FIRST GRAPHENE LIMITED

ABN 50 007 870 760

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

First Graphene Limited **ABN 50 007 870 760**
ASX Half-year information – 31 December 2019

Lodged with the ASX under Listing Rule 4.2A
This information should be read in conjunction with the 30 June 2019 Annual Report

Results for announcement to the market

				$
Revenue from ordinary activities	Up	979.00%	to	82,831
Loss from continuing ordinary activities after tax attributable to members	Up	12.26%	to	(2,904,439)
Net loss for the period attributable to members	Up	12.26%	To	(2,904,439)
Dividends No dividends have been paid or declared during the period				

	31 December 2019 Cents	31 December 2018 Cents
Net tangible asset backing per share	1.67	1.41

Explanation of results

Revenue from sales to clients increased ten-fold compared to the same period in 2018. The Group continues to invest heavily in research and development of graphene products as it looks to expand its client base and the range of materials in which it is involved.

Full details of these activities are included further on in this report.

Corporate Directory

Directors

Warwick R. Grigor	(Non-Executive Chairman)
Craig R. McGuckin	(Managing Director)
Peter R. Youd	(Executive Director)

Company Secretaries

Peter R. Youd

Nerida L. Schmidt

Principal & Registered Office in Australia

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Henderson WA 6166

Telephone: +61 1300 660 448

Email:
info@firstgraphene.net
Website:
http://firstgraphene.net

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Limited under the trading codes **FGR** and **FGROC**

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

Share Registry

Automic
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267 St Georges Terrace,
Perth WA 6000

All securityholder correspondence to:

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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

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

Bankers

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

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Directors' 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 2019.

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
- Craig Robert McGuckin
- Peter Richard Youd

REVIEW AND RESULTS OF OPERATIONS

Operating Results

Net operating loss after tax for the half-year ended 31 December 2019 was $2,902,650 (2018: $2,169,793).

Review of Operations and Changes in State of Affairs

The key points:

- First Supply Agreement signed with newGen Group for provision of 3,000 kg of PureGRAPH®.
- Produced the world's first graphene safety boot in conjunction with Steel Blue.
- Achieved positive results in mining industry field trials.
- Entered into exclusive licence agreement with The University of Manchester.
- Development of a more benign approach towards the fabrication of oxidised graphene.

Overview

First Graphene Limited (the "Company", "FGR" or "First Graphene") has continued to make substantial progress in its objective of commercialising the PureGRAPH® range of graphene products during the December half-year. PureGRAPH® has provided a range of improved performance characteristics in several products to which it is added.

The Company continues to maintain a strong working capital position, with the early exercise of options raising $5.6m up to 8 August 2019, which will drive the growth of First Graphene with increased production efficiencies and higher manufacturing throughput, market development with new customers and novel graphene applications and global supply capabilities.

Directors’ Report

Safety and People

Staffing has been increased at the Commercial Graphene Facility in Henderson, Western Australia during the half-year, as the Company increases it production and research activities.

All potential full-time employees must undergo a Company funded full medical examination prior to commencing employment. All employees are also required to complete a Company funded safety first training course at the commencement of employment and annual refresher courses.

Commercial Graphene Facility Henderson, Western Australia

In November 2019 FGR and Steel Blue gave a joint presentation and showcased PureGRAPH® enhanced safety boots. First Graphene and Steel Blue explained how PureGRAPH® had enabled the development of a range of unique boot component technologies and user benefits which have the potential to revolutionise the safety boot market.

The prototype boots have been manufactured using First Graphene’s PureGRAPH® graphene powder. Unlike competing formulations, this is available in high production volumes with non-aggregated, uniform sized graphene nanoplatelets; this ensures it disperses evenly in thermoplastic polyurethane (TPU) masterbatches. The prototype boots incorporate PureGRAPH®-infused TPU soles and polyurethane foam innersoles and had undergone extensive laboratory testing in accredited laboratories.

Tests had been conducted at Viclab Pty Ltd, one of Australia’s leading NATA accredited and independent mechanical testing services.

Steel Blue Head of Product Innovation, Neil Wright (left) with First Graphene Chief Technology Officer, Dr Andy Goodwin at the Graphene Engineering and Innovation Centre

In December 2019, FGR was pleased to announce an update on the Armour-GRAPH™ bucket liner provided by newGen to a major Pilbara iron ore producer.

newGen had provided an Armour-GRAPH™ bucket liner to a major iron ore producer for trial which contained PureGRAPH®20. The bucket had been in use for in excess of 12 weeks at the time it was inspected by the client for assessment of wear, with very pleasing results. As announced on 3 February 2020, the bucket liner was again inspected in January 2020 and shows no signs of advanced wear or scalloping as would normally be experienced with the liners currently used in industry after 24 weeks of use. The client will continue the trial, with a further inspection to be undertaken in April 2020. The client has also installed a second ArmourGRAPH™ bucket liner at the same Pilbara mine site.

At year end preparations were underway to trial PureGRAPH® enhanced materials in equipment used by a second iron ore producer.

