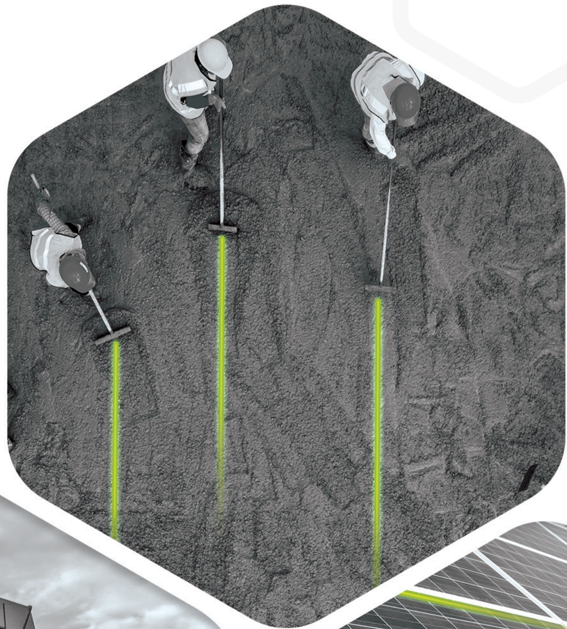
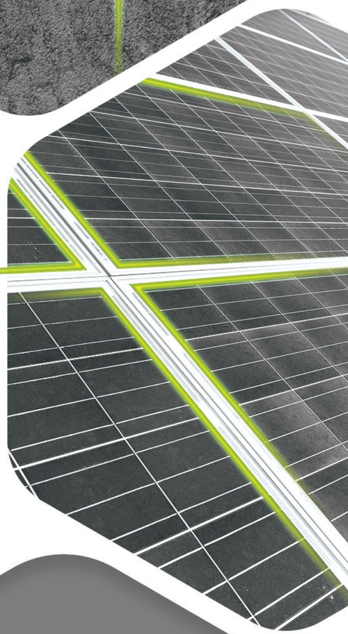
FIRSTGRAPHENE

World leading materials technology | ASX:FGR

ANNUAL REPORT 2023





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CHAIRMAN'S REPORT

The 2022/23 year was yet another challenging one for companies operating in the innovative end of industry. Continuing geopolitical uncertainties festered a "risk adverse" mentality in industrial equity markets while rising interest rates drained surplus investable capital in a predictable fashion.

Warwick Grigor
Chairman

Inflation ran away from many central banks that were tardy in anticipating the return of supply constraints and their impact on prices throughout the economy. It has not been a good time for stock market investors with share prices falling as funds were redeployed elsewhere. Yet, real businesses continue to grow.

Notwithstanding the backdrop, First Graphene made steady progress through the financial year as it reaffirmed itself as a world leader in the manufacture and commercialisation of graphene, the wonder nanomaterial of the future. Among our significant progress was the advancement of graphene trials in the cement and concrete sector, with industrial-scale programs commencing with the largest cement manufacturing company in the UK. We continue to undertake more detailed test work to optimise trial outcomes, working closely with that company as part of the qualification process. Success on this front will be a game-changer for First Graphene, with many other cement companies around the world watching closely for corroboration of carbon emission reductions achieved from the use of graphene.

There are a number of other product lines in testing and design stages; any one of which could lead to profitability in the foreseeable future. Interestingly, we are experiencing more enquiries from companies that have undertaken their own research on the benefits of using graphene and have approached us because of our reputation for high product quality and application knowhow. They still have to do their test work on our specific graphene products and go through a period of product qualification with the benefit of our expertise, but the trend is positive. Graphene continues to be an important nanomaterial of the future. Our objective is to bring the future forward, closer to today.

In the meantime, we continue to sell PureGRAPH® to a range of consistent customers with annual sales exceeding the AUD$1 million mark for the first time. We continue to expect strong sales growth across a range of product lines.

Everyone wants results yesterday, but that is unrealistic.

Developing new technology is just the start of it. The next step is commercialisation by developing a growing customer base. That is where First Graphene currently finds itself. We know we have a game-changing, superior product; we just have to get it out the door and into an expanding the marketplace, generated by reputation and expertise. The ball is already rolling, taking us along a growth curve that I foresee will go on for many decades.

The Board and I are grateful for the continued support of First Graphene shareholders, and we appreciate your patience. We are confident that it will be well rewarded.

"First Graphene made steady progress through the financial year as it reaffirmed itself as a world leader in the manufacture and commercialisation of graphene, the wonder nanomaterial of the future."

CEO REPORT

Momentum gains in strong year for graphene

The 2023 financial year saw First Graphene gain more traction with world-leading trials and commercialisation opportunities in a range of industries, from cement to energy storage.

We also hit a major financial milestone with our revenue surpassing AUD$1 million for the first time. This positive momentum will only continue as we solidify our reputation in global markets as a leading supplier of graphene and advanced materials technology player.

Boosting the market

Our commercialisation strategy is well and truly underway, with a range of global partnerships in place to put graphene products into the market. We continue to target high growth and high demand sectors, with multiple industries realising the benefits graphene provides to sustainable engineering solutions and achieving decarbonisation goals.

The cement and concrete sector remains the core commercial focus for the Company, driven by the major offtake volume opportunity and increasing industry demand for sustainable material solutions to address the sector's significant carbon emissions contribution.

The Company reached a significant milestone with the commencement of world-leading graphene-enhanced cement trials in the UK. The trial aims to validate industrial scale manufacturing of graphene-enhanced cement and impart the environmental and material benefits that come with adding PureGRAPH® to the cement production process.

A milestone order of approximately 1.2 tonnes of PureGRAPH® was supplied to Breedon Group, the UK's largest cement and concrete producer, to supplement cement used in real world demonstrations by leading British construction company, Morgan Sindall Group.

This is an outstanding achievement for the Company, and for the wider graphene industry. To our knowledge, the quantity of graphene-enhanced cement produced in this trial ranks among the largest ever tested globally.

Collaborating with major industry players and facilitating a trial of this scale highlights the credibility of First Graphene's products and underscores our unique position to demonstrate the potential of green cement, powered by PureGRAPH®.

With the green cement market poised for strong growth, and results of these trials expected soon, First Graphene is well positioned to become a leading supplier to this high growth industry.

"To our knowledge, the quantity of graphene-enhanced cement produced in this trial ranks among the largest ever tested globally."

The Company continues to establish a foothold across other core commercial segments and attract the attention of emerging growth opportunities.

As global demand for electric vehicles increases further, First Graphene boosted its research capabilities to investigate graphene-enhanced batteries and energy storage solutions. We secured an AUD$65,000 grant with the University of Manchester to further research commercialising supercapacitors containing graphene-metal-oxide slurry. This research will contribute to a separate project looking at the development of low-cost electrocatalysts for hydrogen production. First Graphene secured a grant equivalent to more than AUD$169,000 to support this project, which will further expand our capacity in the energy generation and storage space.

First Graphene was also granted an exclusive worldwide license for novel supercapacitor technology, with the US patent allowing us to advance research and development with a view of up-scaling to meet industry demand, as the supercapacitor market is forecast to grow to USD$720 million by 2025. Together, these research opportunities could revolutionise cell-based energy transfer capabilities, providing an alternative solution to lithium batteries, which are in high-demand with low supply.

As Europe and the UK dealt with the ongoing energy crisis this year, particularly a depletion of natural gas supplies, we signed a JDA with ZEBCO Heating Ltd to develop a unique heating device using PureGRAPH®. The enhanced device can utilise either natural gas or hydrogen gas fuels and is capable of being retrofitted to existing heaters as well as new products. It is has the potential to reduce natural gas usage by up to 30% and lower nitrogen oxide emissions in hydrogen fuelled systems. This year, the partnership achieved a proof-of-concept system compatible with both natural gas and hydrogen fuel sources, which could be a game-changer for addressing the energy crisis in Europe.

The Company has made headway with the commercialisation of graphene-enhanced perovskite solar cell (PSC) technology, to provide a large-scale renewable energy solution for industry. Thanks to graphene's exceptional electrical conductivity and thermal properties, this development would be transformational for the solar cell industry, with PSC being one of the most effective forms of ultra-low cost – and potentially ultra-low light – solar power generation. Essentially, this research has the potential to enhance large-scale solar cell efficiencies and make them more affordable.

Growth milestones

The 2023 financial year saw remarkable revenue growth performance, with First Graphene recording a Company-first annual revenue of AUD$1 million. This represents a 39% increase to the year prior and is testament to the hard work of our dedicated team, which continues to deliver our commercialisation milestones while accelerating our pre-eminence as a global material technology company.

This revenue earnings achievement by First Graphene is not just a major step for the Company but also for the wider graphene industry. It provides proof of the strong demand for a commercial graphene product, scalable in size. While this reinforces First Graphene's position as a leader in the graphene industry, it also invokes confidence for all companies striving for success in the market.

Strong growth numbers produced during this financial year is a result of increasing global demand for graphene products, positive results from research and trials converting into product commercialisation and sales, and First Graphene's ongoing reputation as a leader in the graphene market.

First Graphene received a number of grants to help fund research and development this financial year, including AUD$900,000 in tax credits from both the Australian and United Kingdom tax authorities.

Other grants include AUD$2.03 million jointly received for a collaboration with lead partner Halocell Energy and Queensland University of Technology to commercialise ultra-low cost, flexible perovskite solar cells using PureGRAPH® as a primary enabler.

The company's forward-looking pipeline is already at a value of circa $550,000, representing more than 50% of 2023 financial year sales result. This order pipeline places the company in a strong and confident position for revenue growth to keep trending north throughout 2024 as the Company continues to maximise commercial opportunities on multiple fronts.

"This revenue earnings achievement by First Graphene is not just a major step for the Company but also for the wider graphene industry. It provides proof of the strong demand for a commercial graphene product, scalable in size."

Big improvements

First Graphene continues to refine our world-leading products to provide the most cost-effective solution for industry, delivered in the shortest timeframe. First Graphene conducted trials to produce a much cheaper and less resource intensive grade, called PureGRAPH 7, which will be supplied to downstream customers for testing and product evaluation. The aim is to provide an alternative to PureGRAPH 5, the smallest yet highest-performing grade of graphene we produce.

To reduce the time and cost it takes to produce PureGraph 5, First Graphene's Operations and Research and Development team worked to make subtle changes to the existing processing conditions to drive down the cost of this superior product. A trial batch was made, focusing on optimising process conditions while maintaining product quality. This successfully achieved a 45% reduction in processing time and improved some of the product's properties, including the particle size distribution profile.

As the Company continues to push graphene technology into new areas and markets, we are actively investigating the modification of existing graphene materials to impart more or new functionalities using in-house expertise. This research includes determining new, sustainable and safer methods of creating graphene oxide without the need for hazardous and harmful chemicals.

The Company continues to strategically invest in refining our world-class manufacturing facility processes and procedures, supporting our broader optimisation and cost reduction objectives.

Towards the end of the 2023 financial year, First Graphene commissioned a new Retsch mill from Germany, with preliminary results demonstrating considerable improvements to our manufacturing process and efficiencies. The mill reduces labour intensity and can mill higher volumes of graphene at faster rates than previous methods.

The Company also looks forward to reporting on further results from our second phase of optimisation trials, set to reduce power consumption and support further cost reductions to our bottom line. While First Graphene's world-leading processes and technology allows commercial quantities of our product to be aggressively priced, there is a need to continue reducing costs and optimising processes to further develop the broader graphene market.

Strong results on the horizon

The 2024 financial year has already started strongly, with initial results from the world-leading cement trials in the UK expected to be released soon.

We expect the commercialisation of graphene-enhanced cement to grow significantly following the release of these results, as the construction industry embraces the use of graphene technology. We anticipate this will only increase the demand for PureGRAPH® as we validate and showcase the industrial scale adoption and success of the solution.

As we move through the 2024 financial year, First Graphene will continue to solidify its position in the Industrial Materials sector as we expand and validate the uses of our versatile product portfolio. The Company is actively exploring strategic partnerships with organisations best suited to bolster our profile within the industry and advance our evolution as a global company specialising in material technology.

As more industries seek alternative solutions to emissions reduction and energy optimisation capabilities, we are primed with a viable, cost-effective product to meet their needs.

I look forward to releasing further results over the next year, in lockstep with the Company's growth as a leading supplier of graphene products to meet rising global demand.

Michael Bell
Managing Director and CEO

> **"As more industries seek alternative solutions to emissions reduction and energy optimisation capabilities, we are primed with a viable, cost-effective product to meet their needs."**

OPERATIONS/ QHSE REPORT

Health and Safety

The safety and wellbeing of our team is paramount for First Graphene. As a standard, we maintain our focus on streamlining and improving the Company's systems and procedures, to create and foster a safe environment for our staff, customers and stakeholders.

During the previous financial year, a comprehensive third-party assessment of our manufacturing premises determined only minor corrective actions needed to be taken. As a Company, we immediately implemented the recommended changes to make sure our operations continued to have a strong safety record.

I am pleased to report that our QHSE KPI results for the year are exceptional, reinforcing our team's dedication to best practices in these areas, with no Lost Time Incidents, no Medical Treatment Incidents, and no Environmental Incidents.

