



FIRST GRAPHENE LIMITED

ABN 50 007 870 760

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2022

First Graphene Limited ABN 50 007 870 760
ASX Half-year information – 31 December 2022

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2022 Annual Report

First Graphene Limited
For the half-year ended 31 December 2022

Results for announcement to the market

Revenue from ordinary activities	Up	64%	\$ 304,204
Loss from continuing ordinary activities after tax attributable to members	Up	49%	3,694,828
Net loss for the period attributable to members	Up	49%	3,697,551
Dividends			
No dividends have been paid or declared during the period			

	31 December 2022	31 December 2021
	Cents	Cents
Net tangible asset backing per share	1.31	1.69

Explanation of results

	Half Ended 31 December		Variance	
	2022	2021		
	A\$m	A\$m	A\$m	%
Sales Revenue	0.30	0.18	+0.12	+64.2%
Operating Loss	2.58	2.47	- 0.11	- 4.6%
Underlying Operating Loss	2.58	3.02	+0.44	+14.6%
Net operating cashflows	-2.04	-3.10	+1.06	+34.2%

During the first half of the period ending 31 December 2022, First Graphene experienced a **64% increase in revenue** on the same half the previous year. This was another record first half sales performance for the Company, confirming the continued success of its commercial strategy put in place in 2021. The growth in sales is attributed predominantly to the company's focused effort in developing and selling graphene-enhanced cement and concrete solutions. The energy generation and storage, composites and plastics, coatings, adhesives, sealants, Elastomers (CASE) and foams segments all continue to deliver strong growth as well.

The Company's primary financial strategy has been to increase revenue while at the same time continue reducing its operational cash burn, which has resulted in a **34% improvement in operating cash flow**. The company has implemented several cash reduction strategies such as non-cash incentives to employees (despite high inflationary pressures), reducing third party expenditure and optimising manufacturing costs.

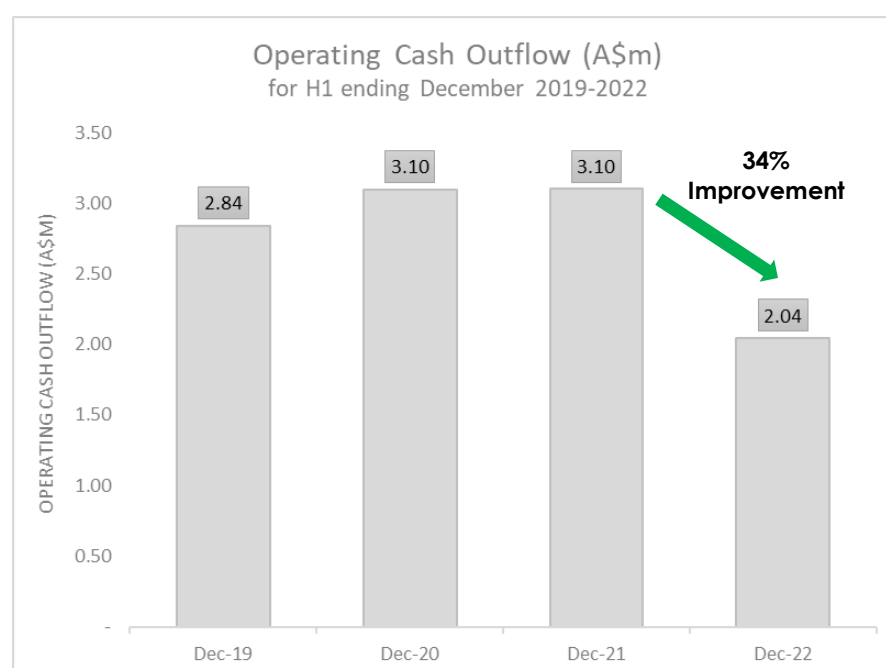
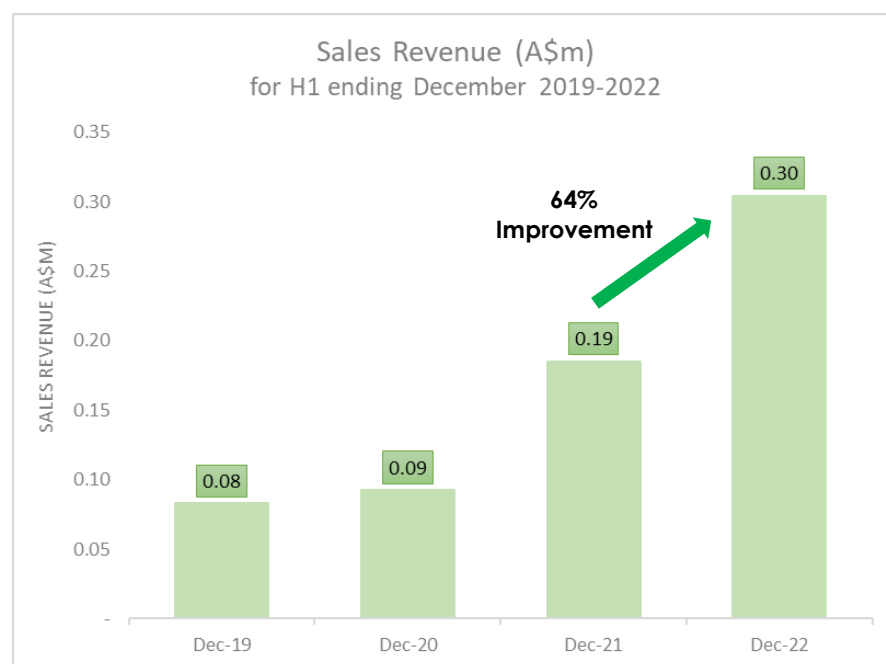
Net loss after tax is \$1.2m higher than the same time last year, primarily due to non-cash/ accounting expenses recognised for the issue of shares to Strategic Material Investments (-\$0.6m) and Performance Rights to employees (-\$0.2m). Furthermore, the company's initiative