Graphene Engineering & Innovation Centre (GEIC) Manchester, United Kingdom

The Company continues to make effective use of its presence as a Tier 1 partner at the Graphene Engineering and Innovation Centre, where the facilities are routinely used to host customer visits and the capabilities deployed to prepare PureGRAPH® dispersions for a range of customer evaluations; from TPU elastomers to coating precursors.

FGR were quick to establish a working laboratory at the GEIC with 4 full time staff. FGR therefore had the benefit of being "first mover" giving the Company great access to equipment capabilities and potential collaborations.

The UK team have also developed a strong relationship with the academic departments with active relationships with the Chemistry, Civil Engineering, and Composites & Textiles departments at the University of Manchester.

The development of high capacitance materials, for supercapacitor applications under an exclusive licence with the University is progressing well. A UK government supported post-doctoral researcher is in post and has successfully transferred the chemical process to the FGR laboratory at the GEIC. A further progress report on this project will be provided in Q1 2020 when early kg scale up of these novel materials will be complete.

2D Fluidics Pty Ltd

FGR, through its subsidiary, 2D Fluidics Pty Ltd, is developing a more benign approach towards the fabrication of oxidised graphene. The objective is to functionalise the surface of the graphene oxide platelets with sufficient oxygen functional groups to allow easier dispersibility in water and other aqueous mediums. This would mean potentially not requiring the 50% oxygen which is typically the result of the Hummer's method as well as gaining the ability of "tuning" the surface oxidation to suit respective applications.

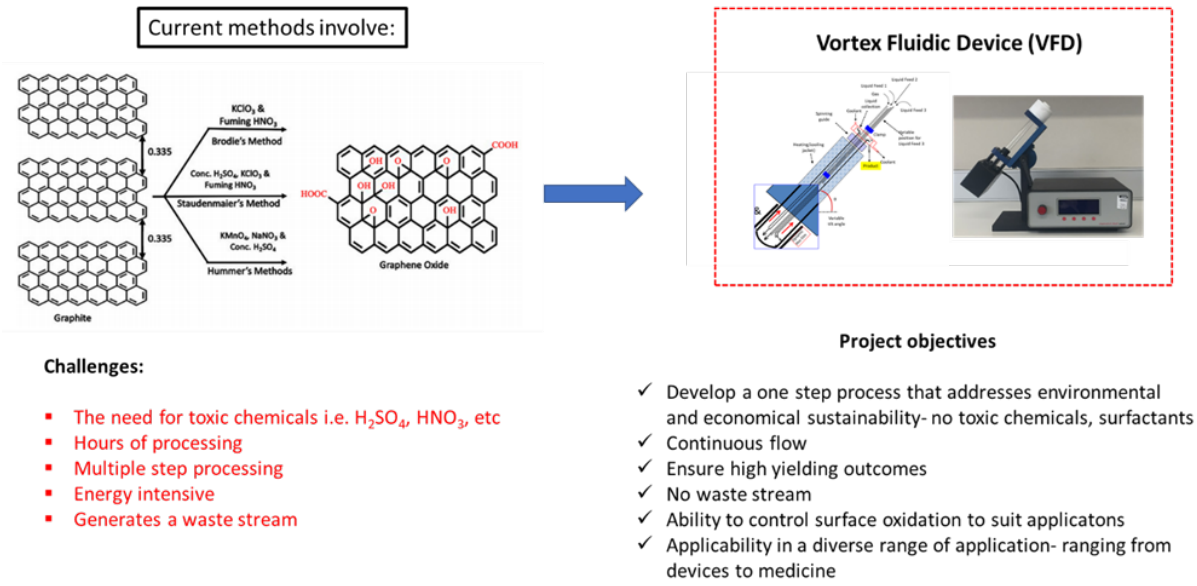
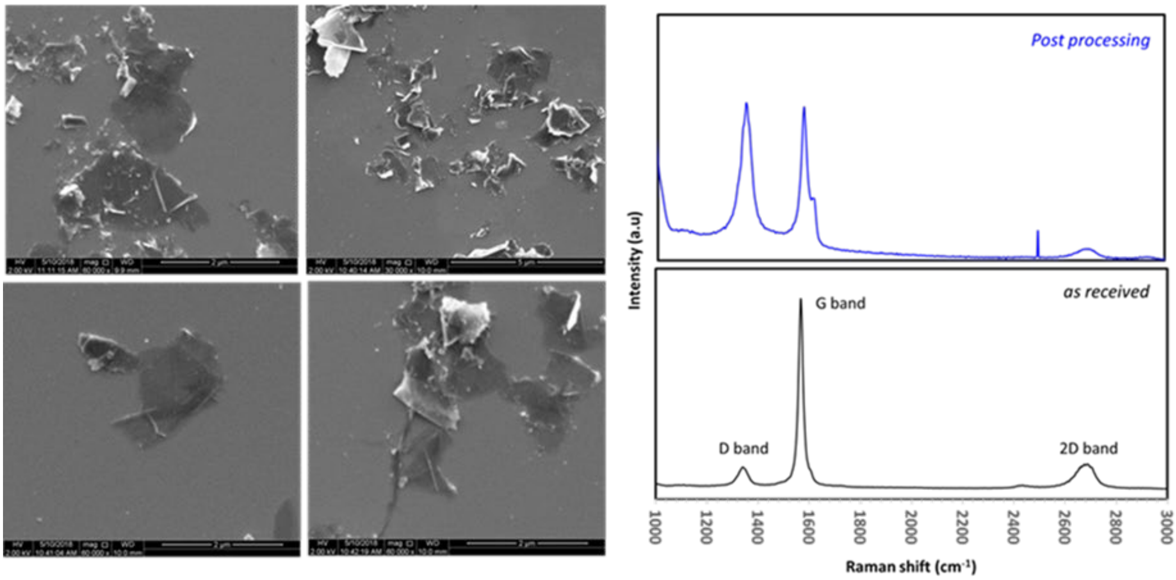