Mitigation of Business Risks

First Graphene understands the need to mitigate a range of risks to the business, which could potentially impact our ability to achieve strategic goals, and the consistent delivery of value to all stakeholders and shareholders. Some of the risks identified and recognised by the Company include:

Regulation of Nanomaterials

The Company continues to actively monitor any changes to the regulations regarding nanomaterials and continues to be an active REACH consortium member for substance registration in Europe. Regulations around the safe use and handling of nanomaterials is widely established and generally accepted globally. We are in a strong position, with existing regulatory approvals for PureGRAPH products in Australia, the EU and the UK, where we have successfully passed the required occupational health and environmental testing.

We have also initiated the regulatory approval process for US markets. The risk of changes to nanomaterial regulation exists, however this is mitigated through consistent monitoring and adoption of best practices in the commercialisation of novel materials.

During the fourth quarter of FY23, optimisation trials were run to investigate the yield of graphene from the electro-chemical cells by modifications to both the cell and electrode design. Initial results are promising, with both an increase in the rate of graphene production and a corresponding reduction in electricity usage per kilogram of graphene produced.

Consistent commercialisation

As an early-stage business, First Graphene requires funding periodically and our key investors remain majority shareholders. Global demand for the use of next generation materials, including our product, is increasing, and many industries are realising graphene has a large role to play in solving key environmental issues impacting their business. The consistent interest from the cement industry and growing demand from other sectors mitigates the risk of impacts to ongoing liquidity. Management also continues to accelerate the process of commercialisation of our product, as well as working to increase investor confidence.

Retaining skilled workforce

First Graphene is a technically advanced and research driven business, requiring specialist, highly skilled staff who appreciate the need to develop commercially relevant solutions for various industrial sectors. Acknowledging this, the Company has implemented strong equity-based retention plans to mitigate the risk of losing key workers, while also taking steps to protect the Company's Intellectual Property through robust employee contracts. First Graphene's strong connections to research organisations has also helped maintain a healthy pipeline of skilled staff to bolster creativity and innovation along with high levels of employee engagement.

Transportation and supply

With a heavy reliance on global supply chains to transport its product, First Graphene is committed to mitigating any potential risk posed by disruption or delays to logistics. The Company ensures sufficient stock of key raw materials remains on site to maintain consistent feedstock for the manufacturing plant, should issues occur with haulage and shipping pathways. We also have several alternatives available for transporting products via air, road, and sea. From previous experience with global events impacting transportation pathways, delays have not slowed down demand or execution of projects. The Company also has insurance in place to mitigate any loss or damage to products or the business.

Safety and wellbeing of staff

First Graphene's people are a priority and maintaining a safe and healthy work environment is key to the Company's operations. The Company's Health, Safety, and Environmental Policy details how we develop and continually improve systems to reduce risks to our staff, our facilities, and the environment. We maintain strict regulatory compliance, with the Henderson manufacturing plant complying with occupational health and safety obligations of WorkSafe WA, as well as Western Australian Government and Australian Government regulations.

Environmental risk

The Company has sufficient procedure and controls in place to manage environmental risks. This includes relevant Western Australian Government and Australian Government approvals required for waste and water management in our production facility and annual testing by authorities to ensure compliance. Correct handling of by-products also remains a priority for the Company. Recent optimisation trials were designed to reduce the overt reliance on power supply, and we continue to progress these trials to further enhance production efficiencies.

We are confident in our risk management framework and First Graphene's ability to adapt to new and emerging risks to the business.

Manufacturing

This fiscal year saw First Graphene's facility in Western Australia hit a major milestone when we completed manufacture and shipment of our largest-ever single order, surpassing one metric tonne of PureGRAPH® 50 product. This was a significant achievement for the Company, as the order was completed in a short timeframe and helped validate our manufacturing process at scale. It also emphasised the substantial demand volume and further offtake potential from the cement and concrete sector. The Company efficiently and effectively fulfilled numerous other substantial orders for our clients worldwide, across the ever-broadening number of industries we supply to.

The Company continues to refine and enhance its world-class manufacturing capability and capacity using readily scalable technology to cater for growing demand. During the 2023 financial year, we commenced optimisation trials at the Henderson facility, which resulted in further refining of our production processes, improved energy saving outcomes and overall cost reduction.

First Graphene made a significant investment during the March quarter to improve our manufacturing processes, by procuring and commissioning a cutting-edge grinding mill from world-renowned German manufacturer Retsch. Initial results show improvements in particle size distribution for the finer grades of PureGRAPH® powders, ultimately setting the stage for superior product performance and enhanced uniform quality. This will also support specialised material applications, particularly in the energy storage and power generation sectors that require increased particle surface area.

The new grinding mill is poised to enhance our manufacturing capacity and capability, offering substantial productivity gains by expediting the processing of larger volumes of PureGRAPH® product. Providing a more user-friendly system, this new addition will also reduce labour intensity and material handling, while vastly accelerating graphene milling rates.

Together with the improvements to our product, this investment will further solidify First Graphene's position as a world-leading graphene supplier, opening new opportunities for commercial advantage and success.

First Graphene has renegotiated a lease renewal for the main office and manufacturing facility in Henderson, Western Australia, supporting our broader growth strategy and securing our established headquarters in Perth until mid-2028. Further reducing the Company's cash burn, the lease of the second warehouse has been discontinued. The graphite feedstock stored there will be relocated to a nearby, more cost-effective storage solution.

Looking ahead, First Graphene continues to progress our second phase of Electrochemical Cell optimisation trials. Building upon the successes of our initial trials, we anticipate further advancements in production rates and power efficiency, further solidifying our world leading capacity and competitive advantage.

David Bennett
General Manager Process Operations

COMMON & EMERGING APPLICATIONS

CONSTRUCTION & INFRASTRUCTURE

- **Cement and Concrete** – lower CO2 emissions in cement manufacturing, improved physical and functional performance with enhanced durability
- **Asphalt** - stronger, more flexible, longer lasting road and carpark surfaces
- **Cement and mortar** - increased performance in harsh conditions (eg wastewater treatment)
- **Smart coatings** - real-time leak detection
- **Cladding** - foam panels for insulation, sound and vibration control products
- **Upcycling** - enabling use and icnreased performance of recycled/secondary raw materials (e.g. recycled aggregate)
- **Coatings** - smart/conductive coatings to detect leaks in roof panels, storage vessels, pipework; fire-retardant coatings

ENERGY & STORAGE

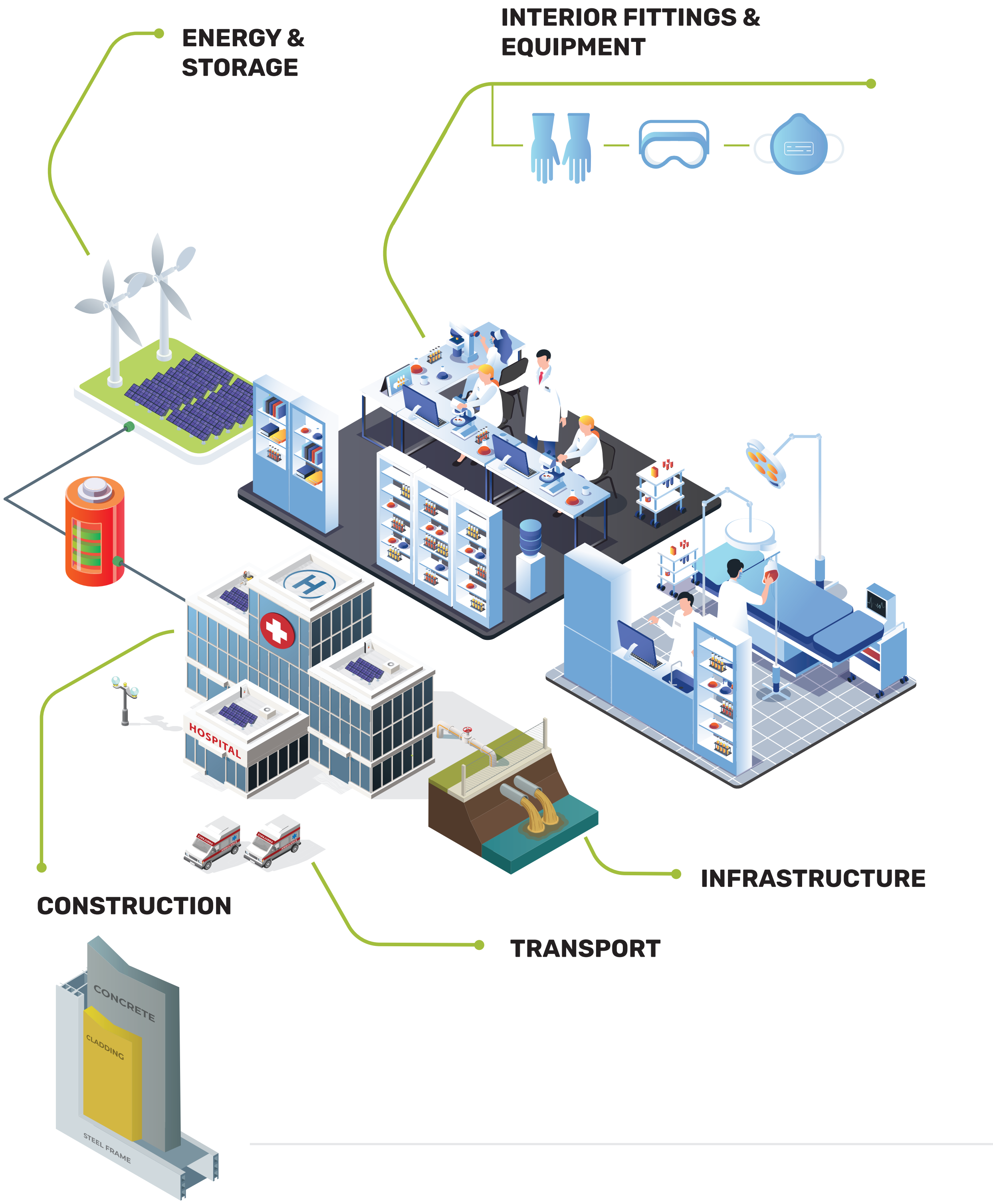
- **Battery anode coatings** - vastly improved storage capacity and performance
- **Hydrogen production and storage** – cleaner, low-cost and improved methods
- **Wind turbine blades** - for greater strength, durability and longer functional life
- **Solar thermal roof panels** - for energy efficient internal heating
- **Solar panels** - improved energy conversion, durability and functionality in reduced daylight; and enabling lower cost manufacture
- **Battery and supercapacitor technology** - better performance of electric vehicles

INDUSTRIAL MATERIALS

- **Thermally conductive polymers** – optimised heat transfer systems for data processing and automotive applications
- **Fibreglass/resins** – improved mechanical performance, wear resistance and reduced permeability
- **Vehicle components** - tyres, body panels, wear components, reinforcement, protective coatings
- **Elastomers** – improved fire retardancy, increased strength, durability, thermal and acoustic performance properties

INTERIOR FITTINGS & EQUIPMENT

- **Perovskite solar cells** - to convert ambient light to energy for equipment and appliances
- **"Smart" textiles** - (e.g. clothing, bedding) to monitor vital health data
- **Anti-bacterial/anti-microbial foams, coatings** - for mattresses, benchtops
- **Personal protective equipment** - anti-puncture gloves, strengthened safety glasses



R&D TECHNOLOGY REPORT

Research and development driving commercial success

The primary focus of First Graphene's research and development activities has been on investigating and creating solutions that present major commercial opportunities, as well as supporting the global push for more sustainable processes.

Early in the 2023 financial year, the team welcomed Ian Martin as Research and Development Manager, taking on the Company's research and development pipeline responsibilities. Based in the UK, Ian brings extensive scientific and industry knowledge to the Company, with more than 20 years' experience delivering material science and development projects.

First Graphene UK also extended its Tier 1 membership with the Graphene Engineering Innovation Centre (GEIC), reaching a 5-year milestone. This partnership allows us to continue utilising the unique facilities and leverage the prominent academic ecosystem to improve our product offerings.

First Graphene received several grants this year, including circa AUD 900,000 in tax credits from the Australian and United Kingdom tax authorities. This funding was used to fuel research and development opportunities across our key segments.

Cementing graphene's potential in the concrete industry

The Company is actively working with over 30 global cement and concrete partners and this segment remains at the forefront of the Company's commercial focus, with the in-demand and high-volume green cement market poised for strong growth, reinforcing the upside potential for First Graphene's worldclass graphene solutions.

With the cement sector responsible for producing 8% of global carbon emissions, according to Australian research body Beyond Zero Emissions, addressing the industry's significant carbon footprint has been a major focus for First Graphene. One of the most significant projects was a collaboration with Breedon Group, Morgan Sindall Construction and the University of Manchester to conduct world-leading trials of graphene-enhanced cement in the UK. These trials focused on validating at scale graphene-enhanced cement's ability to reduce carbon emissions by 10 to 20% and increase the longevity and strength of cement. The results and anticipated success of these vanguard trials will solidify First Graphene's unique position as a world-leading graphene supplier with a proven track record of implementing its solutions at industrial scale.