Explanation of results (continued)

to optimise production and reduce its inventory balance has reduced the amount of fixed costs being capitalised to inventory, leading to an increase in the accounting loss (-\$0.55m), while at the same time improving cash flow performance.

Excluding the above non-cash capitalisation of inventory, the underlying operating loss is 14.6% favourable to the operating profit from the first half of last year.

Revenue and Cashflow Trend



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 2022.

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
- Michael Quinert
- Dr Andy Goodwin

OVERVIEW

The first half of FY2023 was one of significant product development consolidation coupled with revenue growth and an increasing sales pipeline for the Company. Ongoing collaborations with formulators and material suppliers, coupled with the award of significant grant funding have enhanced the Company's growing global reputation as an advanced materials technology player. The Company also continued to progress important cross-industry collaboration aiming to capture results of commercial-scale R&D trial activities with a view to progressing commercialization of products across its three strategic segments.

Our partners across multiple segments look to adopt and commercialise graphene-containing products for their applications, providing a foundation for additional growth in product volume orders from First Graphene in the future.

Pleasingly, First Graphene's pool of early adopter customers continue to back its PureGRAPH® product and has spurred an increased sales pipeline and subsequent revenue growth. We are also seeing new customers seeking additional application options across the thermally conductive plastics, geotextiles, and cement & concrete industries. First Graphene's reputation as a leading supplier of graphene technology is expanding.

In both Australia and abroad, the appetite for solutions to help improve the characteristics of products across the four verticals and wide range of applications, as well as decarbonizing manufacturing processes is accelerating. This has seen more approaches to First Graphene from industry, the university sector and potential customers to work hand in glove to expedite trial and testing outcomes and create market-ready products

Some key highlights include:

- Specialty concrete products developed with commercial partners –
 - PureGRAPH® enhanced admixture with Nanoproof/Glade Chemicals (South Africa),
 - Graphene enhanced dry mix mortar with GtM Action (New Zealand),
 - Industry trials underway with CEMEX UK and UK's Manufacturing Technology Centre to

DIRECTOR'S REPORT

- develop railway sleepers using recycled aggregate enhanced with PureGRAPH®
- Shotcrete and heavy wear concrete slabs.
- A letter of intent (LOI), to market and distribute the Company's PureGRAPH® range, was signed with Europe's Keyser & MacKay and India-based Sarvan Carbochem LLP, both large established distributors of chemical raw materials within their respective regions.
- Joint development agreement signed with Suvo Strategic Minerals Ltd to add both graphene and metakaolin to produce green cement with superior performance characteristics.
- Joint development agreement established with ZEBCO Heating Ltd to develop a unique heating device for the commercial and domestic markets, offering potential for reducing natural gas consumption by 20-30%
- Company continued to further reduce its manufacturing cost through process optimisation and was able to successfully trial design changes that will reduce its electricity consumption by over 50%.