Figure 1: Synthesis of graphene oxide via the chemical synthesis route vs the Vortex Fluidics Device (VFD) route

FGR's method synthesises GO directly from bulk graphite using aqueous H_2O_2 as the green oxidant. Different energy sources have been used for the conversion of H_2O_2 molecules into more active peroxidic species, such as a combination of a pulsed Nd:YAG laser and/or other light sources. The irradiation promotes the dissociation of H_2O_2 into hydroxyl radicals which then leads to surface oxidation.

The method developed and optimised was then translated at the First Graphene laboratories in Manchester with the view to addressing scalability of the science.

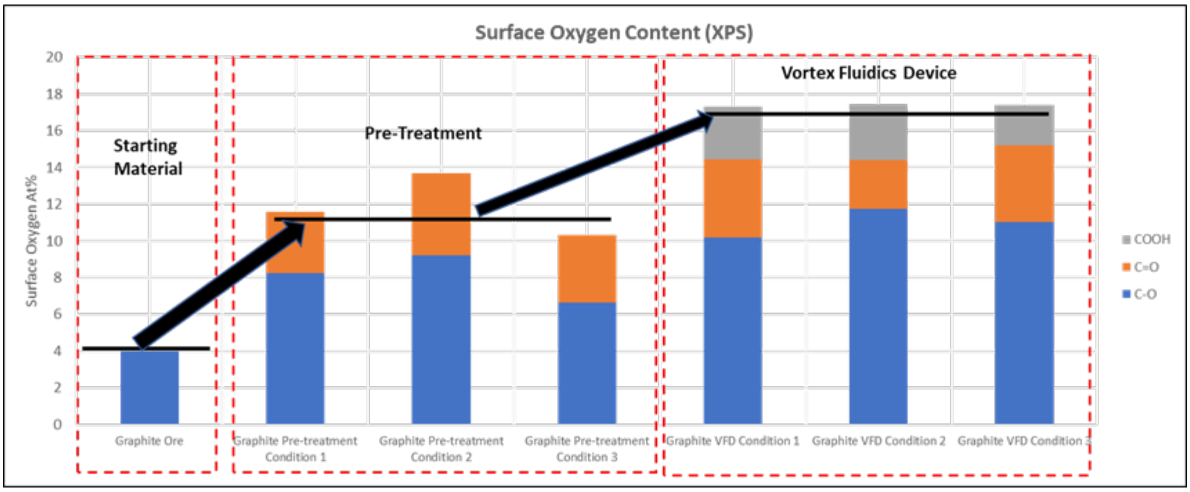


	Raman Shift Positions (1/cm)			Metrics	
Reference	D Band	G Band	2D Band	I(D) / I(G)	I(2D) / I(G)
Graphite Flakes (starting material)	1350	1578	2714	0.30	1.00
Green Graphene Oxide (Post Treatment)	1348	1586	2683	0.85	0.54
Peak Shift	1.9	-7.4	30.4		

Figure 2: SEM (above left) and Raman analysis of oxidised sheets (above right). The Raman analysis shows the changes in the peak positions and increases in peak intensity ratios, confirming the synthesis of oxidised surfaces

XPS analysis showed that the use of a pre-treatment step in combination with the near infrared laser gave oxidised graphene sheets with an average surface oxidation of ~30-35%: this will enhance compatibility with aqueous systems.

Further trials have already demonstrated that the two-step process is reproducible and versatile, with the ability to process different starting materials of graphite. The multi-disciplinary team has identified that control of the feed rate and energy input will allow us to control the surface oxidation, providing a consistent material that can be tailored as required for a range of applications.