Separately during the financial year, First Graphene continued to make headway with leading building materials supplier Cemex. PureGRAPH® additives were successfully used in trials with Cemex and UK-based Manufacturing Technology Centre to improve compressive strength and reduce porosity of concrete-using recycled aggregate. The consortium is now aiming to expand into larger scale trials, supporting Cemex's pathway to net zero by 2050.

This financial year also saw advancements in measurement techniques to confirm the presence of graphene in cement products at a commercial scale. The National Physical Laboratory - a subset of the UK's National Metrology Institute - initiated a project to develop indicators which would provide reassurance to cement and concrete producers that graphene has been loaded correctly to achieve optimal performance.

First Graphene also secured AUD$13,000 from Innovate UK's Analysis for Innovators (A4I) Competition to develop similar solutions to measure dispersion of graphene in cement without waiting 28 days for results. Development of these tools and methodologies will only strengthen our leadership within the cement and concrete industry.

"The results and anticipated success of these vanguard trials will solidify First Graphene's unique position as a world-leading graphene supplier with a proven track record of implementing its solutions at industrial scale."

Creating sustainable energy solutions

Our research and development team joined the global focus to find alternative solutions for energy supply, storage, and innovation across a variety of industries. One of the problems becoming more prominent is the UK and Europe energy crisis, as the war in Ukraine continues to constrict critical gas supplies.

First Graphene continued to make progress with joint development partner, ZEBCO Heating, on researching and developing unique devices that can provide low-cost and low-emission domestic heating systems. In the UK, 78% of homes use gas-fired heating, and this graphene-enhanced device could potentially reduce natural gas consumption in heating by up to 30%. This collaboration also achieved a significant milestone in developing a proof-of-concept system compatible with both natural gas and hydrogen as fuel sources.

We were joint beneficiaries of AUD$2.03 million in funding for research led by Australian solar panel manufacturer Halocell Energy, which is using First Graphene's PureGRAPH® powder as a primary enabler in perovskite solar cells. The three-year collaborative project aims to commercialise ultra-low cost, flexible perovskite solar cells.

The Company also continued to work with Senergy Innovations in the UK to develop a range of thermally conductive polymers and to test graphene-enhanced solar roof tiles for their efficacy of harnessing heat from sunlight. This research aims to not only reduce the weight of solar heating panels but also deliver low-carbon, energy efficient heating solutions.

An Innovate UK project looking into metal oxide-doped graphene for the catalytic production of green hydrogen through water splitting, received equivalent to more than AUD$169,000 in funding, also wrapped up this year. These nanomaterials have the potential to reduce costs and the dependence on increasingly scarce precious and rare earth metals, aligning well with Government critical minerals strategies both in the UK and Australia. Additionally, these materials can also be applied to supercapacitor technologies for energy storage and the production of enhanced conductive coatings or inks for flexible electronics or photovoltaics. Results from the project will support future funding applications to advance commercialisation of this technology in the energy generation sector.

This year, our team secured an exclusive patent for our novel technology used to produce metal oxide decorated products for supercapacitors. Granted in September 2022, the patent complements previous work on high-energy, high-power density, commercial-scale supercapacitor cells using PureGRAPH®-based materials. Testing showed an 85% improvement in energy density and 300% improvement to capacitance than typical carbon cells. Our team also secured an AUD$65,000 grant in conjunction with the University of Manchester to fund the joint AKT2I Supercapacitor Slurry Optimisation Project. Both supercapacitor research opportunities provide exciting developments for industry as results have the potential to revolutionise cell-based energy transfer capabilities.

As the world demands more sustainable solutions for electric vehicles (EV), it was timely for First Graphene to be involved in the study of graphene-based electrothermal heaters, conducted by the Queensland University of Technology. This partnership allowed us to better understand graphene-based conductive inks and how it can be applied to the EV industry.

Endless opportunities for graphene products

Getting back to basics, First Graphene secured additional Analysis for Innovators (A4I) grant funding to map the topography and functionalisation of the surface of PureGRAPH®. The six-month collaborative project with the National Physics Laboratory and the Welsh universities of Cardiff and Swansea will provide valuable detailed information about the surface chemistry of our PureGRAPH® material, which will fundamentally improve understanding of our products and allow us to develop customised solutions for our customers across various commercial sectors.

One of those commercial sectors is footwear, and 2023 marked the start of discussions with a high-profile European brewer that expressed interest in ordering a significant number of graphene-enhanced safety footwear. This presented an opportunity to build on established commercial partnerships and to capitalise on the high-profile brand of the brewing company. Separately, First Graphene was engaged by a branded golf shoe partner to help develop a range of next-generation designs.

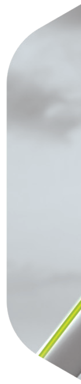
Expanding into the housing industry, First Graphene commenced work with UK residential home developer Vector Homes to develop a HDPE masterbatch for use in structural beams in their modular sustainable smart homes. The graphene-enhanced material is showing highly beneficial fire retardancy, increased strength, durability, thermal and acoustic performance properties, which aims to improve the structural integrity of housing for the future.

We also continue to make promising headway with existing clients and partners progressing applications and trials for Electrostatic Discharge (ESD) floor coatings, sustainable cold cure ceramic tiles, and high-performance lubricants. Rubber compounders have also shown interest in utilising graphene's thermal conductivity and antioxidant behaviour to enhance thermal management and improve longevity to develop new sustainable products.

Alternative solutions for a sustainable future

In both Australia and abroad, the appetite for alternative solutions to meet emission reduction targets and increase energy optimisation is gaining momentum. This has resulted in more approaches to First Graphene from industry, universities, and potential customers to work hand-in-glove to create, test and deliver viable, cost-effective, market-ready products. This collaborative approach to research also provides a strong foundation for additional, sustained growth in product volume orders in the future.

Andy Goodwin
Non-Executive Director



"By continually reviewing our research and development opportunities through a commercial lens, we are ensuring graphene-enhanced products are fast-tracked from scientific theory and curiosity to practical reality, and to make a real positive societal impact on the global stage."

Ian Martin
R&D Manager


LI-ION BATTERY
ENERGY
STORAGE
Lithium ion batteries
C 2008058816

CFO REPORT

First Graphene has powered through the 2022/23 financial year to deliver a full year revenue of AUD$1 million for the first time in the Company's history.

The growing cement and concrete segment enabled First Graphene to achieve this commercial milestone, as well as the expanding project services section of the business.

Some of the key highlights for FY23 include:

+39%

SALES REVENUE:

FY23: AUD 1.00M
FY22: AUD 0.72M

+9%

OPERATING PROFIT:

FY23: AUD - 4.18m
FY22: AUD - 4.61m

+23%

OPERATING & INVESTING CASHFLOW

FY23: -3.54m
FY22: -4.50m

Commercial momentum gathers speed

Coming off the back of a strong FY22, First Graphene has seen revenue grow 39% during FY23. This steady increase is largely due to growth in the cement and concrete segment and the uptake of new customers across the globe. The continual purchasing power from early adopters of the Company's product in Western Australia has also helped maintain a rise in revenue.

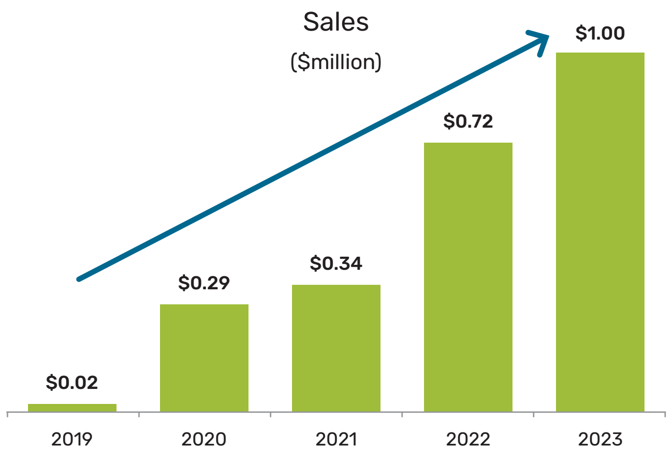
As depicted in the adjacent graphs, First Graphene's sales trajectory continues in a positive direction, while cash

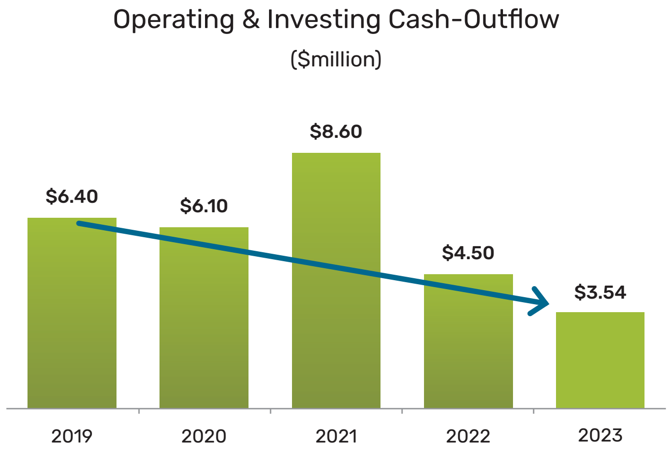
"The fiscal performance during FY23 has placed the Company in a confident position as it ventures into FY24."

outflow has decreased for a consecutive year. This is a direct result of the Company's responsible fiscal management, with a primary focus on cost reduction methods. These include consolidation of storage and manufacturing facilities in WA, reduction in spend on third party consultants and ongoing non-cash long term incentives for First Graphene's employees.

Supplying Performance Rights to the Company's hard-working staff as an incentive not only drives further commercial success but also invokes commitment from First Graphene's employees. Together, this helps the business develop as it expands into new and emerging markets.

These measures have allowed First Graphene to become more effective with its spending while continuing to reward its employees. The reduction in spend will also help the Company move closer to breakeven, via revenue increase and responsible cost management.





2024 outlook

First Graphene continues to go from financial strength to strength, and the 2024 financial year is expected to be no different. The fiscal performance during FY23 has placed the Company in a confident position as it ventures into FY24.

The Company's forward-looking order book already has a pipeline of work adding to approximately AUD$550,000, accounting for more than 50% of the FY23 sales figures. This robust order pipeline sets the stage for even greater achievements in FY24, building upon our established track record of success.

With strong ongoing interest in the concrete and cement segment, and expansion of sales into other high growth and in-demand sectors, First Graphene will continue to accelerate its commercialisation strategy and position as a global material technology company.

Aditya Asthana
CFO and Company Secretary

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2023

(INCORPORATING INFORMATION PURSUANT TO ASX LISTING RULE 4.3A)

Directors' Report

The directors present their report together with the financial report of First Graphene Limited ('First Graphene" or 'Company') and the entities it controlled ('Consolidated Entity' or 'Group') for the year ended 30 June 2023.

Directors

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

Warwick Grigor *BEc. LLB, MAusIMM, FAICD*

Non-Executive Chairman

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

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

Other Current Directorships	Former directorships in the last 3 years	Interests in shares and options	
West Wits Mining Limited Nagambie Resources Aguia Resources Limited	None	Ordinary shares Options Performance Rights	19,083,772 3,000,000 400,000

Dr Andy Goodwin *Ph.D. (Polymer Chemistry)*

Non-Executive Director

Andy has a successful track record in innovation and technology development roles within the speciality chemicals industry. Andy has extensive leadership experience with Sanofi, Dow Corning Corporation and Thomas Swan & Co. Ltd. He has a PhD in polymer chemistry and an MTE Diploma from the IMD Business School in Lausanne, Switzerland.

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

Other Current Directorships	Former directorships in the last 3 years	Interests in shares and options in FGR	
None	None	Ordinary shares Options Performance Rights	2,008,993 1,000,000 450,000

Michael Quinert

Non-Executive Director

Mr Quinert is a founding partner of QR Lawyers which was established in July 2009. He has over 30-years' experience as a commercial and corporate lawyer, including three years with ASX and over 21 years as a partner in a Melbourne law firms.

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

Michael is a Non-Executive Chairman of West Wits Mining Limited

Other Current Directorships	Former directorships in the last 3 years	Interests in shares and options in FGR	
West Wits Mining Limited	First Au Limited	Ordinary shares Options Performance Rights	80,000 - 200,000

Michael Bell

Managing Director and Chief Executive Officer

Mr Bell has over 21 years' experience in engineering and business management and significant international experience driving business growth.

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

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

Other Current Directorships	Former directorships in the last 3 years	Interests in shares and options in FGR	
None	None	Ordinary shares Options Performance Rights	1,163,979 5,000,000 -

Results and Dividends

The Group result for the year was a loss of $5,422,321 (2022: loss of $$5,033,108).

No final dividend has been declared or recommended as at 30 June 2023 or as at the date of this report (2022: $ nil).

No interim dividends have been paid (2022: nil).

Principal Activities

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

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

Events Since the End of the Financial Year

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

Significant Changes in State of Affairs

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

Likely Developments and expected results of operations

The Directors have excluded from this report any further information on the likely developments in the operations of the Group and the expected results of those operations in future financial years, other than as mentioned in the Chairman's Statement and Review of Operations, as the Directors have reasonable grounds to believe the nascent nature of the graphene market makes it impractical to forecast future profitability and other material financial events.