Products under development or using PureGRAPH®

Cement & Concrete

- Cement additives for reduction of carbon emissions
- Enhanced dry mixing mortar for shotcrete and pumping applications
- Shotcrete and heavy wear concrete slabs
- Improved additives for both reducing CO₂ emissions in the cement production process and improving overall durability of concrete

Composites & Plastics

- Polymer solar thermal cells
- Advanced fiberglass swimming pools
- Unique heating devices that can be retrofitted to existing gas-fired heating units to greater efficiency and reductions in nitrous oxide and carbon emissions

Coatings, Adhesives, Sealants, Elastomers (CASE) and Foams

- Electrostatic dissipative coatings
- Sporting apparel and footwear
- Noise and vibration dampening foams

Energy Generation and Storage

- Supercapacitors technology using metal oxide decorated products that improve on activated carbon
- Catalysts for cathode oxygen reduction in fuels cells, being cheaper alternatives to platinum
- Hydrodynamic cavitation technology for converting petroleum feedstock to synthetic graphite/graphene and clean hydrogen

DIRECTOR'S REPORT

Cement and Concrete

Through a consortium including 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 to 15 month period and will be trialing up to 1,500 tonnes of specially formulated cement, converting to circa 9,000 tonnes of concrete, with varying doses of PureGRAPH® being applied to determine optimum dosage rates and performance outcomes. This trial to be carried out at Breedon Cement's UK site represents one of the largest commercial trials of graphene enhanced cement and concrete globally.

Earlier in the half, New Zealand's GtM Action also announced the release of its HexMortar™, a graphene enhanced dry mix mortar for shotcrete and pumping applications. Formulated to quickly and permanently increase the flexural and compressive strength of dry mortars, HexMortar™ trials showed significant improvement in product performance, including a 20% improvement in flexural strength and 27% improvement in compressive strength at the 28-day mark compared to standard dry mix mortars.

A commercially focused trial commenced with UK-based Manufacturing Technology Centre (MTC) and CEMEX UK, a subsidiary of Mexican multinational building materials company CEMEX S.A.B. de C.V., to utilise graphene in railway sleepers being cast using recycled aggregate from old sleepers. Graphene is being added to improve compressive strength and reduce porosity of the recycled aggregate.

A new joint development agreement was signed in December with ASX-listed kaolin producer Suvo Strategic Minerals. Under the JDA, First Graphene will look to add both graphene and metakaolin to produce green cement with superior performance characteristics. The companies intend to scale production of commercial solutions.

Coatings, adhesives, sealants, elastomers (CASE) and foams

This emerging vertical segment continues to be one of growth for the Company, with several bona fide orders received in the half and a series of Letters of Intent signed by potential customers in Europe, India and the US.

LOIs were signed with European chemical and raw materials distributor Keyser & MacKay and Indian based Sarvan Carbochem LLP to market and evaluate the use of graphene in a wide range of material additives for the rubber and elastomers markets within their respective regions. Los Angeles-based producer SP2 Carbon Technology is also working with First Graphene through an LOI to develop markets for graphene hybrid materials, the priority being additives for electrostatic discharge flooring.

Other opportunities developed throughout the half include completion of First Graphene's

DIRECTOR'S REPORT

PureGRAPH® 70 Aqua trials by ceramic design company Art of Eco. The successful trials have seen Art of Eco move into production status and place its first purchase order of PureGRAPH®.

Separately, First Graphene has been engaged by a branded golf shoe partner on a range of next-generation designs. Rubber compounders continue to show interest in graphene's properties to enhance thermal management, anti-oxidant and sustainability outcomes.

Composites and Plastics

Graphene's application to the plastics and composites sector is generating significant interest among bulk manufacturers in the US and beyond, with more companies experimenting with how it can reduce energy input requirements, reducing associated energy costs and carbon emissions.

During the half foundation First Graphene customer Aquatic Leisure Technologies continued to grow production volumes and expand international sales of its graphene composite pool range in North America and was granted a US patent for its technology. This protects First Graphene's supply agreement and potential sales growth into the future.

UK-based energy technology company Senergy progressed manufacturing trials for its graphene enhanced solar roof tiles. First Graphene's UK compounding partner Hubron has manufactured optimised compounded HDPE materials that will be used in extrusion trials to manufacture demonstration parts.