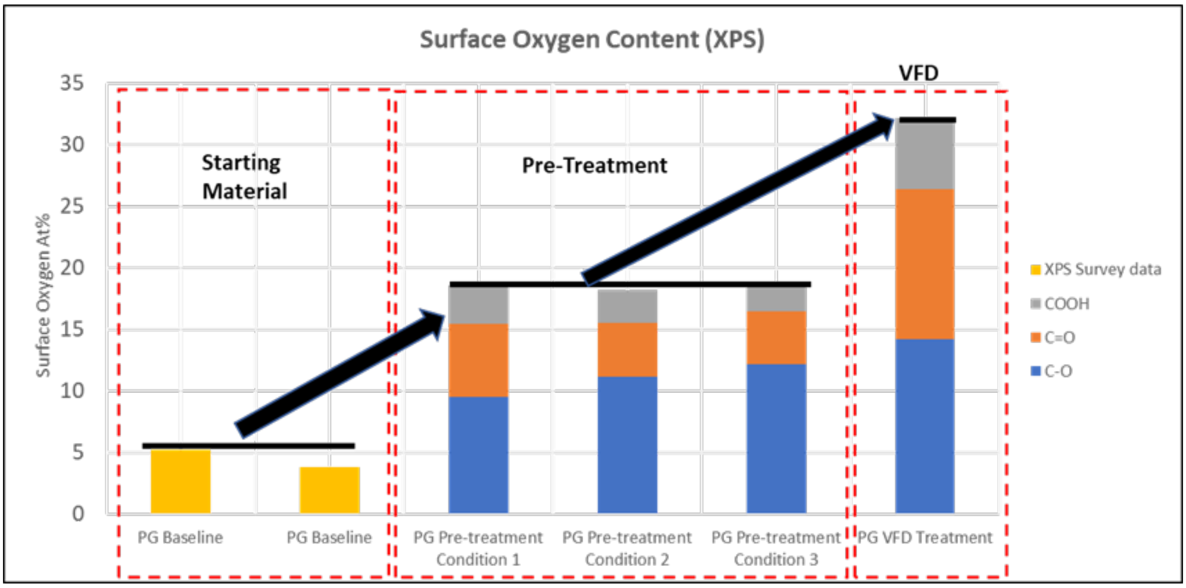


Figure 4: XPS analysis. XPS analysis shows the increase in oxidation upon UV treatment and further oxidation post laser irradiation

Events since the end of the period

The Company announced on 21 January 2020 it had agreed to supply its graphene products exclusively to Steel Blue for application in the production of safety footwear for sale in Australia and New Zealand. Following the initial term, exclusivity will only be available to Steel Blue if Steel Blue has achieved (and continues to maintain) a minimum order quantity. The initial minimum order quantity to be achieved in the second year of the Supply Agreement is two (2) tonnes of PureGRAPH®.

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

Directors' Report

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 13.

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

Craig McGuckin
Managing Director

Henderson, 24 February 2020

Auditor's Independence Declaration

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Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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 2019, 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.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 24 February 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2019

		Half-Year	
		2019	2018
	Note	**$**	$
Continuing operations			
Revenue from contracts with customers		**82,831**	8,461
Cost of goods sold		**(81,131)**	(5,680)
Gross profit		**1,700**	2,781
Other income	2	**865,325**	626,836
Research & development	3(a)	**(1,783,755)**	(1,303,081)
Selling & marketing	3(b)	**(143,483)**	(60,714)
Mineral lease maintenance	3(c)	**(122,254)**	(261,905)
General & administrative	3(d)	**(1,721,972)**	(1,200,796)
Loss from continuing operations before tax expense and finance		**(2,904,439)**	(2,196,881)
Finance income		**8,793**	27,088
Finance expense		**(7,004)**	-
Loss from continuing operations before tax expense		**(2,902,650)**	(2,169,793)
Income tax benefit/(expense)		**-**	-
Loss after tax from continuing operations		**(2,902,650)**	(2,169,793)
Other comprehensive income			
Items which may be reclassified to the profit or loss			
Foreign currency translation difference on foreign operations		**4,185**	25,489
Total comprehensive loss for the period attributable to the owners of First Graphene Limited		**(2,898,465)**	(2,144,304)
Loss for the period attributable to:			
Owners of First Graphene Limited		**(2,912,158)**	(2,593,934)
Non-controlling interests		**9,508**	424,141
		(2,902,650)	(2,169,793)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2019

		Half-Year	
		2019	2018
	Note	**$**	$
Total comprehensive loss for the period attributable to:			
Owners of First Graphene Limited		**(2,907,973)**	(2,568,445)
Non-controlling interests		**9,508**	424,141
		(2, 898,465)	(2,144,304)
Loss per share for the period attributable to the owners of First Graphene Limited:			
Basic loss per share (cents per share)		**(0.62)**	(0.64)
Diluted loss per share (cents per share)		**(0.62)**	(0.64)

