated Financial Statements

3. Expenses

	31 December 2021 \$	31 December 2020 \$
(a) Research & development expenses		
Employee expenses	289,137	398,535
Consultants and research programs	345,242	494,118
Legal and other professional fees	9,145	12,756
Depreciation	18,122	37,852
Amortisation	12,934	11,138
Other	92,478	169,663
	767,057	1,124,062
(b) Selling & marketing		
Employee expenses	283,802	57,716
Advertising & promotions	85,526	153,203
Other	141,162	11,244
	510,490	222,163
(c) Mining Lease maintenance		
Employee expenses	29,866	30,604
Depreciation	-	-
Amortisation	-	-
Other	58,328	126,118
	88,195	156,722
(d) General & administrative		
Employee expenses	686,261	179,224
Finance & company secretarial fees	31,726	396,212
Legal and other professional fees	232,285	431,517
ASX listing, share registry and other corporate costs	83,954	86,138
Depreciation	26,013	9,942
Amortisation	55,631	3,813
Share based payment expense	134,125	67,375
Option expense (non-cash)	195,456	15,548
Other expenses	191,525	243,958
Total administrative expenses	1,636,974	1,433,727

Notes to the Consolidated Financial Statements

4. Inventory

	31 December 2021 \$	30 June 2021 \$
Raw materials	1,924,217	1,859,988
Finished goods	2,737,727	2,513,211
Work in progress	436,398	350,689
	5,098,342	4,723,887
Less: Provision for impairment	(42,120)	(42,120)
Carrying amount	5,056,222	4,681,768
<i>Disclosed as:</i>		
Current	1,590,409	1,152,872
Non-current	3,465,812	3,528,896
Total inventory	5,056,222	4,681,768

5. Other current assets

	31 December 2021 \$	30 June 2021 \$
Prepayments	785,456	817,234
Deposits paid	7,500	-
Total other current assets	792,956	817,234

6. 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")

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

- 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.
- 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.

	31 Dec 2021	30 Jun 2021
	\$	\$
Current		
Convertible liabilities	7,432,977	4,934,817
	7,432,977	4,934,817

Notes to the Consolidated Financial Statements

7. Issued capital

	31 December 2021 Number of Shares	30 June 2021 Number of Shares	31 December 2021 \$	30 June 2021 \$
Issued and Paid-Up Capital				
Opening ordinary shares, fully paid	550,320,986	539,900,327	100,305,609	98,808,042
	31 December 2021 Number of Shares	31 December 2020 Number of Shares	31 December 2021 \$	31 December 2020 \$
Movements in ordinary share capital				
At the beginning of the period	539,900,327	525,667,829	98,808,042	95,778,819
Exercise of options	9,120,749	9,636,632	2,210,187	2,197,825
Shares issued to employees	-	275,000	-	67,375
Entitlement issue	-	3,821,276	-	898,000
Shares issued to third party	1,300,000	500,000	292,000	129,000
Share issue costs	-	-	(4,620)	(262,977)
	550,320,986	539,900,327	101,305,609	98,808,042

8. Dividends

No dividends have been paid or declared during the period. (2020: Nil)

9. Earnings per share

	2021 A\$	2020 A\$
Loss attributable to the owners of First Graphene used in calculating basic and diluted loss per share	(2,482,589)	(2,045,478)
	Number of shares	Number of shares
Weighted average ordinary shares used in calculating basic and diluted earnings per share	549,316,283	525,708,798
Basic and diluted loss per share - cents per share	(0.45)	(0.39)

Notes to the Consolidated Financial Statements

10. Options

(a) Share options	31 December 2021	30 June 2021
<i>Listed share options</i>	Number	Number
At the beginning of the period	100,955,266	107,471,898
Options issued	-	120,000
Options exercised during the period	(8,120,749)	(6,636,632)
Options expired	(92,834,517)	-
	-	100,955,266
(b) Share options	31 December 2021	30 June 2021
<i>Unlisted share options</i>	Number	Number
At the beginning of the period	17,000,000	15,000,000
Options issued	-	5,000,000
Options exercised	(1,000,000)	(3,000,000)
At the end of the period	16,000,000	17,000,000
(c) Performance rights	31 December 2021	30 June 2021
<i>Unlisted performance rights</i>	Number	Number
At the beginning of the period	120,000	-
Performance rights issued	60,000	120,000
Performance rights exercised	-	-
At the end of the period	180,000	120,000

11. Share based payments

Share Option Plan

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).

The Group recognised total share-based payment expense in the half-year as follows:

	Half Year	
	2021	2020
Share based payment	212,581	15,548
	212,581	15,548

Notes to the Consolidated Financial Statements

11. Share based payments (*continued*)

Share-based payments – Performance rights issued

The following performance rights were granted to employees:

Number of Performance Rights	Date of Grant	Share Price A\$	Value A\$	Vesting Date
60,000	16/09/2021	0.19	11,400	17/09/2022
60,000			11,400	

Total vesting expense recognised in the current year relating to all existing performance rights was \$17,125. Vesting of these performance rights is based on completing 12 months of continuous service.