Directors' and other officers' emoluments

Details of the remuneration policy for Directors and other officers are included in the Remuneration Report (page 10) and the Corporate Governance Report lodged separately on ASX on the same day as this report is lodged.

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

Environmental Regulations

The Group's graphene production and sales operations are subject to regulation In Australia by the Australian Industrial Chemicals Introduction Scheme (AICIS) and by the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) in the European Union and United Kingdom.

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

Mitigation of Business Risks

First Graphene understands the need to mitigate a range of risks to the business, which could potentially impact our ability to achieve strategic goals, and the consistent delivery of value to all stakeholders and shareholders. Some of the risks identified and recognised by the Company include:

Regulation of Nanomaterials

The Company continues to actively monitor the development of regulatory requirements for new nanomaterials in our target markets. We are in a strong position, with existing regulatory approvals for PureGRAPH products in Australia, the EU and the UK where we have successfully passed the required occupational health and environmental testing. We have also initiated the regulatory approval process for USA markets. The risk of changes to nanomaterial regulations exists but is mitigated through consistent monitoring and adoption of best practices in the commercialisation of novel materials.

Consistent commercialisation

As an early-stage business, First Graphene requires funding periodically and our key investors remain majority shareholders. Global demand for the use of next generation materials, including our product, is increasing, and many industries are realising graphene has a large role to play in solving key environmental issues impacting their business. The consistent interest from the cement industry and growing demand from other sectors mitigates the risk of impacts to ongoing liquidity.

Management also continues to accelerate the process of commercialisation of our product, as well as working to increase investor confidence.

Retaining skilled workforce

First Graphene is a technically advanced and research driven business, requiring specialist, highly skilled staff that appreciate the need to develop commercially relevant solutions for various industrial sectors. Acknowledging this, the Company has implemented strong equity-based retention plans to mitigate the risk of losing key workers, while also taking steps to protect the Company's Intellectual Property through robust employee contracts. First Graphene's strong connections to research organisations has also helped maintain a healthy pipeline of skilled staff to bolster creativity and innovation along with high levels of employee engagement.

Transportation and supply

With a heavy reliance on global supply chains to transport its product, First Graphene is committed to mitigating any potential risk posed by disruption or delays to logistics. The Company ensures sufficient stock of key raw materials remains on site to maintain consistent feedstock for the manufacturing plant, should issues occur with haulage and shipping pathways. We also have several alternatives available for transporting products via air, road, and sea. From previous experience with global events impacting transportation pathways, delays have not slowed down demand or execution of projects. The Company also has insurance in place to mitigate any loss or damage to products or the business.

Safety and wellbeing of staff

First Graphene's people are a priority and maintaining a safe and healthy work environment is key to the Company's operations. The Company's Health, Safety, and Environmental Policy details how we develop and continually improve systems to reduce risks to our staff, our facilities, and the environment. We maintain strict regulatory compliance, with the Henderson manufacturing plant complying with occupational health and safety obligations of WorkSafe WA, as well as Western Australian Government and Australian Government regulations.

Environmental risk

The Company has sufficient procedure and controls in place to manage environmental risks. This includes relevant Western Australian Government and Australian Government approvals required for waste and water management in the production facility and biannual testing to ensure consistency. Correct handling of by-products also remains a priority for the Company. Recent optimisation trials were designed to reduce the overt reliance on power supply, and we continue to progress these trials to further enhance production efficiencies.

We are confident in our risk management framework and First Graphene's ability to adapt to new and emerging risks to the business.

Proceedings on behalf of company

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

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

Share Options

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

Unlisted	Grant Date	Date of Expiry	Exercise Price	Number under option
Share option	8 November 2019	8 November 2023	$0.25 each, if exercised on or before 8 November 2023	15,000,000

Directors' meetings

The number of meetings of Directors held during the year and the number attended by each Director was as follows:

	Directors' Meetings	
	Meetings Attended	Entitled to Attend
Warwick Grigor	8	8
Dr Andy Goodwin	8	8
Michael Quinert	8	8
Michael Bell	8	8

Indemnification and insurance of officers and auditors

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

The Company has entered into a Deed of Indemnity, Access and Insurance ("Deed") with each current and former officer of the Company and its subsidiaries, including each director and company secretary and persons who previously held those roles.

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

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

Remuneration report (audited)

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

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

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

Mr Warwick Grigor
Dr Andy Goodwin
Mr Michael Bell
Mr Aditya Asthana
Mr Michael Quinert

Remuneration Policy

Emoluments of Directors and Senior Executives are set by reference to payments made by other companies of similar size and industry, and by reference to the skills and experience of the Directors and Executives. Details of the nature and amounts of emoluments of each Director of the Company are disclosed annually in the Company's annual report.

Directors and Senior Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

There has been no direct relationship between the Group's financial performance and remuneration of key management personnel over the previous 5 years.

Executive Director Remuneration

Executive pay and reward consist of a base fee and short-term performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. The grant of options is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles.

Executives are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness.

The remuneration policy is designed to encourage superior performance and long-term commitment to First Graphene. At this stage of the Company's development there is no contractual performance-based remuneration.

Executive Directors do not receive any fees for being Directors of First Graphene or for attending Board meetings.

All Executive Directors, Non-Executive Directors and responsible executives of First Graphene are entitled to an Indemnity and Access Agreement under which, inter alia, they are indemnified as far as possible under the law for their actions as Directors and officers of First Graphene.

Non-Executive Director Remuneration

The Company's policy is to remunerate non-executive Directors at a fixed fee for time, commitment and responsibilities. Remuneration for Non-Executive Directors is not linked to individual performance. Given the Company is at its early stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unlisted options to Non-Executive Directors, subject to obtaining the relevant approvals. This Policy is subject to annual review. All of the Directors' option holdings are fully disclosed. From time to time the Company may grant options to non-executive Directors. The grant of options is designed to recognise and reward efforts as well as to provide Non-Executive Directors with additional incentive to continue those efforts for the benefit of the Company.

Non-Executive Directors are remunerated for their services from the maximum aggregate amount (currently $300,000 per annum) approved by shareholders for this purpose. They receive a base fee which is currently set at $35,000 per annum per non-executive Director and $30,000 per annum for the non-executive Chairman. There are no termination payments to non-executive Directors on their retirement from office.

The Company's policy for determining the nature and amounts of emoluments of Board members and Senior Executives of the Company is set out below:

Setting Remuneration Arrangements

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

Executive Officer Remuneration, including Executive Directors

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

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

Details of remuneration for the year ended 30 June 2023

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

	Short term incentives & other benefits									
	Base consulting fee	Vehicle allowance	Director's fees	Salary	Bonus payment as per contracts	Post-Employment Entitlements	Termination Payment	Share based payments	Total	Value of remuneration which is performance related
30 June 2023	A$	A$	A$	A$	A$	A$	A$	A$	A$	%
Executive Directors										
Michael Bell [(i)] [(ii)]	-	-	-	381,490	-	-	-	214,808	**596,298**	36
Non-Executive Directors										
Warwick Grigor[(ii)]	-	-	30,000	90,000	-	12,000	-	12,500[(ii)]	**144,500**	9
Dr Andy Goodwin[(ii)]	-	-	37,995	-	-	-		37,500	**75,495**	50
Michael Quinert[(ii)]	-	-	34,992	-	-	-	-	6,250	**41,242**	15
Other Key Management Personnel										
Aditya Asthana[(ii)]	-	-	-	257,916	-	27,081	-	41,016	**326,013**	13
Total	**-**	**-**	**102,987**	**729,406**	**-**	**39,081**	**-**	**312,074**	**1,183,548**	

i. The share-based payment incudes $80,911, which represents the fair value expense of the 5,000,000 options granted to Michael Bell in the financial year 2021, which he can choose to exercise by paying $0.25 per share to the company

ii. Please refer to Page 15 for assumptions used in calculating the share-based payment expenses

Details of remuneration for the year ended 30 June 2022

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

	Short term incentives & other benefits									
	Base consulting fee	Vehicle allowance	Director's fees	Salary	Bonus payment as per contracts	Post-Employment Entitlements	Termination Payment	Share based payments	Total	Value of remuneration which is performance related
30 June 2022	A$	A$	A$	A$	A$	A$	A$	A$	A$	%
Executive Directors										
Michael Bell (i) (ii) (iii)	-	-	-	383,374	-	-	-	281,602	**664,976**	42%
Non-Executive Directors										
Warwick Grigor	-	-	30,000	90,000	-	12,000	-	-	**132,000**	-
Dr Andy Goodwin	-	-	25,000	123,089	-	10,533	-	-	**158,622**	-
Michael Quinert	-	-	34,992	-	-	-	-	-	**34,992**	-
Other Key Management Personnel										
Aditya Asthana	-	-	-	231,651	-	23,165	-	9,567	**264,383**	3%
Total	**-**	**-**	**89,992**	**828,114**	**-**	**45,698**	**-**	**291,169**	**1,254,973**	

i. Michael Bell was appointed Managing Director on 1 July 2021.
ii. The share based payment represents the fair value expense of the 5,000,000 options granted to Michael Bell in the financial year 2021, which he can choose to exercise by paying $0.25 per share to the company
iii. The share based payment represents the fair value of the 5,000,000 options granted to Michael Bell up to June 2022, which he can choose to exercise by paying $0.25 per share to the company.

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. The Group is in the early development phase of its operations, and due consideration is made of developing long term shareholder value. The Board has regard to the following indices in respect of the current financial year to facilitate the long-term growth of the Consolidated Group:

Item	2023	2022	2021	2020	2019
Sales revenue $	**1,003,424**	**723,323**	**341,869**	289,773	22,771
Loss before tax $	**(5,422,321)**	**(5,033,108)**	**(6,284,757)**	(5,366,149)	(6,986,738)
Basic loss per shares (cents)	**(0.96)**	**(0.91)**	**(1.19)**	(1.11)	(1.78)
Increase/(decrease) in share price %	**(40.0)**	**(60.34)**	**133.1**	(45.1)	134.2

Relationship between Remuneration and Company Performance

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

Name	% Fixed remuneration	% Short Term Incentive	% Long Term Incentive
Warwick Grigor	91%	-	9%
Dr Andy Goodwin	50%	-	50%
Michael Quinert	85%	-	15%
Michael Bell	64%	-	36%
Aditya Asthana	87%	-	13%

Contractual Arrangements with KMP

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

			Notice Period		
Name	Base Salary	Duration of Service Agreement	By Executive	By Company	Severance Payment Entitlement
Michael Bell	350,000	Ongoing	3 months	3 months	No entitlement
Aditya Asthana	260,000	Ongoing	3 months	3 months	No entitlement

There are no other service agreements in place.

Share-based compensation

Shares issued as part of remuneration for the year ended 30 June 2023

2,395,490 performance rights were issued to key management personnel, of which 1,795,490 of the performance have vested in FY 23. 1,345,490 Performance Rights were converted to shares.

Options issued as part of remuneration for the year ended 30 June 2023

No options were issued to key management personnel as part of compensation during the year.

Options issued as part of remuneration in prior years

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

Assumptions:	
Valuation date	17 December 2020
Market price of shares	$0.245
Exercise price	$0.250
Expiry date (length of time from issue)	8 November 2023 – 2.89 years
Risk free interest rate	0.25%
Volatility	75%
Indicative Value of CEO Option (cents)	**0.1158**
Total Value of CEO Options	**$579,069**

Options holdings held by key management personnel

Directors	Balance 01.07.22	Granted	Exercised	Other	Balance 30.06.23	Total vested 30.06.23	Vested & exercisable 30.06.23	Vested & un-exercisable 30.06.22
Warwick Grigor	3,000,000	-	-	-	3,000,000	-	-	-
Dr Andy Goodwin	1,000,000	-	-	-	1,000,000	-	-	-
Michael Quinert	-	-	-	-	-	-	-	-
Michael Bell	5,000,000	-	-	-	5,000,000	-	-	-
Aditya Asthana	-	-	-	-	-	-	-	-

Performance rights issued as part of remuneration for the year ended 30 June 2023

Performance rights holdings held by key management personnel

Directors	Balance 01.07.22	Granted	Vested	Other (i)	Balance 30.06.23	Grant Date	Share Price A$
Warwick Grigor	-	400,000	100,000	-	400,000	01/08/2023	0.13
Dr Andy Goodwin	-	450,000	300,000	-	450,000	01/08/2023	0.13
Michael Quinert	-	200,000	50,000	-	200,000	01/08/2023	0.13
Michael Bell	-	1,029,979	1,029,979	(1,029,979)	-	01/08/2023	0.13
Aditya Asthana	-	315,511	315,511	(315,511)	-	01/08/2023	0.13

i. Performance Rights converted to shares by KMP

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 financial year ended 30 June 2023, the company has issued 3,682,784 PRs to Directors, employees and Key Management Personnel.

The above includes 1,050,000 Performance Rights issued 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 reserve.