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 2019

	Note	31 December 2019 $	30 June 2019 $
Current Assets			
Cash and cash equivalents		**4,645,042**	3.664,137
Inventories	4	**1,722,687**	1,005,641
Trade and other receivables	5	**62,328**	182,250
Other current assets		**348,498**	377,841
Total Current Assets		**6,778,555**	5,229,869
Non-Current Assets			
Property, plant and equipment	6	**2,077,796**	1,627,502
Right of use asset		**256,621**	-
Intangible assets		**250,000**	250,000
Total Non-Current Assets		**2,584,417**	1,877,502
Total Assets		**9,362,972**	7,107,371
Current Liabilities			
Trade and other payables	5	**925,725**	1,019,622
Lease liabilities		**70,638**	-
Total Current Liabilities		**996,363**	1,019,622
Lease liabilities		**189,771**	-
Total Current Liabilities		**189,771**	
Total Liabilities		**1,186,134**	1,019,622
Net Assets		**8,176,838**	6,087,749
Equity			
Issued capital	7	**89,406,903**	85,068,406
Reserves		**5,801,340**	5,148,099
Accumulated losses		**(87,204,188)**	(84,292,030)
Capital and reserves attributable to the owners of First Graphene Limited		**8,004,055**	5,924,475
Non-controlling interest		**172,783**	163,274
Total Equity		**8,176,838**	6,087,749

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

Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2019

	Issued capital	Share based payments reserve	Options reserve	Translation reserve	Accumulated losses	Non-controlling interest	Total equity
As at 1 July 2019	**85,068,406**	**4,703,404**	**467,202**	**(22,507)**	**(84,292,030)**	**163,275**	**6,087,749**
Profit/(loss) for the period	-	-	-	-	(2,912,158)	9,508	(2,902,650)
Other comprehensive income	-	-	-	4,185	-	-	4,185
Total comprehensive income for the period	-	-	-	4,185	(2,912,158)	9,508	(2,898,465)
Transactions with owners in their capacity as owners							
Shares issued	4,338,497	-	-	-	-	-	4,338,497
Option based payment transactions	-	649,056	-	-	-	-	649,056
Balance at 31 December 2019	**89,406,903**	**5,352,460**	**467,202**	**(18,322)**	**(87,204,188)**	**172,783**	**8,176,838**

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 2018

	Issued capital	Share based payments reserve	Options reserve	Translation reserve	Other reserve	Accumulated losses	Non-controlling interest	Total equity
As at 1 July 2018	**79,104,128**	**4,368,628**	**467,202**	**(31,892)**	**(489,997)**	**(76,437,389)**	**(80,435)**	**6,900,245**
Profit/(loss) for the period	-	-	-	-	-	(2,593,934)	424,141	(2,169,793)
Other comprehensive income	-	-	-	25,489	-	-	-	25,489
Total comprehensive income for the period	-	-	-	25,489	-	(2, 593,934)	424,141	(2,144,304)
Transactions with owners in their capacity as owners								
Shares issued	1,450,000	-	-	-	-	-	-	1,450,000
Shares issued from the exercise of options	10,019	-	-	-	-	-	-	10,019
Share issue costs	(95,575)	-	-	-	-	-	-	(95,575)
Balance at 31 December 2018	**80,468,572**	**4,368,628**	**467,202**	**(6,403)**	**(489,997)**	**(79,031,323)**	**343,706**	**6,120,385**

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 2019

	Half-Year	
	2019	2018
	$	$
Cash flows from operating activities		
Revenue from sales	**62,885**	8,461
Payments to suppliers and employees	**(3,903,779)**	(2,993,976)
Interest received	**5,638**	6,693
Interest expense	**(7,004)**	(1,288)
Other income – R&D credit received	**999,582**	461,515
Other income	**-**	37,364
Net cash outflows from operating activities	**(2,842,678)**	(2,481,231)
Cash flows from investing activities		
Payments for property, plant and equipment	**(554,135)**	(482,367)
Proceeds from the sale of property, plant and equipment	**1,864**	13,090
Net cash outflows from investing activities	**(552,271)**	(469,277)
Cash flow from financing activities		
Proceeds from the placement of shares	**-**	1,450,000
Proceeds from exercise of options	**4,331,466**	10,019
Payment for share issue costs	**-**	(150,150)
Proceeds received from third party	**75,000**	-
Payments of lease liabilities	**(33,766)**	(12,837)
Net cash inflows from financing activities	**4,372,700**	1,297,032
Net decrease in cash and cash equivalents	**977,751**	(1,653,476)
Exchange rate adjustments	**3,154**	20,394
Cash and cash equivalents at beginning of the period	**3,664,137**	4,838,930
Cash at the end of the period	**4,645,042**	3,205,848

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 2019 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 2019 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 24 February 2020.

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 2019, except for the adoption of new standards effective as of 1 July 2019. 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 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

AASB 16 Leases

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

AASB16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. AASB 16 substantially carries forward the lessor accounting in AASB 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor.

(a) Transition Method and Practical Expedients Utilised

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

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

Included in profit or loss for the period are $37,554 of amortisation of right-of-use assets and $7,004 of finance expense on lease liabilities. Short-term or low-value leases included in profit or loss for the period was $52,181.

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

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

(b) Significant Accounting Policies subsequent to Transition

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

Going Concern

For the period ended 31 December 2019 the entity recorded a loss of $2,902,650 and had net cash outflows from operating activities of $2,842,678.