12. 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:

Notes to the Consolidated Financial Statements

12. Segment reporting (*continued*)

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 and exploration activities

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

Notes to the Consolidated Financial Statements

12. Segment reporting (continued)

Business Segment	Graphene Production		Research & Development		Corporate Services		Mining Asset Maintenance		Total	
	6 months to	6 months to	6 months to	6 months to	6 months to	6 months to	6 months to	6 months to	6 months to	6 months to
	31	31	31	31	31	31	31	31	31	31
	December 2021	December 2020	December 2021	December 2020	December 2021	December 2020	December 2021	December 2020	December 2021	December 2020
	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$
Revenue from external customers	185,225	92,372	-	-	-	-	-	-	185,225	92,372
Interest revenue	-	-	-	-	1,246	1,433	-	-	1,246	1,433
Operating loss	-	33,037	(551,147)	(300,018)	(1,843,247)	(1,655,824)	(88,195)	(122,673)	(2,482,589)	(2,045,478)
Depreciation expense	196,087	314,503	18,122	37,852	27,342	10,011	-	-	241,551	362,365
Amortisation expense	31,657	66,201	12,934	11,138	55,631	3,813	-	-	100,221	81,152
Business Segment	Graphene Production		Research & Development		Corporate Services		Mining Asset Maintenance		Total	
	31	30 June	31	30 June	31	30 June	31	30 June	31	30 June
	December 2021	2021	December 2021	2021	December 2021	2021	December 2021	2021	December 2021	2021
Segment assets	5,139,686	4,738,136	3,131,016	3,406,311	9,324,372	7,816,571	28,172	32,269	17,623,245	15,993,287
Segment liabilities	179,442	179,708	70,074	239,557	7,922,724	6,342,001	6,966	8,225	8,179,206	6,769,491

Notes to the Consolidated Financial Statements

12. Segment reporting (continued)

Geographical areas

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

Geographical segments	6 months to 31 December 2021 Revenue \$	31 December 2021 Total Assets \$	6 months to 31 December 2020 Revenue \$	30 June 2021 Total Assets \$
Australia	185,225	17,115,413	92,372	9,252,761
United Kingdom	-	479,660	-	482,374
Sri Lanka	-	28,172	-	6,258,152
Total	185,225	17,623,245	92,372	15,993,287

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

Reconciliation of segment assets to the Statement of Financial Position

	31 December 2021 \$	30 June 2021 \$
Total segments assets	25,124,293	23,160,997
Inter-segment elimination	(7,501,048)	(7,167,710)
Total assets per statement of financial position	17,623,245	15,993,287

Reconciliation of segment liabilities to the Statement of Financial Position

	31 December 2021 \$	30 June 2021 \$
Total segments liabilities	25,430,376	23,255,662
Inter-segment elimination	(17,251,170)	(16,486,171)
Total liabilities per statement of financial position	8,179,206	6,769,491

Notes to the Consolidated Financial Statements

13. Subsequent events after Reporting Date

There are no other known subsequent events of a material nature.

14. Contingent liabilities and contingent assets

There has been no material change to contingent liabilities and contingent assets since 30 June 2021.

15. Related Party Transactions

There has been no change to related party transactions other than the issue of options disclosed in note 11.

Director's Declaration

In the Directors' opinion:

- a) The financial statements and notes set out on pages 12 to 32 are in accordance with the *Corporations Act 2001*, including:
 - a. Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - b. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and
- b) There are reasonable grounds to believe First Graphene Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors on 25 February 2022.



Michael Bell

CEO & Managing Director
Singapore, 25 February 2022

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of First Graphene Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of First Graphene Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Independent Auditor's Report



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO
J Prue

Jarrad Prue

Director

Perth, 25 February 2022

Additional Securities Information

(Note this information does not form part of the audit reviewed financial statements)

Additional information not shown elsewhere in this report is as follows. This information is complete as at 7 February 2022.

a) Distribution of Shareholdings – Fully Paid Ordinary Shares:

Size of Holding	Number of Shareholders	Number of Share
1 – 1,000	180	34,881
1,001 – 5,000	1,555	5,195,405
5,001 – 10,000	1,054	8,367,074
10,001 – 100,000	2,176	74,761,573
100,001 and over	490	462,162,053
	5,455	550,520,986

Equity Security	Quoted	Unquoted
Fully paid ordinary shares	550,320,986	-
Options	-	16,000,000

b) Top 20 Security Holders – Fully Paid Ordinary Shares (FGR)

	Holder Name	Number of Shares	%
1	Bnp Paribas Nominees Pty Ltd Acf Clearstream	133,134,722	24.18%
2	Twynam Investments Pty Ltd	22,447,082	4.08%
3	Citicorp Nominees Pty Limited	21,408,862	3.89%
4	Bnp Paribas Nominees Pty Ltd Six Sis Ltd <Drp A/C>	18,048,117	3.28%
5	Gregorach Pty Ltd	15,905,946	2.89%
6	Building On The Rock Limited	14,685,000	2.67%
7	Ips Holdings	13,828,400	2.51%
8	Debt Management Asia Corporation	11,796,267	2.14%
9	Merrill Lynch (Australia) Nominees Pty Limited	7,822,243	1.42%
10	Ginga Pty Ltd	6,771,374	1.23%
11	Bnp Paribas Noms Pty Ltd <Drp>	5,382,004	0.98%
12	Hsbc Custody Nominees (Australia) Limited	5,086,711	0.92%
13	William Taylor Nominees Pty Ltd	4,465,959	0.81%
14	Bissapp Software Pty Ltd <Super Fund Account>	3,325,056	0.60%
15	Hallidaf Management Limited	3,304,274	0.60%
16	Ms Fadillah Burhan Hasibuan	3,089,230	0.56%
17	Mr Richard Hopetoun Bitcon	2,860,000	0.52%
18	Ips Nominees Limited	2,759,611	0.50%
19	Mr Ryan Jehan Rockwood	2,500,000	0.45%
19	Mr Adam O'Donnell Ferris	2,500,000	0.45%
20	Mrs Terri Frances Youd	2,274,200	0.41%
	Total	303,395,058	55.11%
	Total issued capital - selected security class(es)	550,520,986	100.00%

At 23 February 2022, there were 185 shareholders holding less than a marketable parcel of shares (\$0.18 cents on this date) in the Company totalling 1,244, 062 ordinary shares amounting to 0.23% of the issued capital.