Also in the UK, residential home developer Vector Homes has commenced work with First Graphene to develop a HDPE masterbatch for use in structural beams. The graphene-enhanced material is showing highly beneficial fire retardancy, increased strength, durability, thermal and acoustic performance properties.

Energy Technology

Work to develop and commercialise supercapacitor materials was ongoing in the half, with a \$65,000 grant secured in conjunction with the University of Manchester to fund the joint AKT21 Supercapacitor Slurry Optimisation Project. It is focused on optimisation of formulated graphene-metal oxide compounds to enable conventional roll-to-roll printing for supercapacitor technologies, which is expected to improve coating roughness to enhance capacitor cyclability.

An additional joint development agreement was signed on October 2022 with ZEBCO Heating Ltd to develop a unique heating device using PureGRAPH® enhanced materials. The device, targets the massive UK commercial and domestic heating market where 78% of homes use gas-fired heating. The device is suitable for both retrofitting and new installations. A key driver for development of the device is the energy crisis facing Europe and the UK, particularly in terms of decreasing natural gas supplies. The device is estimated to reduce natural gas usage in domestic applications by 20 to 30%.

First Graphene also secured a US patent for its novel technology used to produce metal oxide

DIRECTOR'S REPORT

decorated products that are superior to existing activated carbon used in supercapacitors. These metal oxide decorated products offer higher energy density and capacitance when used in supercapacitors, and have the unique advantage of also being suitable for use as electrocatalysis. Granted in September 2022, the patent is licensed exclusively to First Graphene under our worldwide licensing agreement from the University of Manchester, where the process was initially invented.

This patent complements work done in the second half of 2021 in collaboration with Warwick Manufacturing Group and the University of Manchester to develop and test high-energy, high-power density, commercial-scale supercapacitor cells. This body of work developed PureGRAPH®-based supercapacitor materials, with testing showing an 85% improvement in energy density and 300% better capacitance than the more typical activated carbon cells.

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%.

DIRECTOR'S 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 14.

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

A handwritten signature in black ink, appearing to read 'mjbell', with a horizontal line underneath the name.

Michael Bell

CEO & Managing Director

Singapore, 27 February 2023

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 2022, 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 blue horizontal line.

Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth
27 February 2023

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 2022

		Half-Year	
	Note	2022 \$	2021 \$
Continuing operations			
Revenue from contracts with customers		304,204	185,225
Cost of goods sold		(180,268)	(192,661)
Gross profit/(loss)		123,936	(7,436)
Other Operating income	2	268,911	215,350
Research & development	3(a)	(908,484)	(767,057)
Selling & marketing	3(b)	(291,476)	(510,490)
Mineral lease maintenance	3(c)	(56,987)	(88,195)
General & administrative	3(d)	(1,715,719)	(1,307,395)
Loss from continuing operations before tax expense and finance		(2,579,819)	(2,465,221)
Non Operating Income / Expense			
Other Non-Operating income	2	-	397,114
Share Based Payment expense	11	(470,323)	(329,581)
Finance income		17,874	1,246
Finance expense	6	(668,005)	(88,685)
Loss from continuing operations before tax expense		(3,700,323)	(2,485,127)
Income tax benefit/(expense)		-	-
Loss after tax from continuing operations		(3,700,232)	(2,485,127)
Other comprehensive income			
<i>Items which may be reclassified to the profit or loss</i>			
Foreign currency translation difference on foreign operations		2,722	2,538
Total comprehensive loss for the period attributable to the owners of First Graphene Limited		(3,697,551)	(2,482,589)
Loss for the period attributable to:			
Owners of First Graphene Limited		(3,697,551)	(2,485,810)
Non-controlling interests		-	3,221
		(3,697,551)	(2,482,589)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2022

		Half-Year	
	<u>Note</u>	<u>2022</u>	<u>2021</u>
		<u>\$</u>	<u>\$</u>
Total comprehensive loss for the period attributable to:			
Owners of First Graphene Limited		(3,697,551)	(2,485,810)
Non-controlling interests		<u>-</u>	<u>3,221</u>
		(3,697,551)	(2,482,589)

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

Basic loss per share (cents per share)	(0.64)	(0.45)
Diluted loss per share (cents per share)	(0.64)	(0.45)