The ability of the entity to continue as a going concern is dependent on securing additional funding through the sale of equity securities to either existing or new shareholders to continue to fund its operational and marketing activities.

These conditions indicate a material uncertainty which may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The entity expects to receive additional funds via the issue of equity securities to either existing or new shareholders; and
- In the event of further funds not being raised, the entity's activities would be wound back to a sustainable level.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts which differ from those stated in the financial statements and the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities which might be necessary should the entity not continue as a going concern.

Notes to the Consolidated Financial Statements

2. Other income

	31 December 2019 $	31 December 2018 $
Research & Development grants and tax incentives	**863,461**	614,935
Profit on sale of property, plant and equipment	**1,864**	11,268
Other income	**-**	634
Total other income	**865,325**	626,837

3. Expenses

(a) Research & development expenses		
Employee expenses	**531,885**	238,220
Consultants and research programs	**446,902**	266,706
Depreciation	**140,028**	137,082
Amortisation	**17,912**	1,897
Other	**647,028**	689,176
	1,783,755	1,303,081
(b) Selling & marketing		
Employee expenses	**55,800**	-
Advertising & promotions	**84,903**	60,714
Other	**2,780**	-
	144,483	60,714
(c) Mining Lease maintenance		
Employee expenses	**8,486**	69,663
Depreciation	**20,145**	48,026
Amortisation	**10,324**	25,494
Other	**83,299**	118,723
	122,254	261,905
(d) General & administrative		
Employee expenses	**108,394**	25,483
Finance & company secretarial fees	**256,426**	321,708
Legal and other professional fees	**205,548**	142,695
ASX listing, share registry and other corporate costs	**77,020**	44,418
AIM listing and new business expenses	**-**	361,617
Depreciation	**22,215**	5,169
Amortisation	**3,814**	-
Option expense (non-cash)	**649,056**	-
Other expenses	**399,499**	299,707
Total administrative expenses	**1,721,972**	1,200,796

4. Inventory

	31 December 2019 $	30 June 2019 $
Raw materials	**1,220,391**	1,005,641
Work in progress	**17,795**	-
Finished goods	**484,501**	-
	1,722,687	1,005,641

5. Financial assets and liabilities

	31 December 2019 $	30 June 2019 $
Financial assets		
Trade and other receivables	**62,328**	182,250
Total financial assets	**62,328**	182,250
Current	**62,328**	182,250
Non-current	**-**	-
Total financial assets	**62,328**	182,250
Financial liabilities		
Trade payables and other payables	**925,725**	1,019,622
Total financial liabilities	**925,725**	1,019,622
Current	**925,725**	1,019,622
Non-current	**-**	-
Total financial liabilities	**925,725**	1,019,622

6. Property, plant and equipment

31 December 2019	Exploration equipment	Leasehold improvement	Plant and equipment	Office equipment	Motor vehicles	Total
Carrying amount at beginning of period	**30,042**	**-**	**1,326,534**	**239,464**	**31,462**	**1,627,502**
Additions	**-**	**-**	**778,498**	**20,156**	**-**	**798,655**
Depreciation	**(20,145)**	**-**	**(274,502)**	**(48,277)**	**(10,531)**	**(353,455)**
Movement due to foreign exchange	**(308)**	**-**	**5,626**	**49**	**(272)**	**5,094**
Carrying amount at end of period	**9,589**	**-**	**1,836,156**	**211,392**	**20,659**	**2,077,796**

30 June 2019	Exploration equipment	Leasehold improvement	Plant and equipment	Office equipment	Motor vehicles	Total
Carrying amount at beginning of period	**98,939**	**45,566**	**944,833**	**107,900**	**32,105**	**1,229,343**
Additions	-	-	711,511	195,949	20,512	927,972
Cost of plant and equipment sold	-	-	(38,522)	(36,288)	-	(74,810)
Accumulated amortisation of equipment sold	-	-	34,426	12,179	-	46,605
Depreciation	(67,300)	(43,565)	(324,309)	(39,935)	(19,506)	(494,615)
Movement due to foreign exchange	(1,597)	(2,001)	(1,405)	(342)	(1,649)	(6,994)
Carrying amount at end of period	**30,042**	**-**	**1,326,534**	**239,464**	**31,462**	**1,627,502**

Notes to the Consolidated Financial Statements

7. Issued capital

	31 December 2019 Number of Shares	30 June 2019 Number of Shares	**31 December 2019 $**	30 June 2019 $
Issued and Paid-Up Capital				
Opening ordinary shares, fully paid	**474,720,081**	445,849,952	**89,406,903**	85,068,406

	31 December 2019 Number of Shares	31 December 2018 Number of Shares	**31 December 2019 $**	31 December 2018 $
Movements in ordinary share capital				
At beginning of the period	**445,849,952**	403,784,541	**85,068,406**	79,104,128
Placement to institutional investors	**-**	9,666,670	**-**	1,450,000
Issues to investors July to December through exercise of options	**28,870,129**	66,791	**4,338,497**	10,019
Share issue costs	**-**	-	**-**	(95,575)
At end of the period	**474,720,081**	413,518,002	**89,406,903**	80,468,572