Performance rights issued to Non-Executive Directors

Vesting Conditions	Tranche 1 Vested	Tranche 2 Unvested	Tranche 3 Unvested	
Share Price[1]	Nil	$0.35	$0.45	
Sales (AUD)[2]	Nil	$2 million	$5 million	
NED Name	Number of Rights	Number of Rights	Number of Rights	Total
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:

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. These rights were valued using a hybrid share option pricing model with the same inputs used above in Note 1.

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.
- No valuation assumptions required as these are non-financial targets

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 & KMPs (excluding Non-Executive Directors)

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	01/08/2022	0.13	02/09/2022
KMP *	1,345,490	01/08/2022	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

Vesting conditions for Performance Rights issued to employees (excluding Non-Executive Directors):

1. Share Price Target: $0.30
2. Total Revenue Target: $1 million
3. Continued employment with the company on date of issue of Performance Rights
4. Completion of personal KPIs
5. If the Share Price or Total Revenue Vesting Condition is partially met, a proportionate percentage of Performance Rights in the applicable Tranche will vest. For example, if FY22 Sales Revenue was $500,000, 20% of the Performance Rights in Tranche 1 will vest (being 50% of 40%).

The weighting applied to each KPI for individual employees is dependent on their role and their impact on the KPIs.

Shareholdings held by key management personnel

Directors	Balance 01.07.22	Granted	Exercise of options	Acquired	Other	Balance 30.06.23
Warwick Grigor	19,083,772	-	-	-	-	19,083,772
Dr Andy Goodwin	2,008,993	-	-	-	-	2,008,993
Michael Quinert	80,000	-	-	-	-	80,000
Michael Bell	134,000	-	-	-	1,029,979 (i)	1,163,979
Aditya Asthana	60,000	-	-	-	315,511 (i)	375,511

i. Shares issued upon vesting of performance rights in the year.

Transactions with other related parties

There were no loans or other transactions with key management personnel. No remuneration consultants were utilised at this point in the Company's development.

Voting Rights

At the 2022 Annual General Meeting held on 17 October 2022 there were 6.4% of the votes against the adoption of the remuneration report.

End of audited Remuneration Report

Auditor's independence

The Directors received the independence declaration from the auditor of First Graphene Limited as stated on page 19.

Non-audit services

During the period BDO Corporate Tax (WA) Pty Ltd was paid $56,873 for the provision of taxation services (2022: $50,668). BDO Corporate Tax (WA) Pty Ltd is an affiliate member of BDO Audit (WA) Pty Ltd. Refer to Note 22 for further details

The board of directors has considered the position and is satisfied the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied the provision of non-audit services by the auditor, as set out in Note 22, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

Signed in accordance with a Resolution of the Directors.

Michael Bell
Managing Director and Chief Executive Officer

Dated at Perth this 22nd day of September 2023

Corporate Governance Statement

The Company's full Corporate Governance Statement is available on the Company's website, www.firstgraphene.net/corporate/corporate-governance.html.

A completed Appendix 4G and the full Corporate Governance Statement have been lodged with the Australian Securities Exchange as required under Listing Rules 4.7.3 and 4.7.4.

Annual General Meeting

The Company's Annual General Meeting will be held on 20th November 2023.

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

Auditor's Independence Declaration

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

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

As lead auditor of First Graphene Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

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

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

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth,

22 September 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Note	2023 $	2022 $
Continuing operations			
Revenue from contracts with customers	3	**1,003,424**	723,323
Cost of goods sold		**(561,990)**	(555,648)
Gross profit/(loss)		**441,434**	167,675
Other Operating Income	4(a)	**934,947**	900,116
Research & development	4(b)	**(1,598,159)**	(1,599,816)
Selling & marketing	4(c)	**(568,952)**	(875,857)
Mineral lease maintenance	4(d)	**(126,237)**	(98,902)
General & administrative	4(e)	**(3,264,231)**	(3,098,274)
Loss from continuing operations before tax expense and finance		**(4,181,199)**	(4,605,059)
Non-Operating Income/Expense			
Other Non-Operating income		**-**	341,825
Share Based Payment expense	16	**(477,673)**	(463,839)
Finance income	5(a)	**39,755**	2,377
Finance expense	5(b)	**(803,204)**	(308,413)
Loss before tax expense		**(5,422,321)**	(5,033,108)
Income tax (expense)/benefit	6	**-**	-
Loss after tax		**(5,422,321)**	(5,033,108)
Other comprehensive income			
Items which may be reclassified to profit or loss			
Foreign currency translation difference on foreign operations		**14,438**	(102,940)
Total comprehensive loss for the year Attributable to the owners of First Graphene Limited		**(5,407,883)**	(5,136,048)

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

For the year ended 30 June 2023

	Note	2023 $	2022 T$
Loss for the year attributable to:			
Owners of First Graphene Limited		**(5,421,710)**	(5,017,487)
Non-Controlling interests		**(611)**	(15,621)
		(5,422,321)	(5,033,108)
Total comprehensive loss for the year attributable to:			
Owners of First Graphene Limited		**(5,407,272)**	(5,120,427)
Non-Controlling interests		**(611)**	(15,621)
		(5,407,883)	(5,136,048)
Loss per share for the year attributable to the owners of First Graphene Limited:			
Basic (loss) per share (cents per share)	7	**(0.94)**	(0.91)
Diluted Loss per share (cents per share)	7	**(0.94)**	(0.91)

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

Consolidated Statement of Financial Position

At 30 June 2023

	Note	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	8	**3,225,954**	7,004,724
Inventories	9	**1,759,014**	1,821,713
Trade and other receivables		**346,495**	167,744
Other current assets	10	**726,064**	225,801
Total current assets		**6,057,527**	9,219,982
Non-current assets			
Property, plant and equipment	11	**2,479,526**	2,854,654
Right of use asset	24	**579,151**	162,179
Inventories	9	**2,215,237**	2,851,875
Intangible assets		**151,701**	118,155
Other assets		**229,244**	211,908
Total non-current assets		**5,654,859**	6,198,770
Total assets		**11,712,386**	15,418,752
Liabilities			
Current liabilities			
Trade and other payables	12	**435,832**	585,702
Employee liabilities		**276,118**	139,189
Financial liabilities	13	**3,622,000**	6,135,251
Lease liabilities	24	**530,656**	178,489
Total current liabilities		**4,864,606**	7,038,631
Non-current liabilities			
Lease liabilities		**-**	-
Total non-current liabilities		**-**	-
Total liabilities		**4,864,608**	7,038,631
Net assets		**6,847,780**	8,380,121
Equity			
Issued capital	15	**106,378,130**	102,845,907
Reserves	16	**6,095,513**	5,738,367
Accumulated losses		**(105,811,650)**	(100,389,940)
Capital and reserves attributable to owners of First Graphene Limited		**6,661,993**	8,194,334
Non-controlling interest		**185,787**	185,787
Total equity		**6,847,780**	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 year ended 30 June 2023

	Issued Capital $	Share based payments reserve $	Translation reserve $	Other Reserve $	Accumulated losses $	Non-controlling interests $	Total $
As at 1 July 2022	**102,845,906**	**5,931,862**	**(116,530)**	**(76,966)**	**(100,389,940)**	**185,787**	**8,380,121**
Loss for the year	-	-	-	-	(5,421,710)	-	(5,421,710)
Foreign currency translation	-	-	117,120	-	-	-	117,119
Total comprehensive loss for the year	**-**	**-**	**117,120**	**-**	**(5,421,710)**	**-**	**(5,304,590)**
Share placements during the year	-	-	-	-	-	-	-
Shares issued	3,332,381	-	-	-	-	-	3,332,381
Transactions with non-controlling interest	-	-	-	-	-	-	-
Share issue costs	(37,804)	-	-	-	-	-	(37,804)
Share based payment transactions	237,646	240,027	-	-	-	-	477,673
Vesting of performance rights	-	-	-	-	-	-	-
Transfer to accumulated losses	-	-	-	-	-	-	-
30 June 2023	**106,378,130**	**6,171,889**	**589**	**(76,966)**	**(105,811,650)**	**185,787**	**6,847,780**

	Issued Capital $	Share based payments reserve $	Translation reserve $	Other Reserve $	Accumulated losses $	Non-controlling interests $	Total $
As at 1 July 2021	**98,808,042**	**5,639,623**	**13,590**	**(45,851)**	**(95,361,902)**	**170, 293**	**9,223,795**
Loss for the year	-	-	-	110	(5,017,487)	(15,731)	(5,033,108)
Foreign currency translation	-	-	(130,121)	-	(10,550)	-	(140,664)
Total comprehensive loss for the year	**-**	**-**	**(130,121)**	**110**	**(5,028,037)**	**(15,731)**	**(5,173,773)**
Share placements during the year	1,500,000	-	-	-	-	-	1,500,000
Shares issued	2,210,187	-	-	-	-	-	2,210,187
Transactions with non-controlling interest	-	-	-	(31,225)	-	31,225	-
Share issue costs	(18,923)	-	-	-	-	-	(18,923)
Share based payment transactions	328,000	310,839	-	-	-	-	638,839
Vesting of performance rights	18,600	(18,600)	-	-	-	-	-
Transfer to accumulated losses	-	-	-	-	-	-	-
30 June 2022	**102,845,906**	**5,931,862**	**(116,530)**	**(76,966)**	**(100,389,940)**	**185,787**	**8,380,121**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers		**726,673**	606,947
Payments to suppliers and employees		**(5,070,777)**	(6,250,674)
Interest received		**40,195**	2,377
Interest paid		**-**	-
R&D and grant funding received		**901,609**	1,241,941
Other income		**-**	-
Net cash outflows from operating activities	19	**(3,402,301)**	(4,399,409)
Cash flows from investing activities			
Payments for property, plant and equipment		**(94,291)**	(44,576)
Proceeds from sale of property, plant and equipment		**-**	-
Payments for intellectual property		**(45,512)**	(46,000)
Net cash outflows from investing activities		**(139,803)**	(90,576)
Cash flow from financing activities			
Proceeds from placement of shares		**-**	-
Proceeds from the exercise of options		**-**	1,617,372
Payment of share issue/capital raising costs		**(37,804)**	(18,923)
Proceeds from convertible note		**-**	3,000,000
Finance lease payments		**(198,862)**	(180,808)
Net cash inflows / (outflows) from financing activities		**(236,666)**	4,417,641
Net decrease in cash and cash equivalents		**(3,778,770)**	(72,344)
Cash and cash equivalents at beginning of the year		**7,004,724**	7,076,580
Effect of exchange rate fluctuations on cash held		**-**	488
Cash and cash equivalents at end of the year	8	**3,225,954**	7,004,724

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

Notes to the Consolidated Financial Statements

1. Basis of Preparation

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

First Graphene Limited
1 Sepia Close
Henderson WA 6166

A description of the nature of operations and principal activities of FGR and its subsidiaries (collectively, the "Group") is included in the Chief Executive Officer's Report, which is not part of these financial statements.

The financial statements were authorised for issue in accordance with a resolution of the directors on 22 September 2023

The financial report is a general-purpose financial report which:

- has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on a historical cost basis except for assets and liabilities and share-based payments which are required to be measured at fair value. The basis of measurement is discussed further in the individual notes;
- is presented in Australian dollars;

Accounting policies

New standards, interpretation and amendments adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2023, except for the adoption of new accounting standards and interpretations effective for annual periods beginning 1 July 2022 The effect of the adoption of these new accounting standards and interpretations did not have a material impact on the annual consolidated financial statements of the Group, the nature and effect of which is discussed below.

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

Notes to the Consolidated Financial Statements

Going Concern

For the year ended 30 June 2023 the entity recorded a loss of $5,422,321 (2022: $5,033,108) and had net cash outflows from operating activities of $3,402,301 (2022: $4,399,409).

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.

Statement of compliance

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

The following Standards and Interpretations have been issued by the AASB, are relevant to the Group, but are not yet effective and have not been adopted by the Group for the period ending 30 June 2023. Unless otherwise stated, the Group has yet to fully assess the impact of these Standards and Interpretations when applied in future periods.

Basis of consolidation

The consolidated financial statements comprise the financial statements of First Graphene Limited and its subsidiaries as at 30 June 2023 (the **Group**).

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

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

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

Foreign currency translation

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

Foreign currency transactions

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

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the

Notes to the Consolidated Financial Statements

rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

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

OTHER ACCOUNTING POLICIES

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

The Notes To The Financial Statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations and the financial position and performance of the Group. Information is considered relevant and material if, for example:

- the amount is significant due to its size or nature;
- the amount is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business; or
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

- Performance for the year;
- Operating assets and liabilities;
- Capital structure and risk;
- Other disclosures.

A brief explanation is included under each section.

Performance For the Year

This section focuses on the results and performance of the Group. This covers both profitability and the resultant return to shareholders via earnings per share combined with cash generation.

KEY ESTIMATES AND JUDGEMENTS

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

Share Based Payments Estimates

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the binomial or black-scholes model taking into account the terms and conditions upon which the instruments were granted. The

Notes to the Consolidated Financial Statements

accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 16 or further information.

Services Revenue

Judgement has been exercised in calculating and recognition of Service Revenue. This applies to estimating percentage of work completed on each project that is being under taken.