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 2022

	Note	31 December 2022 \$	30 June 2022 \$
Current Assets			
Cash and cash equivalents		4,779,839	7,004,724
Inventories	4	1,450,920	1,821,713
Trade and other receivables		126,012	167,744
Other current assets	5	147,253	225,801
Total Current Assets		6,504,024	9,219,982
Non-Current Assets			
Property, plant, and equipment		2,606,206	2,854,654
Inventories	4	2,914,582	2,851,875
Intangible assets		150,068	118,155
Right of use asset		72,807	162,179
Other Assets		213,350	211,908
Total Non-Current Assets		5,957,013	6,198,770
Total Assets		12,461,037	15,418,752
Current Liabilities			
Trade and other payables		190,054	585,702
Lease liabilities		80,429	178,489
Employee liabilities		246,353	139,189
Borrowings	6	4,247,287	6,135,251
Total Current Liabilities		4,764,123	7,038,631
Total Liabilities		4,764,123	7,038,631
Net Assets		7,696,915	8,380,121
Equity			
Issued capital	7	105,603,501	102,845,907
Reserves		6,072,085	5,738,367
Accumulated losses		(104,087,491)	(100,389,940)
Capital and reserves attributable to the owners of First Graphene Limited		7,588,094	8,194,334
Non-controlling interest		108,821	185,787
Total Equity		7,696,915	8,380,121

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 2022

	Issued capital	Share based payments reserve	Options reserve	Translation reserve	Other Reserve	Accumulated losses	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
As at 1 July 2022	102,845,906	5,931,862	-	(116,530)	(76,966)	(100,389,938)	185,787	8,380,121
Profit/(loss) for the period	-	-	-	-	-	(3,697,551)	-	(3,697,551)
Other comprehensive income	-	-	-	24,073	-	-	-	24,073
Total comprehensive income for the period	-	-	-	24,073	-	(3,697,551)	-	(3,673,477)
<i>Transactions with owners in their capacity as owners</i>								
Shares issued	2,552,381	-	-	-	-	-	-	2,552,381
Share issue costs	(32,433)	-	-	-	-	-	-	(32,433)
Transactions with non-controlling interest	-	-	-	-	-	-	-	-
Share based payment	237,646	232,677	-	-	-	-	-	470,323
Balance at 31 December 2022	105,603,500	6,164,539	-	(92,457)	(76,966)	(104,087,488)	185,787	7,696,915

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 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)
<i>Transactions with owners in their capacity as owners</i>								
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 Cash Flows

For the Half-Year Ended 31 December 2022

	Note	Half-Year	
		2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers		390,818	157,863
Payments to suppliers and employees		(2,449,393)	(3,482,149)
Interest received		17,874	1,246
Interest expense		(3,587)	-
Other income – R&D credit received		-	222,349
Net cash outflows from operating activities		(2,044,288)	(3,100,692)
Cash flows from investing activities			
Payments for property, plant, and equipment		(3,272)	(30,379)
Payments for intellectual property		(44,445)	(46,000)
Net cash outflows from investing activities		(47,717)	(76,379)
Cash flow from financing activities			
Proceeds from exercise of options		-	1,617,371
Payment for share issue costs		(32,433)	(4,620)
Proceeds received from third party	6	-	3,000,000
Payments of lease liabilities		(98,060)	(88,650)
Net cash inflows/(outflows) from financing activities		(130,493)	4,524,101
Net Increase/(decrease) in cash and cash equivalents		(2,222,498)	1,347,030
Exchange rate adjustments		(2,387)	8,102
Cash and cash equivalents at beginning of the period		7,004,724	7,076,580
Cash at the end of the period		4,779,839	8,431,713

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 2022 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 2022 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 2023.

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 2022, except for the adoption of new standards effective as of 1 July 2022. 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 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Going Concern

For the period ended 31 December 2022 the entity recorded a loss of \$3,697,551 (2021:\$2,482,589) and had net cash outflows from operating activities of \$2,044,288 (2021:\$3,100,692).

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:

Notes to the Consolidated Financial Statements

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.