8. Dividends

No dividends have been paid or declared during the period. (2018: Nil)

9. Earnings per share

	2019	2018
	A$	A$
Loss attributable to the owners of First Graphene used in calculating basic and diluted loss per share	**(2,814,019)**	(2,593,934)
	Number of shares	Number of shares
Weighted average ordinary shares used in calculating basic and diluted earnings per share	**469,429,435**	404,732,390
Basic and diluted loss per share - cents per share	**(0.62)**	(0.64)

10. Options

(a) Share options	**31 December 2019**	30 June 2019
Listed share options	**Number**	Number
At the beginning of the period	**85,774,779**	91,180,186
Options issued	**-**	3,500,000
Options exercised during the period	**(28,870,129)**	(8,905,407)
At the end of the period	**56,904,650**	85,774,779

(b) Share options	**31 December 2019**	30 June 2019
Unlisted share options	**Number**	Number
At the beginning of the period	**5,000,000**	500,000
Options issued	**9,000,000**	5,000,000
Options expired	**-**	(500,000)
At the end of the period	**14,000,000**	5,000,000

11. Share based payments

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).

Share based payment expense

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

	Half Year	
	2019	2018
Options issued to directors	**649,056**	-
Total	**649,056**	-

The issue of unlisted options to Directors was approved at the Company's Annual General Meeting on 8 November 2019.

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

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

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:

Graphene production

The Board has defined a new reportable segment for the current year, being graphene production from the Henderson facility. As the Company expands its graphene production and inventory, the Board monitors the Company based on actual 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.

Notes to the Consolidated Financial Statements

12. Segment reporting *(continued)*

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.

12. Segment reporting *(continued)*

Business Segment	Graphene Production		Research & Development		Corporate Services		Mining & Exploration		Total	
	6 months to 31 December 2019 A$	6 months to 31 December 2018 A$	**6 months to 31 December 2019 A$**	6 months to 31 December 2018 A$	**6 months to 31 December 2019 A$**	6 months to 31 December 2018 A$	**6 months to 31 December 2019 A$**	6 months to 31 December 2018 A$	**6 months to 31 December 2019 A$**	6 months to 31 December 2018 A$
Revenue from external customers	**82,831**	8,491	**-**	-	**-**	-	**-**	-	**82,831**	8,491
Interest revenue	**-**	423	**-**	-	5,641	6.022	**-**	247	**5,641**	6,693
Operating loss	**1,700**	-	**(812,243)**	(781,567)	**(1,878,635)**	(1,234,668)	**(124,841)**	(242,528)	**2,814,019**	(2,196,793)
Depreciation expense	**163,165**	137,082	**131,854**	-	**30,375**	1,010	**28,090**	69,914	**353,455**	208,006
Amortisation expense	**15,828**	-	**17,913**	-	**3,814**	-	**-**	7,765	**37,554**	7,765

Business Segment	Graphene Production		Research & Development		Corporate Services		Mining & Exploration		Total	
	31 December 2019	30 June 2019	**31 December 2019**	30 June 2019	**31 December 2019**	30 June 2019	**31 December 2019**	30 June 2019	**31 December 2019**	30 June 2019
Segment assets	**1,722,687**	-	**2,566,183**	3,150,752	**5,029,468**	3,892,485	**44,633**	64,134	**9,362,972**	7,107,371
Segment liabilities	**-**	-	**57,197**	-255,203	**1,120,091**	751,710	**8,845**	12,709	**1,186,134**	1,019,622

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 2019 Revenue $**	**31 December 2019 Total Assets $**	6 months to 31 December 2018 Revenue $	30 June 2019 Total Assets $
Australia	**82,831**	**9,290,748**	886,109	7,027,171
United Kingdom	**-**	**27,590**	-	29,724
Sri Lanka	**-**	**44,634**	247	50,476
Total	**82,831**	**9,362,971**	886,356	7,107,371

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

	31 December 2019 $	30 June 2019 $
Total segments assets	**10,503,693**	8,613,843
Inter-segment elimination	**(1,140,722)**	(1,506,472)
Total assets per statement of financial position	**9,362,971**	7,107,371

Reconciliation of segment liabilities to the Statement of Financial Position

	31 December 2019 $	30 June 2019 $
Total segments liabilities	**7,943,955**	7,655,421
Inter-segment elimination	**(6,757,821)**	(6,635,799)
Total liabilities per statement of financial position	**1,186,134**	1,019,622

Notes to the Consolidated Financial Statements

13. Subsequent events after Reporting Date

The Company announced on 21 January 2020 it had agreed to supply its graphene products exclusively to Steel Blue for application in the production of safety footwear for sale in Australia and New Zealand. Following the initial term, exclusivity will only be available to Steel Blue if Steel Blue has achieved (and continues to maintain) a minimum order quantity. The initial minimum order quantity to be achieved in the second year of the Supply Agreement is two (2) tonnes of PureGRAPH®.