Convertible notes carried at fair value

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

Inventories

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product based on prevailing spot metals process at the reporting date, less estimated costs to complete production and bring the product to sale. Inventory held at 30 June 2023 relates to raw material, work in progress and finished goods and is held at net realisable value.

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

Notes to the Consolidated Financial Statements

2. Segment reporting

Identification of reportable segments

The Group has identified its operating segments based on the internal reports which are reviewed and used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The existing operating segments are identified by management based on the way the Group's operations were carried out during the financial year. Discrete financial information about each of these operating businesses is reported to the Board on a monthly basis.

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

Graphene production

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

Research and development

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

Corporate services

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

Mining Asset Maintenance

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

Notes to the Consolidated Financial Statements

Business Segment	Graphene Production $		Research & Development $		Corporate Services $		Mining Asset Maintenance $		Total $	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Product Revenue (Point in time)	**598,966**	503,126	-	-	-	-	-	-	**598,966**	503,126
Service Revenue (Over time)	**-**	-	**404,459**	220,197	-	-	-	-	**404,459**	220,197
Total Revenue	**598,966**	503,126	**404,459**	220,197	**-**	-	**-**	-	**1,003,424**	723,323
Profit / (Loss) from Continuing operations	**(398,288)**	(468,318)	**(913,285)**	(1,176,653)	**(2,743,389)**	(2,861,185)	**(126,237)**	(98,902)	**(4,181,199)**	(4,605,059)
Depreciation Expense	**387,778**	381,139	**31,544**	31,709	**54,266**	45,266	**-**	-	**473,588**	458,114
Amortisation Expense	**47,485**	34,657	**3,126**	27,550	**83,446**	112,930	**-**	-	**134,057**	172,136
Segment assets	**4,389,214**	4,799,332	**3,998,018**	3,340,146	**3,295,164**	7,274,805	**29,994**	4,467	**11,712,390**	15,418,751
Segment liabilities	**(174,210)**	(174,210)	**(345,398)**	(184,550)	**(4,343,045)**	(6,677,049)	**(1,956)**	(2,822)	**(4,864,609)**	(7,038,631)

The Group recognises revenue under IFRS 15, using the point in time criteria for Product Revenue and over time criteria for Service Revenue.

For Product Revenue, the customer obtains control of a promised asset and the entity satisfies a performance obligation. Considerations include, but are not limited to:

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

Revenue from Services is based on contracts signed customers / development partners.

- The transaction price is allocated across each performance obligation based on contracted prices.
- The performance obligation is fulfilled over time as the Group enhances the assets which the customer controls, for which the Group has no alternative use and has a right to payment for performance earned to date.
- Revenue is recognised in the accounting period in which services are rendered. Customers are in general invoiced for an amount that is calculated based on agreed contract terms

Notes to the Consolidated Financial Statements

Geographical areas

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

	2023 $		2022 $	
Geographical segments	**Revenue**	**Total Assets**	Revenue	Total Assets
Australia	**1,003,424**	**10,660,460**	723,323	14,856,052
United Kingdom	**-**	**1,021,932**	-	558,232
Sri Lanka	**-**	**29,994**	-	4,467
Total	**1,003,424**	**11,712,386**	723,323	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

	2023 $	2022 $
Total segments assets	**17,905,755**	20,787,048
Inter-segment elimination	**(6,193,369)**	(5,368,297)
Total assets per statement of financial position	**11,712,386**	15,418,751

Reconciliation of segment liabilities to the Statement of Financial Position

	2023 $	2022 $
Total segments liabilities	**23,418,468**	23,086,033
Inter-segment elimination	**(18,553,852)**	(16,047,402)
Total liabilities per statement of financial position	**4,864,606**	7,038,631

Notes to the Consolidated Financial Statements

3. Revenue from contracts with customers

Accounting Policy

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

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

Revenue from Services is based on contracts signed customers / development partners. The transaction price is allocated across each performance obligation based on contracted prices. The performance obligation is fulfilled over time as the Group enhances the assets which the customer controls, for which the Group has no alternative use and has a right to payment for performance earned to date. Revenue is recognised in the accounting period in which services are rendered. Customers are in general invoiced for an amount that is calculated based on agreed contract terms in accordance with stand-alone selling prices for each performance obligation.

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

	Notes	2023 $	2022 $
Types of goods			
Sale of Goods		**598,966**	503,126
Sales of Services		**404,459**	220,197
Total revenue from contracts with customers		**1,003,424**	723,323

4. Operating expenses and other income

Accounting Policy

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

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

Government Grants

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

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

Notes to the Consolidated Financial Statements

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

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

Depreciation

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

Plant and equipment 3-15 years

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

Other revenue and expenses from continuing operations:

		Notes	2023 $	2022 $
(a)	Other income			
	R&D and grant income		**934,947**	900,116
			934,947	900,116
(b)	Research & development			,
	Employee expenses		**658,993**	535,053
	Consultant and research programs		**457,140**	707,202
	Legal and taxation expenses		**20,426**	9,531
	Depreciation		**31,544**	31,709
	Amortisation		**3,126**	27,550
	Impairment of inventory		**-**	-
	Other		**447,356**	288,770
			1,598,159	1,599,816
(c)	Selling & marketing			
	Employee expenses		**419,862**	562,780
	Advertising & promotion		**-**	139,554
	Depreciation		**2,880**	2,437
	Other		**146,210**	171,087
			568,952	875,857
(d)	Mining lease maintenance			
	Employee expenses		**36,915**	32,842
	Rent of premises		**54,107**	41,279
	Other		**35,215**	24,781
			126,237	98,902
(e)	General & administrative			
	Employee expenses		**1,616,123**	1,543,352
	Director, finance & company secretarial fees		**56,698**	47,189
	Legal & other professional fees		**301,636**	505,377
	Share registry, listing and other corporate costs		**108,041**	148,510
	Depreciation		**51,386**	42,830
	Amortisation		**83,446**	112,930
	Rent of premises		**-**	-
	Insurances		**51,541**	79,270
	Other		**988,405**	618,817
			3,264,231	3,098,274

Notes to the Consolidated Financial Statements

5. Finance income and expense

Accounting Policy

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

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

	Notes	2023 $	2022 $
(a) Finance income			
Interest income on bank deposits		**39,755**	2,377
		39,755	2,377
(b) Finance expense			
Finance Cost (i)		**(819,130)**	(282,934)
Interest – Right of use Asset		**(9,230)**	(13,817)
Foreign exchange (loss)/gain - unrealised		**25,157**	(11,662)
		(803,204)	(308,413)

(i) Finance Cost noted above is in accordance to the terms of the Share Placement Agreement with Specialty Materials Investments, LLC that the Company entered into on the 27th of May 2021 (Note 13). The expense recognises the value of the additional shares to be issued ($480,000 over the life of the contract) and the issuance shares at a discount to the prevailing market price per the terms of the agreement.

	Share price on issue date	2023 $	2022 $
Additional Shares to be issued		**186,749**	282,934
4,761,905 shares issued @ 10.5c	14c	**166,667**	-
9,523,810 shared issued @ 10.5c	13.5c	**285,714**	-
5,000,000 shared issued @ 10c	12c	**100,000**	-
2,222,222 shared issued @ 9c	9.9c	**20,000**	-
6,666,667 shared issued @ 7.5c	8.4c	**60,000**	-
		819,130	282,934

Notes to the Consolidated Financial Statements

6. Income tax

Accounting Policy

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

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

Income Tax Expense	2023 $	2022 $
(a) Income tax expense/(benefit)	**-**	-
Current tax	**-**	-
Deferred tax	**-**	-
Under/(over) provision in prior years	**-**	-
Total income tax expense	**-**	-
(b) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited in equity		
Current tax	**-**	-
Deferred tax	**-**	-
	-	-
(c) Reconciliation of income tax expense to prima facie tax payable		
- Loss before income tax from all activities	**(5,409,046)**	(5,017,488)
- Prima facie income tax benefit on loss before income tax at 30% (2022:30%)	**(1,352,261)**	(1,254,372)
- Entertainment	**2,206**	4,553
- Share based payments	**117,581**	115,960
- Non-assessable income	**(228,525)**	(211,978)
- Other permanent differences	**54,299**	40,830
- Deferred tax assets not brought to account	**1,308,164**	85,518
Income tax expense/(benefit)	**-**	-
The applicable weighted average effective tax rates	**0%**	0%
(d) Deferred tax liability		
Prepaid expenditure	**-**	-
PPE	**-**	-
Other temporary differences	**-**	-
	-	-
Off-set of deferred tax assets	**-**	-
Net deferred tax liability recognised	**-**	-

Notes to the Consolidated Financial Statements

Income Tax Expense	2023 $	2022 $
(e) Unrecognised deferred tax asset		
Tax losses	**7,683,730**	6,734,869
Capital losses	**7,310,519**	7,310,519
PPE & Leases	**(12,124)**	4,078
Other temporary differences	**105,997**	127,569
	15,088,122	14,177,034
Off-set of deferred tax liabilities	**(42,703)**	(110,890)
Net deferred tax assets unrecognised	**15,045,419**	14,066,145

The Group has Australian revenue losses from previous years for which no deferred tax assets have been recognised. The availability to utilise these losses in future periods is subject to review in the relevant jurisdictions.

7. Loss per share

Accounting Policy

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

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

	Number of shares 2023	Number of shares 2022
Weighted average ordinary shares used in calculating basic earnings per share	**579,228,053**	552,630,533
Weighted average ordinary shares used in calculating diluted earnings per share	**579,228,053**	552,630,533
Basic loss per share - cents per share	**(0.94)**	(0.91)
Diluted loss per share - cents per share	**(0.94)**	(0.91)

	2023 $	2022 $
Loss attributable to the owners of First Graphene used in calculating basic loss per share	**(5,421,710)**	(5,017,487)
Loss attributable to the owners of First Graphene used in calculating diluted loss per share	**(5,421,710)**	(5,017,487)

Notes to the Consolidated Financial Statements

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

8. Cash and cash equivalents

Accounting Policy

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

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

	2023 $	2022 $
Cash at bank and in hand	**3,225,954**	7,004,724
	3,225,954	7,004,724

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

OPERATING ASSETS AND LIABILITIES

This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in the capital structure and finance costs section on page 41.

9. Inventories

Accounting Policy

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

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

Notes to the Consolidated Financial Statements

Inventories (continued)

Total Inventories	2023 $	2022 $
Raw materials	**2,057,681**	1,987,200
Work in progress	**99,159**	316,598
Finished goods	**1,859,532**	2,411,910
Inventories Gross	**4,016,371**	4,715,708
Less: Provision for impairment	**(42,120)**	(42,120)
Carrying amount	**3,974,251**	4,673,588
Disclosed as:		
Current	**1,759,014**	1,821,713
Non-current	**2,215,237**	2,851,875
Total inventory	**3,974,251**	4,673,588

10. Other assets

	2023 $	2022 $
Prepayments	**726,064**	225,801
Total other assets	**726,064**	225,801

11. Property, plant and equipment

Accounting Policy

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

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

Plant and equipment 3-15 years

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

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

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

Notes to the Consolidated Financial Statements

Property, plant and equipment (continued)

Key estimates and assumptions

Useful Life of Assets

The estimation of useful lives, residual values and depreciation methods require significant management judgements and are regularly reviewed. If they need to be modified, the depreciation and amortisation expense is accounted for prospectively from the date of the assessment until the end of the revised useful life (for both the current and future years).

"Capital work in progress is projects of a capital nature which usually relates to the construction/installation of buildings, plant or equipment. Upon completion (when ready for use) capital work in progress is transferred to the relevant asset category. Capital work in progress is not depreciated."

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

30 June 2023	Capital Work in Progress	Plant and equipment	Office equipment	Motor vehicles	Total
Carrying amount at beginning of year	**625,125**	**2,176,724**	45,050	7,756	**2,854,655**
Additions	68,467	111,245	-	-	179,172
Depreciation	-	(453,250)	(16,645)	(1,760)	(471,655)
Transfers	(542,702)	542,702	-	-	-
Movement due to foreign exchange	-	(83,258)	72	-	(83,186)
Carrying amount at end of year	**150,890**	**2,294,163**	**28,477**	**5,996**	**2,479,526**

30 June 2022	Capital Work in Progress	Plant and equipment	Office equipment	Motor vehicles	Total
Carrying amount at beginning of year	**-**	**2,600,832**	**56,442**	**9,369**	**2,666,643**
Additions	625,125	17,543	5,031	-	647,699
Depreciation	-	(440,181)	(16,320)	(1,613)	(458,114)
Movement due to foreign exchange	-	(1,471)	(103)	-	(1,573)
Carrying amount at end of year	**625,125**	**2,176,724**	**45,050**	**7,756**	**2,854,655**

Notes to the Consolidated Financial Statements

12. Trade and other payables

Accounting Policy

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

	2023 $	2022 $
Current		
Trade and other payables	**261,622**	411,492
Customer deposits	**174,210**	174,210
	435,832	585,702

13. Financial liabilities

Accounting Policy

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

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

Terms and Conditions

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

- Total AUD amount that can be drawn down: $8,000,000
- Initial deposit shares issued: 2,800,000 shares at $0.235 per share
- Fee paid: 1,021,276 shares at $0.235 per share
- Final AUD value of shares to be issued: $8,480,000 ("subscription amount")
- Other Terms:
- The final number of shares to be issued by the Company will be determined by applying the Purchase Price (as set out below) to the subscription amount. The Purchase Price will initially be equal to $0.30 per share and will reset after 10 August 2021 to the average of the five daily volume-weighted average prices selected by the Investor during the 20 consecutive trading days immediately prior to the date of the Investor's notice to issue shares, rounded down to the next half a cent if the share price is at below 50 cents and whole cent if the share price is at above 50 cents, with no discount applicable to this formula. To the extent that Placement Shares are issued after six months, or 12 months, the Investor will receive a discount of, respectively, 3% or 6% to the foregoing Purchase Price formula.
- The Purchase Price will be the subject of a Floor Price of $0.16. If the Purchase Price formula were to result in a purchase price that is less than the Floor Price, the Company may refuse to issue shares and instead opt to repay the relevant subscription amount in cash (with a 5% premium), subject to the Investor's right to

Notes to the Consolidated Financial Statements

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.
- In October 2022, the agreement was varied thereby extending the term over which the shares are to be issued by another 12 months.