2. Other income

	31 December 2022 \$	31 December 2021 \$
Research & Development tax incentives	268,911	215,350
Government Grants	-	397,114
Total other income	268,911	612,464

Notes to the Consolidated Financial Statements

3. Expenses

	31 December 2022 \$	31 December 2021 \$
(a) Research & development expenses		
Employee expenses	320,727	289,137
Consultants and research programs	266,864	345,242
Legal and other professional fees	-	9,145
Depreciation	18,605	18,122
Amortisation	15,606	12,934
Other	286,682	92,478
	908,484	767,057
(b) Selling & marketing		
Employee expenses	211,845	283,802
Advertising & promotions	55,663	85,526
Other	23,968	141,162
	291,476	510,490
(c) Mining Lease maintenance		
Employee expenses	16,753	29,866
Depreciation	-	-
Amortisation	-	-
Other	40,234	58,328
	56,987	88,195
(d) General & administrative		
Employee expenses	802,339	686,261
Finance & company secretarial fees	28,346	31,726
Legal and other professional fees	196,956	232,285
ASX listing, share registry and other corporate costs	64,909	83,954
Depreciation	235,129	26,013
Amortisation	55,631	55,631
Other expenses	332,409	191,525
Total administrative expenses	1,715,719	1,307,395

Notes to the Consolidated Financial Statements

4. Inventory

	31 December 2022 \$	30 June 2022 \$
Raw materials	2,050,724	1,987,200
Finished goods	2,062,745	2,411,910
Work in progress	294,153	316,598
	4,407,622	4,715,708
Less: Provision for impairment	(42,120)	(42,120)
Carrying amount	4,365,502	4,673,588
<i>Disclosed as:</i>		
Current	1,450,920	1,821,713
Non-current	2,914,582	2,851,875
Total inventory	4,365,502	4,673,588

5. Other current assets

	31 December 2022 \$	30 June 2022 \$
Prepayments	147,253	225,801
Deposits paid	-	-
Total other current assets	147,253	225,801

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

- 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 2022 \$	30 Jun 2022 \$
Current		
Convertible liabilities	4,247,287	6,135,251
	4,247,287	6,135,251
Finance Expense (Share Placement Agreement)	664,417	282,933
	664,417	282,933
Opening Balance at 1st Jul 22 – Share Placement Agreement		6,135,251
Finance Charge		112,036
4,761,905 Shares at an issue price of \$0.105 per Share on 25 July 2022		(500,000)
9,523,810 Shares at an issue price of \$0.105 per Share on 29 July 2022		(1,000,000)
5,000,000 Shares at an issue price of \$0.10 per Share on 22 November 2022		(500,000)
Closing Balance at 31st Dec 2022		4,247,287

Notes to the Consolidated Financial Statements

7. Issued capital

	31 December 2022 Number of Shares	30 June 2022 Number of Shares	31 December 2022 \$	30 June 2022 \$
Issued and Paid-Up Capital				
Opening ordinary shares, fully paid	581,316,387	560,033,776	105,603,501	102,845,907
	31 December 2022 Number of Shares	31 December 2021 Number of Shares	31 December 2022 \$	31 December 2021 \$
Movements in ordinary sharecapital				
At the beginning of the period	560,033,776	539,900,327	102,845,907	98,808,042
Exercise of options	-	9,120,749	-	2,210,187
Shares issued to employees	1,996,896	-	237,646	-
Entitlement issue	-	-	-	-
Shares issued to third party	19,285,715	1,300,000	2,552,381	292,000
Share issue costs	-	-	(32,433)	(4,620)
	581,316,387	550,321,076	105,603,501	101,305,609

8. Dividends

No dividends have been paid or declared during the period. (2021:Nil)

Notes to the Consolidated Financial Statements

9. Earnings per share

	2022 A\$	2021 A\$
Loss attributable to the owners of First Graphene used in calculating basic and diluted loss per share	(3,697,551)	(2,482,589)
	Number of shares	Number of shares
Weighted average ordinary shares used in calculating basic and diluted earnings per share	574,383,912	549,316,283
Basic and diluted loss per share - cents per share	(0.64)	(0.45)

10. Options

(a) Share options

Listed share options

	31 December 2022 Number	30 June 2022 Number
At the beginning of the period	-	100,955,266
Options issued	-	-
Options exercised during the period	-	(8,120,749)
Options expired	-	(92,834,517)
Total	-	-

(b) Share options

Unlisted share options

	31 December 2022 Number	30 June 2022 Number
At the beginning of the period	15,000,000	17,000,000
Options issued	-	-
Options exercised	-	(1,000,000)
Options expired	-	(1,000,000)
At the end of the period	15,000,000	15,000,000

Notes to the Consolidated Financial Statements

(c) Performance rights	31 December 2022	30 June 2022
<i>Unlisted performance rights</i>	Number	Number
At the beginning of the period	60,000	120,000
Performance rights issued	3,682,784	60,000
Performance rights converted to shares	(1,996,896)	(120,000)
At the end of the period	1,745,888	60,000