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

14. Commitments

There have been no other changes to commitments since 30 June 2019.

15. Contingent liabilities and contingent assets

There has been no material change to contingent liabilities and contingent assets since 30 June 2019.

16. Related Party Transactions

There has been no change to related party transactions other than the issue of options disclosed in note 10.

Director's Declaration

In the Directors' opinion:

a) The financial statements and notes set out on pages 14 to 33 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 2019 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 24 February 2020.

Craig McGuckin
Managing Director

Henderson, 24 February 2020

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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 2019, 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 then ended, and notes comprising a 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 half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 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*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year 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 is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 2019 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*.As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

Jarrad Prue

Director

Perth, 24 February 2020

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 19 February 2020.

a) Distribution of Shareholdings – Fully Paid Ordinary Shares:

Size of Holding	Number of Shareholders	Number of Share
1 – 1,000	127	23,799
1,001 – 5,000	1,064	3,748,607
5,001 – 10,000	880	6,941,154
10,001 – 100,000	2,137	79,011,724
100,001 and over	527	385,344,797
	4,735	475,070,081

Equity Security	Quoted	Unquoted
Fully paid ordinary shares	475,070,081	-
Options	56,904,650	15,000,000

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

	Name of Holder	Number of Shares	%
1	J P Morgan Nominees Australia Pty Limited	64,524,212	13.58
2	Twynam Investments Pty Ltd	24,013,177	5.05
3	Building On The Rock Limited	16,666,667	3.51
4	IPS Nominees Limited	16,609,865	3.50
5	Gregorach Pty Ltd	14,905,946	3.14
6	Citicorp Nominees Pty Limited	13,730,931	2.89
7	Debt Management Asia Corporation	9,057,515	1.91
8	Mr Craig Robert McGuckin & Mrs Lee Ann McGuckin <McGuckin Family A/C>	7,158,513	1.51
9	Ginga Pty Ltd	7,140,776	1.50
10	Hallidaf Management Ltd	6,094,794	1.28
11	William Taylor Nominees Pty Ltd	4,059,962	0.85
12	HSBC Custody Nominees (Australia) Limited	4,057,163	0.85
13	Sunset Capital Management Pty Ltd <Sunset Superfund A/C>	4,000,000	0.84
14	BNP Paribas Nominees Pty Ltd <IB Au Noms Retail Client DRP>	3,845,763	0.81
15	Bissapp Software Pty Ltd <Super Fund Account>	3,495,505	0.74
16	Mr Kie Chie Wong	3,141,552	0.66
17	Ms Fadillah Burhan Hasibuan	3,089,230	0.65
18	Mr Ryan Jehan Rockwood	3,000,000	0.63
19	Pavarai Pty Ltd <The Sayers Super Fund A/C>	2,900,000	0.61
20	Mrs Gayle Teresa Crabbe	2,708,500	0.57
	Total	**214,200,071**	**45.09**
	Total issued capital	**475,070,081**	

At 19 February 2020, there were 536 shareholders holding less than a marketable parcel of shares ($0.165 cents on this date) in the Company totalling 1,036,044 ordinary shares amounting to 0.22% of the issued capital.

Additional Securities Information

c) Top 20 Security Holders – Options (FGROC) at 19 February 2020

	Name of Holder	Number of Shares	%
1	Mrs Gayle Teresa Crabbe	6,531,388	11.48
2	Gregorach Pty Ltd <Grigor Superfund A/C>	5,137,500	9.03
3	Ms Fadillah Burhan Hasibuan	2,850,979	5.01
4	IPS Nominees Limited	2,097,683	3.69
5	Pavarai Pty Ltd <The Sayers Super Fund A/C>	1,893,750	3.33
6	Gregorach Pty Ltd	1,863,244	3.27
7	Mr Alan Wesley Patterson-Kane	1,710,000	3.01
8	Bolam Materials Research Ltd	1,550,000	2.72
9	Mr Christopher James Bellew	1,528,168	2.69
10	Geo Ban Consulting Pty Ltd	1,459,091	2.56
11	Mr Gregory John Keir	1,200,000	2.11
12	Mrs Terri Frances Youd	1,085,343	1.91
13	SDG Nominees Pty Ltd <T J Strapp Super Fund A/C>	1,000,000	1.76
14	Mr Shaun Phillip Van Dyk	756,178	1.33
15	Mr David Christopher Kemp	743,063	1.31
16	Dr Andrea Mary Louis & Dr Ronald Lee Louis <R & A Louis Super A/C>	711,175	1.25
17	Ginga Pty Ltd	678,477	1.19
18	J P Morgan Nominees Australia Pty Limited	613,947	1.08
19	Celtic Capital Pte Ltd <Investment 1 A/C>	600,000	1.05
20	Cambourne Capital Pty Limited	563,669	0.99
	Total	**34,573,655**	**60.76**
	Total issued options	**56,904,650**	