	2023 $	2022 $
Current		
Convertible liabilities	3,622,000	6,135,251
	3,622,000	**6,135,251**

Opening Balance at 1st Jul 21	**4,342,000**
Finance Charge	293,251
Funds Received - Placement 2	3,000,000
2,941,176 Shares at an issue price of $0.17 per Share on 10 February 2022	(500,000)
3,225,807 Shares at an issue price of $0.155 per Share on 25 March 2022	(500,000)
3,225,807 Shares at an issue price of $0.155 per Share on 8 April 2022	(500,000)
Closing Balance at 30th Jun 2022 / Opening Balance 1 July 2022	**6,135,251**
Finance Charge	186,749
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)
2,222,222 Shares at an issue price of $0.09 per Share on 2 March 2023	(200,000)
6,666,667 Shares at an issue price of $0.075 per Share on 24 May 2023	(500,000)
Closing Balance at 30 June 2023	**3,622,000**

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS AND RISK

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

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

The Board's policy in relation to capital management is to regularly and consistently monitor future cash flows against expected expenditures for a rolling period of up to 12 months in advance. The Board determines the Group's need for additional funding by way of either share issues or loan funds depending on market conditions at the time. The Board defines

Notes to the Consolidated Financial Statements

working capital in such circumstances as its excess liquid funds over liabilities and defines capital as being the ordinary share capital of the Company, plus retained earnings, reserves and net debt. In order to maintain or adjust the capital structure, the Board may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or reduce debt.

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

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

14. Financial Risk Management

(a) Financial risk management

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

Financial risk management structure:

Board of Directors

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

(b) Financial risks

Credit risk

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

It is the Group's policy to place funds generated internally and from deposits with clients with high quality financial institutions. The Group does not employ a formalised internal ratings system for the assessment of credit exposures. Amounts due from and to clients and dealers represents receivables sold and payables for securities purchased which have been contracted for but not yet settled on the reporting date, respectively. The majority of these transactions are carried out on a delivery versus payment basis, which results in securities and cash being exchanged within a very close timeframe. Settlement balances outside standard terms are monitored on a daily basis.

Exposure to credit risk

Notes to the Consolidated Financial Statements

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

The Group's maximum exposure to credit risk without taking account of any collateral or other credit enhancements at the reporting date was $3,225,954 (2022: $7,004,724).

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

	Group	
	2023 $	2022 $
Cash and cash equivalents	**3,225,954**	7,004,724
	3,225,954	7,004,724

Impairment of financial assets

The group holds trade receivables that are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Trade receivables

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

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

On that basis, the loss allowance as at 30 June 2023 was determined to be nil.

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

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

Notes to the Consolidated Financial Statements

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

	Neither Past Due nor individually impaired $	Past due but not individually impaired $	Individually impaired $	Total $	Impairment allowance $	Total carrying amount $
Consolidated 30 June 2023						
Trade receivables	**346,495**	-	-	**346,495**	**-**	**346,495**
	346,495	**-**	**-**	**346,495**	**-**	**346,495**
Consolidated 30 June 2022						
Trade receivables	167,744	-	-	167,744	-	167,744
	167,744	-	-	167,744	-	167,744

Financial assets past due but not individually impaired

For the purpose of this analysis an asset is considered past due when any payment due under the contractual terms is received one day past the contractual due date. The majority of these transactions are carried out on a delivery versus payment basis, which results in securities and cash being exchanged within a very close timeframe. Settlement balances outside standard terms are monitored on a daily basis. Credit risk is also mitigated as securities held for the counterparty by the Group can ultimately be sold should the counterparty default. There were no renegotiated financial assets during the year.

Collateral pledged or held

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

Liquidity risk

Liquidity risk is the risk the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by monitoring forecast cash requirements and cash flows.

The primary objective of the Group is to manage short-term liquidity requirements in such a way as to minimise financial risk. The Group maintains sufficient cash resources to meet its obligations, cash deposits are repayable on demand.

Notes to the Consolidated Financial Statements

The tables below present the cash flows receivable and payable by the Group under financial assets and liabilities by remaining contractual maturities at the reporting date. The amounts disclosed are the contractual, undiscounted cash flows.

	Weighted average effective interest rate	Floating interest rate	Fixed interest		Non-interest bearing		
		Within one year	Within one year	1-5 years	Within one year	1-5 years	Total
	%	$	$	$	$	$	$
30 June 2023							
Financial assets							
Cash and cash equivalents	0.01	**3,225,954**	-	-	-	-	**3,225,954**
Total Financial assets at 30 June 2023		**3,225,954**	-	-	-	-	**3,225,954**
Trade and other payables		-	-	-	**435,832**	-	**435,832**
Financial liabilities		-	-	-	**3,622,000**	-	**3,622,000**
Lease Liabilities						530,656	**530,656**
Total financial liabilities at 30 June 2023		**-**	**-**	**-**	**4,057,832**	**530,656**	**4,588,488**
30 June 2022							
Financial assets							
Cash and cash equivalents	0.01	7,004,724	-	-	-	-	7,004,724
Total Financial assets at 30 June 2022		7,004,724	-	-	-	-	7,004,724
Trade and other payables		-	-	-	585,702	-	585,702
Financial liabilities		-	-	-	6,135,251	-	6,135,251
Lease Liabilities					178,489		178,489
Total financial liabilities at 30 June 2022		-	-	-	6,899,442	-	6,899,442

Notes to the Consolidated Financial Statements

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

	Less than 1 year $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $
30 June 2023				
Trade and other payables (refer note 12)	435,832	-	-	-
Financial liabilities (refer note 13)	3,622,000	-	-	-
	4,057,832	-	-	-
30 June 2022				
Trade and other payables (refer note 12)	585,702	-	-	-
Financial liabilities (refer note 13)	6,135,251	-	-	-
	6,720,953	-	-	-

Market Risk

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

(i) Foreign exchange risk

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

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

The Group's profitability can be significantly affected by movements in the $US/$A exchange rates, and to a lesser degree, though movements in the Sri Lankan Rupee verses the Australian dollar. Through reference to industry standard practices, and open market foreign currency trading patterns within the past 12 months, the group set the level of acceptable foreign exchange risk.

The Group seeks to manage this risk by holding foreign currency in $US GBP£ and Sri Lankan Rupee.

Sensitivity analysis

The following table does not include intra group financial assets and liabilities. It summaries the sensitivity of the Group's financial assets and liabilities to external parties at 30 June 2023 to foreign exchange risk, based on foreign exchange rates as at 30 June 2023 and sensitivity of +/-5%:

	30 June 2023 rate (cents)
US$/A$	0.6655
GBP/A$£	0.5234
LKR/A$	205.01

Notes to the Consolidated Financial Statements

	Foreign exchange risk	
	2023 $	2022 $
Change in profit/loss due to:		
Improvement in AUD by 5%	**(74,476)**	(66,017)
Decline in AUD by 5%	**74,476**	66,017
Change in equity due to:		
Improvement in AUD by 5%	**(74,476)**	(66,017)
Decline in AUD by 5%	**74,476**	66,017

(ii) Interest rate risk

Group

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash position. A change of 10 basis points in interest rates at the reporting date would result in a change of profit or loss by the amounts shown below. This analysis assumes all other factors remain constant.

Profile

At reporting date the interest rate profile of the Group's financial instruments was:

		Interest rate risk			
	2023	-10bps		+10bps	
	$	Profit	Equity	Profit	Equity
Floating rate instruments					
Cash at bank	**3,225,954**	**(2,614)**	**-**	**2,614**	**-**
	3,225,954	**(2,614)**	**-**	**2,614**	**-**
	2022 $				
Floating rate instruments					
Cash at bank	7,004,724	(6,462)	-	6,462	-
	7,004,724	(6,462)	-	6,462	-

(c) Net fair values

Fair value versus carrying amount

Fair value of financial instruments

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

Methodologies and assumptions

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

Notes to the Consolidated Financial Statements

	Note	30 June 2023 Carrying amount $	30 June 2023 Net fair value $	30 June 2022 Carrying amount $	30 June 2022 Net fair value $
Assets carried at amortised cost					
Trade and other receivables		**346,495**	**346,495**	167,744	167,744
Total financial assets		**346,495**	**346,495**	167,744	167,744
Liabilities carried at amortised cost					
Trade and other payables	13	**435,832**	**435,832**	585,702	585,702
Financial liabilities	14	**3,622,000**	**3,622,000**	6,135,251	6,135,251
Total Financial Liabilities		**4,057,832**	**4,057,832**	6,720,953	6,720,953

Fair value hierarchy

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

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

	Note	Fair value measurement using: Total $	Level 1 $	Level 2 $	Level 3 $
Financial liabilities measured at fair value - 2023					
Convertible liabilities	13	**3,622,000**	**-**	3,622,000	-
Total financial assets		**3,622,000**	**-**	3,622,000	-

There were no transfers between Level 1, Level 2 and Level 3 during 2022.

	Note	Fair value measurement using: Total $	Level 1 $	Level 2 $	Level 3 $
Financial liabilities measured at fair value - 2022					
Convertible liabilities	13	6,135,251	-	6,135,251	-
Total financial assets		6,135,251	-	6,135,251	-

Notes to the Consolidated Financial Statements

15. Issued capital

Accounting Policy

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

(a) Ordinary shares	2023 $	2022 $	2023 Number	2022 Number
Issued and fully paid	**102,845,906**	102,845,906	**590,205,277**	539,900,237
Movements in shares on issue				
At the beginning of the year	**102,845,906**	98,808,042	**560,033,776**	539,900,237
Exercise of performance rights	**237,646**	2,210,187	**1,996,896**	9,120,749
Shares issued to employees	**-**	18,600	**-**	120,000
Entitlement issue(i)	**3,332,381**	1,500,000	**28,174,605**	9,392,790
Shares issued to third party	**-**	328,000	**-**	1,500,000
Share issue costs	**(37,803)**	(18,923)	**-**	-
At the end of the year	**106,378,131**	102,845,906	**590,205,277**	560,033,776

(i) Repayment of borrowings as per the share placement agreement – Refer Note 13.

(b) Share options

Listed share options	2023 Number	2022 Number
At the beginning of the year	-	100,955,266
Options issued	-	-
Options exercised	-	(8,120,749)
Options expired	-	(92,834,517)
At the end of the year	-	-

(c) Share options

Unlisted share options	2023 Number	2022 Number
At the beginning of the year	**15,000,000**	17,000,000
Options issued	**-**	-
Options exercised	**-**	(1,000,000)
Options expired	**-**	(1,000,000)
At the end of the year	**15,000,000**	15,000,000

Notes to the Consolidated Financial Statements

	2023 Number	2022 Number
(d) Performance rights		
Unlisted performance rights		
At the beginning of the year	**60,000**	120,000
Performance rights issued	**3,682,784**	60,000
Performance rights converted	**(1,996,896)**	(120,000)
At the end of the year	**1,745,888**	60,000

Refer note 16 for further details on performance rights issued.

16. Share based payments

Accounting Policy

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

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

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

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

Share based payment expense

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

	2023 $	2022 $
Shares issued to employees	**-**	-
Shares issued to Advisors	**-**	153,000
Options issued to directors	**80,911**	281,602
Performance rights issued to employees	**165,598**	29,237
Performance rights issued to KMPs	**174,914**	-
Performance Rights issued to non-exec directors	**56,250**	-
Total	**477,673**	463,839

Notes to the Consolidated Financial Statements

Share Option Plan

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

	2023		2022	
	Number of Options	**Weighted average exercise price (cents)**	Number of Options	Weighted average exercise price (cents)
Outstanding 1 July	**15,000,000**	25.0	37,630,904	21.6
Issued	**-**	-	-	-
Exercised	**-**	-	(1,000,000)	0.18
Traded / Sold	**-**	-	-	-
Lapsed	**-**	-	(21,630,904)	24.8
Outstanding 30 June	**15,000,000**	25.0	15,000,000	25.0

Share-based payments – Options issued

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

Grant Date	Expiry Date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired/ lapsed during the year	Balance at the end of the year	Vested and exercisable during the year
			Number	Number	Number	Number	Number	Number
Unlisted options:								
8 Nov 2019	8 Nov 2023	$0.25	9,000,000	-	-	-	9,000,000	9,000,000
6 Jan 2020	8 Nov 2023	$0.25	1,000,000	-	-	-	1,000,000	1,000,000
17 Dec 2020	8 Nov 2023	$0.25	5,000,000	-	-	-	5,000,000	5,000,000

The weighted average remaining contractual life of the options is 0.25 years (2022: 1.25 years).