11. Share based payments

Incentive Award Plan & Performance Rights to Non-Executive Directors (NED)

Under the Company's Incentive Award Plan, Performance Rights (PR) are granted to employees following the release of the Company's full financial year results starting October 2022 till December 2024. The employees have an option to convert each right to a fully paid ordinary share in the company up to 2 years following the allocation. At the time of allotment of the PRs the Company recognises an employee expense, with a corresponding increase in reserves. When the employee chooses to convert the rights to ordinary shares the company recognises an increase in equity with a corresponding decrease in reserves previously recognised. Over the 6 month period ending 31 December 2022, the company has issued 2,632,784 PRs to employees and Key Management Personnel.

The company has also issued 1,050,000 Performance Rights to its Non-Executive Directors as announced to the ASX in the Company's Notice of Meeting for its 2022 Annual General Meeting. 450,000 of these 1,050,000 PRs have already vested, for which the Company has recognised an employee expense, with a corresponding increase in liability.

Performance rights issued to Non-Executive Directors

	Tranche 1	Tranche 2	Tranche 3	Total
Vesting Conditions	Vested	Unvested	Unvested	
Share Price ¹	Nil	\$0.35	\$0.45	
Sales (AUD) ²	Nil	\$2 million	\$5 million	
NED Name				
Andrew Goodwin	300,000	50,000	100,000	450,000
Michael Quinert	50,000	50,000	100,000	200,000
Warwick Grigor	100,000	100,000	200,000	400,000
Total	450,000	200,000	400,000	1,050,000

Notes to the Consolidated Financial Statements

Notes:

1. 25% of the Performance Rights will be measured against the 20 day VWAP Share price at 30 June of the applicable financial year (Tranche 2: FY23; Tranche 3: FY24). These rights were valued using a hybrid share option pricing model with the following inputs:

	Grant date	Spot price	Expiry date	Volatility	Risk free rate	Value per right
Tranche 2	17/10/22	\$0.110	17/10/26	75%	3.35%	\$0.021
Tranche 3	17/10/22	\$0.110	17/10/27	75%	3.35%	\$0.035

2. 40% of the Performance Rights will be measured against the sales revenue received during the applicable financial year (Tranche 2: FY23; Tranche 3: FY24) based on audited accounts. These rights have been valued at the share price on the grant date.

In addition, vesting of each Tranche (excluding Tranche 1) is subject to:

- 10% of the Performance Rights will be subject to the achievement by a Director of their personal KPI for an applicable financial year as determined by the Board; and
- 25% of the Performance Rights will be subject to the Director remaining a director of the Company.

The Performance Rights have expiry dates as follows: Tranche 1: 3 years from grant; Tranche 2: 4 years from grant; Tranche 3: 5 years from grant. Management have determined the probability of the rights vesting to be 100%.

Performance rights issued to Employees & KMP

The following performance rights were granted to employees & KMP:

	Number of Performance Rights	Date of Grant	Share Price A\$	Vesting Date
Employees	1,287,294	02/09/2022	0.13	02/09/2022
KMP *	1345,490	02/09/2022	0.13	02/09/2022

2,632,784

*These KMP rights have been converted to shares during the period.

- Michael Bell – 1,029,979

- Aditya Asthana – 315,511

Share based payment expense Summary

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

Half Year	2022	2021
Performance rights issued to employees	158,248	17,125
Performance rights issued to KMP	174,914	117,000
Options issued to directors	80,911	195,456
Performance rights issued to Non-Executive Directors	56,250	-
Total	470,323	329,581

Notes to the Consolidated Financial Statements

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

As the Company expands its graphene production and inventory, the Board monitors the Company based on actual versus 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 versus 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 versus 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 2022	December 2021	December 2022	December 2021	December 2022	December 2021	December 2022	December 2021	December 2022	December 2021
	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$
Revenue from external customers	304,204	185,225	-	-	-	-	-	-	304,204	185,225
Interest revenue	-	-	-	-	17,874	1,246	-	-	17,874	1,246
Operating loss	-	-	(639,694)	(551,147)	(3,000,870)	(1,843,247)	(56,987)	(88,195)	(3,697,551)	(2,482,589)
Depreciation expense	216,953	196,087	18,605	18,122	19,727	27,342	-	-	255,285	241,551
Amortisation expense	31,657	31,657	2,084	12,934	55,631	55,631	-	-	89,372	100,221