Share-based payments – Performance rights issued

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 financial year ended 30 June 2023, the company has issued 3,682,784 PRs to Directors, employees and Key Management Personnel.

Notes to the Consolidated Financial Statements

The above includes 1,050,000 Performance Rights issued 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 reserves.

Performance rights issued to Non-Executive Directors

Vesting Conditions	Tranche 1 Vested	Tranche 2 Unvested	Tranche 3 Unvested	Total
Share Price[1]	Nil	$0.35	$0.45	
Sales (AUD)[2]	Nil	$2 million	$5 million	
NED Name	Number of Rights	Number of Rights	Number of Rights	Total
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:

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. These rights have been valued at the share price on the grant date. These rights were valued using a hybrid share option pricing model with the same inputs used above in Note 1.

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.
- No valuation assumptions required as these are non-financial targets

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%.

Notes to the Consolidated Financial Statements

Performance rights issued to Employees & KMPs (excluding Non-Executive Directors)

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	01/08/2022	0.13	02/09/2022
KMP *	1,345,490	01/08/2022	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

Vesting conditions for Performance Rights issued to employees (excluding Non-Executive Directors):

1. Share Price Target: $0.30
2. Total Revenue Target: $1 million
3. Continued employment with the company on date of issue of Performance Rights
4. Completion of personal KPIs
5. If a Share Price or a Total Revenue Vesting Condition is partially met, a proportionate percentage of Performance Rights in the applicable Tranche will vest. For example, if FY22 Sales Revenue was $500,000, 20% of the Performance Rights in Tranche 1 will vest (being 50% of 40%).

The weighting applied to each KPI for individual employees is dependent on their role and their impact on the KPIs.

17. Reserves and accumulated losses

Accounting Policy

The share based payments reserve holds the directly attributable cost of services provided pursuant to the options issued to corporate advisors, directors, employees and past directors of the Group.

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Notes to the Consolidated Financial Statements

18. Statement of cash flow reconciliation

	2023 $	2022 $
(a) Reconciliation of net loss after tax to net cash flows from operations		
Net Loss	**(5,422,321)**	(5,033,108)
Adjusted for:		
Depreciation	**473,588**	248,480
Amortisation	**27,249**	22,802
Impairment of intangible asset	**-**	-
Write back/impairment of inventory	**-**	-
(Gain)/loss on sale of property, plant and equipment	**-**	-
Share based payments expensed	**477,673**	463,839
Options expensed	**819,130**	-
Shares issued to employees as payment for deferred salaries	**-**	-
Foreign exchange loss/(gains)	**25,157**	(11,662)
Changes in assets/liabilities		
(Increase)/decrease in trade and other receivables	**(178,751)**	(81,729)
(Increase)/decrease in inventory	**850,836**	382,311
(Increase)/decrease in prepayments	**(478,262)**	(11,690)
Decrease in other assets	**-**	-
(Decrease)/increase in trade and other payables	**3,400**	(378,652)
Net cash (used in) operating activities	**(3,402,301)**	(4,399,409)

(b) Non-cash investing and financing activities

	2023 $	2022 $
ROU Asset recognised	**551,029**	-
Performance Rights issued to employees	**240,026**	292,239
Non-cash investing and financing activities	**791,055**	292,239

19. Commitments

The Group has no commitments which are not recorded on the statement of financial position as at 30 June 2023. (2022: Nil)..

Notes to the Consolidated Financial Statements

20. Results of the parent company

	2023 $	2022 $
Current Assets		
Cash and cash equivalents	**2,559,762**	6,415,391
Trade and other receivables	**346,495**	125,744
Inventory	**1,759,014**	1,821,713
Other current assets	**171,158**	102,449
Total current assets	**4,836,429**	8,465,297
Non-current assets		
Property, plant and equipment	**2,476,171**	2,837,379
Right of use asset	**579,151**	162,179
Inventory	**2,215,238**	2,851,875
Investment in subsidiaries	**650,000**	650,000
Investment	**229,244**	211,906
Total non-current assets	**6,149,804**	6,713,338
Total assets	**10,986,233**	15,178,636
Liabilities		
Current liabilities		
Trade and other payables	**3,807,648**	6,539,994
Employee liabilities	**178,953**	132,776
Lease Liabilities	**530,656**	178,489
Total current liabilities	**4,517,257**	6,851,259
Non-current liabilities		
Lease Liabilities	**-**	-
Total non-current liabilities	**-**	-
Total liabilities	**4,517,257**	6,851,259
Net Assets	**6,468,974**	8,327,377
Equity		
Issued capital	**106,378,129**	102,845,906
Share based payments reserve	**6,171,889**	5,931,862
Other reserves	**-**	-
Accumulated losses	**(106,081,044)**	(100,450,391)
Total equity	**6,468,974**	8,327,377
Results of the parent entity:		
Loss for the period	**(5,630,655)**	(5,338,462)
	(5,630,655)	(5,338,462)

Notes to the Consolidated Financial Statements

21. Events since the end of the financial year

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

22. Related party transactions

Compensation for key management personnel

The key management personnel compensation included in employee benefits expense (note 4) and share-based payments (note 17), is as follows:

	2023 $	2022 $
Short term employee benefits	**871,474**	963,804
Share based payments	**312,074**	290,602
	1,183,548	1,254,406

Transactions with other related parties

There were no loans to/from related parties in 2023 (2022: Nil)

Subsidiaries

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

	Principal activity in the year	Proportion of voting rights and shares held 2023	2022	Class of shares held	Place of Incorporation
First Graphene (UK) Ltd	Graphene sales and R&D	100%	100%	Ordinary	England & Wales
MRL Investments (Pvt) Ltd	Holding company	100%	100%	Ordinary	Sri Lanka
MRL Graphene (Pvt) Ltd	Graphene Mining and exploration	100%	100%	Ordinary	Sri Lanka
2D Fluidics Pty Ltd	Development and sale of VFD, TTF and other 2D devices and materials	66.67%	66.67%	Ordinary	Australia

Notes to the Consolidated Financial Statements

23. Auditors' remuneration

Services provided by the Group's auditor (in tenure as auditor) and associated firms

During the year, the Group (including its overseas subsidiaries) obtained the following services from BDO Audit (W.A.) Pty Ltd as detailed below:

Auditors' remuneration	2023 $	2022 $
Remuneration of the auditor of the Group for:		
- Audit services – BDO Audit (WA) Pty Ltd	**74,346**	62,294
- Taxation services – BDO Corporate Tax (WA) Pty Ltd	**56,873**	50,668
	131,219	112,962

24. Right of Use (ROU) - Asset

30 June 2023	ROU Asset (a)	ROU Accum. Dep (b)	Total ROU Asset (a) + (b)	ROU Liability (c)	Net ROU Assets (a) + (b) – (c)
Carrying amount at beginning of year	**579,169**	**(416,990)**	**162,179**	**178,489**	**(16,311)**
Additions	551,029		551,029	551,029	-
Depreciation	-	(134,057)	(134,057)	(198,863)	64,806
Carrying amount at end of year	**1,130,199**	**(551,047)**	**579,151**	**530,656**	**48,495**

The addition of 551,029 for both the Right of use asset and liabilities refers to the renewal of lease for the manufacturing plant at 1 Sepia close, Henderson for another 5 years.

Calculation for the lease liability and asset was done in accordance to AASB 16

Directors' Declaration

The Directors declare:

1. the financial statements and notes, as set out on pages 19 to 54 are in accordance with the Corporations Act 2001 and:
    a. comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
    b. give a true and fair view of the financial position as at 30 June 2023 and of the performance for the year ended on this date of the consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have each declared:
    a. the financial records of the consolidated group for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
    b. the financial statements, and the notes for the financial year comply with the accounting standards; and
    c. the financial statements and notes for the financial year give a true and fair view; and
3. in the directors' opinion, there are reasonable grounds to believe the consolidated group will be able to pay its debts as and when they become due and payable.
4. the consolidated group has included in the notes to the financial statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards
5. the remuneration disclosures set out in the Directors' Report on pages 10 to 16 as the audited Remuneration Report) comply with section 300A of the Corporations Act 2001;

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

Michael Bell
Managing Director
22 September 2023

Independent Auditor's Report

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of First Graphene Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of First Graphene Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

BDO

Material uncertainty related 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 opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of Inventory

Key audit matter	***How the matter was addressed in our audit***
The Group's inventory, as disclosed in Note 9 to the financial report, was a key audit matter as the inventory costing and net realisable value ("NRV") calculations require significant estimates and judgements. The determination of NRV of the inventory requires management's judgement in relation to estimating future selling prices, future processing costs and related selling costs.	Our audit procedures included, but were not limited to: • assessing the NRV of inventory against the requirements of the Australian Accounting Standards, including comparing managements estimated future selling prices to customer contracts in place at year end; • testing on a sample basis, the reasonableness of the costs capitalised into inventory against the requirements of Australian Accounting Standards; • observing the year end stocktake process and undertaking our own test counts; and • assessing the adequacy of the related disclosures in Note 9 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

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

This description forms part of our auditor's report.

BDO

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 17 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of First Graphene Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth

22 September 2023

Additional Securities Exchange Information

(note, this information does not form part of the audited financial statements)

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. This information is complete as at 15 August 2023.

a) Distribution of Shareholdings – Fully Paid Ordinary Shares:

Size of Holding	Number of Shareholders	Number of Share
1 – 1,000	181	33,549
1,001 – 5,000	1,446	4,950,700
5,001 – 10,000	1,087	8,529,794
10,001 – 100,000	2,305	80,547,558
100,001 and over	471	496,143,676
	5,490	**590,205,277**

Equity Security	Quoted	Unquoted
Fully Paid ordinary shares	590,205,277	0
Options	0	15,000,000

Additional Securities Exchange Information

b) Top 20 Security Holders – Fully Paid Ordinary Shares (FGR) at 15 August 2023

Position	Holder Name	Holding	%
1	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	164,951,679	27.95%
2	CITICORP NOMINEES PTY LIMITED	33,495,447	5.68%
3	BNP PARIBAS NOMS PTY LTD <DRP>	25,158,918	4.26%
4	TWYNAM INVESTMENTS PTY LTD	21,659,589	3.67%
5	GREGORACH PTY LTD	15,685,946	2.66%
6	BUILDING ON THE ROCK LIMITED	14,685,000	2.49%
7	IPS Holdings	13,828,400	2.34%
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,420,734	2.27%
9	DEBT MANAGEMENT ASIA CORPORATION	12,357,146	2.09%
10	GINGA PTY LTD	5,858,664	0.99%
11	WILLIAM TAYLOR NOMINEES PTY LTD	4,465,959	0.76%
12	MR RICHARD HOPETOUN BITCON	2,860,000	0.48%
13	IPS NOMINEES LIMITED	2,759,611	0.47%
14	MR ADAM O'DONNELL FERRIS	2,500,000	0.42%
14	MR RYAN JEHAN ROCKWOOD	2,500,000	0.42%
15	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,327,639	0.39%
16	GREGORACH PTY LTD <GRIGOR SUPERFUND A/C>	2,187,826	0.37%
17	BISSAPP SOFTWARE PTY LTD <SUPER FUND ACCOUNT>	2,149,496	0.36%
18	MR MICHAEL ALAN ANTOSKA & MRS ELISA ANTOSKA	2,054,710	0.35%
19	GINGA PTY LTD <THOMAS G KLINGER FAMILY A/C>	1,783,509	0.30%
20	MRS TERRI FRANCES YOUD	1,770,500	0.30%
	Total	**348,460,773**	**59.04%**
	Total issued capital - selected security class(es)	**590,205,277**	**100.00%**

Shareholders with less than a marketable parcel

At 15 August 2023, there were 1,893 shareholders holding less than a marketable parcel of shares ($0.08 cents on this date) in the Company totalling 6,552,431 ordinary shares. This represented 1.1% of the issued capital.

Additional Securities Exchange Information

c) Licence Position as at 24 August 2023

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

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

CORPORATE DIRECTORY

Directors

Warwick Grigor (Non-Executive Chairman)

Dr Andy Goodwin (Non-Executive Director)

Michael Quinert (Non-Executive Director)

Michael Bell (Managing Director & CEO)

Company Secretary

Adifya Asthana

Pricipal Registered Office in Australia

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Stock Exchange Listings

The Company is listed on the **Australian Securities Exchange** under the trading code **FGR**.

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

The Company is quoted on the **OTCQ8** market in the USA under the trading code **FGPHF**.

Share Registry

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