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 2022	2022	December 2022	2022	December 2022	2022	December 2022	2022	December 2022	2022
Segment assets	4,491,513	5,424,458	3,338,645	3,340,146	4,595,438	6,649,680	35,436	4,467	12,461,032	15,418,751
Segment liabilities	174,210	174,210	(52,693)	184,550	4,638,593	6,677,049	4,011	2,822	4,764,121	7,038,631

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 2022 Revenue \$	31 December 2022 Total Assets \$	6 months to 31 December 2021 Revenue \$	30 June 2022 Total Assets \$
Australia	304,204	12,007,320	185,225	14,856,052
United Kingdom	-	418,276	-	558,232
Sri Lanka	-	35,436	-	4,467
Total	304,204	12,461,032	185,225	15,418,751

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

Reconciliation of segment assets to the Statement of Financial Position

	31 December 2022 \$	30 June 2022 \$
Total segments assets	17,912,206	20,787,048
Inter-segment elimination	(5,451,174)	(5,368,297)
Total assets per statement of financial position	12,461,032	15,418,751

Reconciliation of segment liabilities to the Statement of Financial Position

	31 December 2022 \$	30 June 2022 \$
Total segments liabilities	21,624,577	23,086,033
Inter-segment elimination	(16,860,457)	(16,047,402)
Total liabilities per statement of financial position	4,764,120	7,038,631

Notes to the Consolidated Financial Statements

13. Subsequent events after Reporting Date

There are no 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 2022.

15. Related Party Transactions

There has been no change to related party transactions other than the issue of Performance rights 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 2022 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 2023.



Michael Bell

CEO & Managing Director
Singapore, 27 February 2023

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 2022, 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 significant 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 2022 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.

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.

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Independent Auditor's 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 is free from material misstatement, whether due to fraud or error.

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 2022 and its 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


Jarrad Prue

Director

Perth

27 February 2023

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 15 February 2023.

a) Distribution of Shareholdings – Fully Paid Ordinary Shares:

Size of Holding	Number of Shareholders	Number of Share
1 – 1,000	178	31,626
1,001 – 5,000	1,526	5,241,613
5,001 – 10,000	1,109	8,760,297
10,001 – 100,000	2,365	83,308,754
100,001 and over	492	483,974,097
	5,670	581,316,387

Equity Security	Quoted	Unquoted
Fully paid ordinary shares	581,316,387	-
Options	-	15,000,000

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

	Holder Name	Number of Shares	%
1	Bnp Paribas Nominees Pty Ltd Acf Clearstream	152,401,936	26.22%
2	Citicorp Nominees Pty Limited	31,754,996	5.46%
3	"Bnp Paribas Noms Pty Ltd	25,322,340	4.36%
4	<Drp>"	21,947,082	3.78%
5	Twynam Investments Pty Ltd	15,685,946	2.70%
6	Gregorach Pty Ltd	14,685,000	2.53%
7	Building On The Rock Limited	13,828,400	2.38%
8	Ips Holdings	12,157,146	2.09%
9	Debt Management Asia Corporation	7,949,932	1.37%
10	Hsbc Custody Nominees (Australia) Limited	6,771,374	1.16%
11	Ginga Pty Ltd	4,465,959	0.77%
12	William Taylor Nominees Pty Ltd	2,860,000	0.49%
13	Mr Richard Hopetoun Bitcon	2,759,611	0.47%
14	Ips Nominees Limited	2,500,000	0.43%
15	Mr Adam O'Donnell Ferris	2,500,000	0.43%
16	Mr Ryan Jehan Rockwood	2,187,826	0.38%
17	"Gregorach Pty Ltd	2,149,496	0.37%
18	<Grigor Superfund A/C>"	2,100,000	0.36%
19	"Bissapp Software Pty Ltd	2,054,710	0.35%
19	<Super Fund Account>"	1,957,926	0.34%
20	Mrs Terri Frances Youd	1,869,230	0.32%
	Total	303,395,058	55.11%
	Total issued capital - selected security class(es)	550,520,986	100.00%

At 15 February 2023, there were 1477 shareholders holding less than a marketable parcel of shares (\$0.1 cents on this date) in the Company totalling 4,138, 239 ordinary shares amounting to 0.71% of the issued capital.